Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Yakima-Tieton Irrigation District

For the period January 1, 2020 through December 31, 2022

Published April 25, 2024

Report No. 1034584

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Office of the Washington State Auditor
Pat McCarthy

April 25, 2024

Board of Directors
Yakima-Tieton Irrigation District
Yakima, Washington

Report on Financial Statements

Please find attached our report on the Yakima-Tieton Irrigation District's financial statements.

We are issuing this report in order to provide information on the District's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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Yakima-Tieton Irrigation District
January 1, 2020 through December 31, 2022

Board of Directors
Yakima-Tieton Irrigation District
Yakima, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Yakima-Tieton Irrigation District, as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

April 16, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Yakima-Tieton Irrigation District
January 1, 2020 through December 31, 2022

Board of Directors
Yakima-Tieton Irrigation District
Yakima, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Yakima-Tieton Irrigation District, as of and for the years ended December 31, 2022, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Yakima-Tieton Irrigation District, as of December 31, 2022, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

April 16, 2024

FINANCIAL SECTION

Yakima-Tieton Irrigation District
January 1, 2020 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

The following discussion and analysis provides an overview of the financial position and activities of the Yakima-Tieton Irrigation District (the District or YTID), for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements.

Financial Highlights

- The total liabilities for the District were increased by $206,601 or 87.8% at the close of 2022.
- During the year, the District's total operating revenues increased from $5,008,208 in 2021, to $5,144,121 in 2022, or 2.71%. The total operating expenses for the same period increased from $5,148,233 to $6,869,322 or 33.4%.

Financial Statements

The financial statements are designed to provide the reader with a broad overview of the District's finances. These statements provide current and long-term information about the District's activities. The following statements are included in this package:

The statement of net position presents information of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents information of the District's revenues and expenses showing how the District's net position changed during the most recent fiscal year. All revenues and expenses are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information about the District's cash from operating, capital and related financing, noncapital financing, and investing activities. It explains the source of cash, how it was spent, and the change in the cash and cash equivalents balances during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The condensed statement of net position below shows that as of December 31, 2022, the total assets are $22,213,723 and total deferred outflows of resources are $410,135. The total liabilities are $441,971, total deferred inflows of resources are $397,486, and the total ending net position is $21,784,401. There is an increase in long-term liabilities from $108,751 in 2021, to $225,812 in 2022, which is 107.6%.

	2022	2021
ASSETS		
Unrestricted Current Assets	$ 5,543,137	$ 6,678,033
Investments and Other Assets	5,114,094	5,083,476
Capital Assets, Net Accumulated Depreciation	11,556,492	13,190,164
Total Assets	22,213,723	24,951,673
DEFERRED OUTFLOWS OF RESOURCES	410,135	144,744
Total Assets and Deferred Outflows of Resources	$ 22,623,858	$ 25,096,417
LIABILITIES		
Total Current Liabilities	$ 216,159	$ 126,619
Long-Term Liabilities	225,812	108,751
Total Liabilities	441,971	235,370
DEFERRED INFLOWS OF RESOURCES	397,486	1,178,173
NET POSITION		
Net Investment in Capital Assets	11,556,492	13,190,164
Restricted - Related to Pension	1,136,172	2,319,302
Unrestricted	9,091,737	8,173,408
Total Net Position	21,784,401	23,682,874
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 22,623,858	$ 25,096,417

The District has two major sources of operating revenue which are the irrigation assessments and power sales. These sources pay for the operation and maintenance activities of the District and any debt service. A power purchase agreement was executed in 2020 between the District and PacifiCorp with a term of 10 years (2021-2030) for Cowiche and Orchard Ave. Hydropower Plants.

The District's goal is to adopt a balanced budget each year, however at times the operating expenses exceed revenue collected, which results in the use of reserves. In contrast, when revenue exceeds expenses, reserves may increase, or funds dedicated to other projects as approved by the Board of Directors. The District received $212,998 and $267,110 in revenue from the Tieton Hydropower Project in 2021 and 2022, respectively. The amount of the revenue will vary from year to year based upon the power production generated by the new plant. The plant came online in September of 2006.

Nonoperating revenue will vary from year to year. It is dependent upon interest earned, interest expense, investment earnings, and grants.

The basic irrigation assessments increased by $169,435 from 2021 to 2022. Power sales decreased by 0.4% or $2,337. Power sales are directly related to water usage which varies from year to year.

Total operating expenses increased from $5,148,233 in 2021, to $6,869,322 in 2022. Operating expenses exclusive of depreciation increased by 56.9%. Total ending net position reduced from $23,682,874 in 2021, to $21,784,401 in 2022. This is a decrease of $1,898,473 compared to a decrease in 2021 of $168,776.

	2022	2021
OPERATING REVENUES		
Irrigation Assessments	$ 4,424,678	$ 4,255,243
Power Sales	627,048	629,385
Other	92,395	123,580
Total Operating Revenues	5,144,121	5,008,208
OPERATING EXPENSES	6,869,322	5,148,233
NET OPERATING LOSS	(1,725,201)	(140,025)
NONOPERATING EXPENSE	(173,272)	(28,751)
CHANGE IN NET POSITION	(1,898,473)	(168,776)
Total Net Position - Beginning of Year	23,682,874	23,851,650
TOTAL NET POSITION - END OF YEAR	$ 21,784,401	$ 23,682,874

Economic Factors and Next Year's Budget

As we stated earlier, the District's general goal is to adopt a balanced budget each year. However, sometimes expenses exceed the actual revenue received. It was anticipated that any budget shortfall would be supplemented by the reserve fund. In future budgets the revenue will need to be increased to offset the anticipated increases in operation expenses. The 2013 bond refinance reduced debt service payments starting in 2014 and continued through 2019 when the bond issue was paid off. The retirement of the 30-year debt service payment was the third time in the history of YTID that the water users of the District were able to retire an outstanding debt to improve water delivery infrastructure. The bond reserve funds were then made available to the District for future needs. Reserve funds will continue to be used to balance budgets as needed over the next few years. The future revenue from the Tieton Hydropower project may be available to help offset increased operating costs in the short-term, but it cannot be assumed that it will produce revenue to the District every year, and the amount will also vary depending on the water forecast. The 2017 Budget was the last year the District assessed for the 2013 bond issue debt service. The final payment was made from existing bond reserve funds in 2019. The Board of Directors works with the management staff to prepare, review, and adopt each year's budget and set the assessment rates in accordance with RCW Title 87. The District is also evaluating and prioritizing infrastructure and other operational needs to continue to provide service to the water users. This will require future budgets to be increased to reflect these needs.

Conclusion

We believe the overall financial status of the District is good. The operation and maintenance programs used by the District are expected to keep the delivery system and infrastructure in good service for the near future. A cautionary comment is in order here as 2021 was the 35th year of service under the pressurized system. The main canal has been in service since 1910. Costs to operate and maintain will continue to increase as the system gets older even with a good maintenance program. Power revenues from the two hydropower plants will increase 2022 through 2030 based upon the power purchase agreement with PacifiCorp. The reduction in debt service improved the financial status from 2012 through 2016 and retirement of other long-term debt in 2019 increased the District reserve funds for uses other than the bond issue requirements. The need to increase assessments for operation and maintenance costs and facility improvements is an important issue for the District. In 2013, the District also began the planning process for replacement or upgrade of the 12-mile-long main canal. Outside funding from the federal and state government to start this process has been obtained, but the District must also fund this effort. Therefore, a plan to increase assessments for capital improvements and other operational needs will be necessary for the long-term delivery of water. The District Board of Directors and the management staff will continue to make prudent decisions to balance the economic realities facing the patrons of the District, the changing and difficult challenges facing irrigation districts, and the rising operation and maintenance costs.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's accountability for all those interested. If you should have additional questions regarding the financial information, please contact our office in writing at the following address:

Yakima-Tieton Irrigation District
Attn: Shaelyn Molvik or Richard Dieker
470 Camp 4 Road
Yakima, WA 98908

The following discussion and analysis provides an overview of the financial position and activities of the Yakima-Tieton Irrigation District (the District or YTID), for the fiscal year ended December 31, 2021. Please read it in conjunction with the District's financial statements.

Financial Highlights

- The total liabilities for the District were reduced $568,218 or 70.7% at the close of 2021.
- During the year, the District's total operating revenues increased from $4,850,622 in 2020, to $5,008,208 in 2021, or 3.25%. The total operating expenses for the same period decreased from $5,498,977 to $5,148,233 or 6.4%.

Financial Statements

The financial statements are designed to provide the reader with a broad overview of the District's finances. These statements provide current and long-term information about the District's activities. The following statements are included in this package:

The statement of net position presents information of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents information of the District's revenues and expenses showing how the District's net position changed during the most recent fiscal year. All revenues and expenses are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information about the District's cash from operating, capital and related financing, noncapital financing, and investing activities. It explains the source of cash, how it was spent, and the change in the cash and cash equivalents balances during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The condensed statement of net position below shows that as of December 31, 2021, the total assets are $24,951,673 and total deferred outflows of resources are $144,744. The total liabilities are $235,370, total deferred inflows of resources are $1,178,173, and the total ending net position is $23,682,874. There is a decrease in long-term liabilities from $443,860 in 2020, to $108,751 in 2021, which is 75.5%.

	2021	2020
ASSETS		
Unrestricted Current Assets	$ 6,678,033	$ 5,860,690
Investments and Other Assets	5,083,476	4,067,172
Capital Assets, Net Accumulated Depreciation	13,190,164	14,703,914
Total Assets	24,951,673	24,631,776
DEFERRED OUTFLOWS OF RESOURCES	144,744	159,551
Total Assets and Deferred Outflows of Resources	$ 25,096,417	$ 24,791,327
LIABILITIES		
Total Current Liabilities	$ 126,619	$ 359,728
Long-Term Liabilities	108,751	443,860
Total Liabilities	235,370	803,588
DEFERRED INFLOWS OF RESOURCES	1,178,173	136,089
NET POSITION		
Net Investment in Capital Assets	13,190,164	14,703,914
Restricted - Related to Pension	2,319,302	-
Unrestricted	8,173,408	9,147,736
Total Net Position	23,682,874	23,851,650
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 25,096,417	$ 24,791,327

The District has two major sources of operating revenue which are the irrigation assessments and power sales. These sources pay for the operation and maintenance activities of the District and any debt service. A power purchase agreement was executed in 2020 between the District and PacifiCorp with a term of 10 years (2021-2030) for Cowiche and Orchard Ave. Hydropower Plants.

The District's goal is to adopt a balanced budget each year, however at times the operating expenses exceeds revenue collected, which results in the use of reserves. In contrast, when revenue exceeds expenses, reserves may increase, or funds dedicated to other projects as approved by the Board of Directors. The District received $184,599 and $212,998 in revenue from the Tieton Hydropower Project in 2020 and 2021, respectively. The amount of the revenue will vary from year to year based upon the power production generated by the new plant. The plant came online in September of 2006.

Nonoperating revenue will vary from year to year. It is dependent upon interest earned, interest expense, investment earnings, and grants.

The basic irrigation assessments increased by $4,016 from 2020 to 2021. Power sales increased by 37.3% or $170,871. Power sales are directly related to water use which varies from year to year.

Total operating expenses decreased from $5,498,977 in 2020, to $5,148,233 in 2021. Operating expenses exclusive of depreciation decreased by 10.5%. Total ending net position reduced from $23,851,650 in 2020, to $23,682,874 in 2021. This is a decrease of $168,776 compared to a decrease in 2020 of $470,037.

	2021	2020
OPERATING REVENUES		
Irrigation Assessments	$ 4,255,243	$ 4,251,227
Power Sales	629,385	458,514
Other	123,580	140,881
Total Operating Revenues	5,008,208	4,850,622
OPERATING EXPENSES	5,148,233	5,498,977
NET OPERATING LOSS	(140,025)	(648,355)
NONOPERATING REVENUE (EXPENSE)	(28,751)	178,318
LOSS BEFORE CAPITAL CONTRIBUTIONS	(168,776)	(470,037)
CHANGE IN NET POSITION	(168,776)	(470,037)
Total Net Position - Beginning of Year	23,851,650	24,321,687
TOTAL NET POSITION - END OF YEAR	$ 23,682,874	$ 23,851,650

Economic Factors and Next Year's Budget

As we stated earlier, the District's general goal is to adopt a balanced budget each year. However, sometimes expenses exceed actual revenue received. It was anticipated that any budget shortfall would be supplemented by the reserve fund. In future budgets the revenue will need to be increased to offset the anticipated increases in operation expenses. The 2013 bond refinance reduced debt service payments starting in 2014 and continued through 2019 when the bond issue was paid off. The retirement of the 30-year debt service payment was the third time in the history of YTID that the water users of the District were able to retire an outstanding debt to improve water delivery infrastructure. The bond reserve funds were then made available to the District for future needs. Reserve funds will continue to be used to balance budgets as needed over the next few years. The future revenue from the Tieton Hydropower project may be available to help offset increased operating costs in the short-term, but it cannot be assumed that it will produce revenue to the District every year, and the amount will also vary depending on the water forecast. The 2017 Budget was the last year the District assessed for the 2013 bond issue debt service. The final payment was made from existing bond reserve funds in 2019. The Board of Directors works with the management staff to prepare, review, and adopt each year's budget and set the assessment rates in accordance with RCW Title 87. The District is also evaluating and prioritizing infrastructure and other operational needs to continue to provide service to the water users. This will require future budgets to be increased to reflect these needs.

Conclusion

We believe the overall financial status of the District is good. The operation and maintenance programs used by the District are expected to keep the delivery system and infrastructure in good service for the near future. A cautionary comment is in order here as 2021 was the 35th year of service under the pressurized system. The main canal has been in service since 1910. Costs to operate and maintain will continue to increase as the system gets older even with a good maintenance program. Power revenues from the two hydropower plants will increase 2022 through 2030 based upon the power purchase agreement with PacifiCorp. The reduction in debt service improved the financial status from 2012 through 2016 and retirement of other long-term debt in 2019 increased the District reserve funds for uses other than the bond issue requirements. The need to increase assessments for operation and maintenance costs and facility improvements is an important issue for the District. In 2013, the District also began the planning process for replacement or upgrade of the 12-mile-long main canal. Outside funding from the federal and state government to start this process has been obtained, but the District must also fund this effort. Therefore, a plan to increase assessments for capital improvements and other operational needs will be necessary for the long-term delivery of water. The District Board of Directors and the management staff will continue to make prudent decisions to balance the economic realities facing the patrons of the District, the changing and difficult challenges facing irrigation districts, and the rising operation and maintenance costs.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's accountability for all those interested. If you should have additional questions regarding the financial information, please contact our office in writing at the following address:

Yakima-Tieton Irrigation District
Attn: Shaelyn Molvik or Richard Dieker
470 Camp 4 Road
Yakima, WA 98908

The following discussion and analysis provides an overview of the financial position and activities of the Yakima-Tieton Irrigation District (the District), for the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements.

Financial Highlights

- The total liabilities for the District were reduced $84,803 or 9.5% at the close of 2020.
- During the year, the District's total operating revenues increased from $4,482,379 in 2019, to $4,850,622 in 2020, or 8.22%. The total operating expenses for the same period increased from $5,356,198 to $5,498,977 or 2.7%.

Financial Statements

The financial statements are designed to provide the reader with a broad overview of the District's finances. These statements provide current and long-term information about the District's activities. The following statements are included in this package:

The statement of net position presents information of the Districts assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net position presents information of the District's revenues and expenses showing how the District's net position changed during the most recent fiscal year. All revenues and expenses are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents information about the District's cash from operating, capital and related financing, noncapital financing, and investing activities. It explains the source of cash, how it was spent, and the change in the cash and cash equivalents balances during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The condensed statement of net position below shows that as of December 31, 2020, the total assets are $24,631,776 and total deferred outflows of resources are $159,551. The total liabilities are $803,588, total deferred inflows of resources are $136,089, and the total ending net position is $23,851,650. There is an increase in long-term liabilities from $414,869 in 2019, to $443,860 in 2020, which is 7%.

	2020	2019
ASSETS		
Unrestricted Current Assets	$ 5,860,690	$ 5,550,908
Investments and Other Assets	4,067,172	4,020,480
Capital Assets, Net Accumulated Depreciation	14,703,914	15,766,437
Total Assets	24,631,776	25,337,825
DEFERRED OUTFLOWS OF RESOURCES	159,551	122,861
Total Assets and Deferred Outflows of Resources	$ 24,791,327	$ 25,460,686
LIABILITIES		
Total Current Liabilities	$ 359,728	$ 473,522
Long-Term Liabilities	443,860	414,869
Total Liabilities	803,588	888,391
DEFERRED INFLOWS OF RESOURCES	136,089	250,608
NET POSITION		
Net Investment in Capital Assets	14,703,914	15,766,437
Unrestricted	9,147,736	8,555,250
Total Net Position	23,851,650	24,321,687
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 24,791,327	$ 25,460,686

The District has two major sources of operating revenue. They are the irrigation assessments and power sales. These sources pay for the operation and maintenance activities of the District and any debt service. The current term of the power purchase agreement between the District and PacifiCorp for Cowiche and Orchard Ave/ Hydropower plants ends in 2020. An updated power purchase agreement for the two plants was executed in 2020 between the District and PacifiCorp with a term of 10 years from 2021 through 2030. For 2019 through 2020 the District averaged between three and four cents per kwh for the power generated by these two plants.

In 2019 a balanced budget was adopted, however at year-end 2020 the operating expenses exceeded revenue collected, which resulted in the use of reserves. The District received $144,551 and $184,599 in revenue from the Tieton Hydropower Project in 2019 and 2020, respectively. The amount of the revenue will vary from year to year based upon the power production generated by the new plant. The plant came online in September of 2006.

Nonoperating revenue will vary from year to year. It is dependent upon interest earned, interest expense, investment earnings, and grants.

The basic irrigation assessments increased on average $2.35 per share and the amount of total assessments received increased by 5.9% or approximately $236,592 from 2019 to 2020. Power sales increased by 29.8% or $105,297. Power sales are directly related to water use which varies from year to year.

Total operating expenses increased from $5,356,198 in 2019, to $5,498,977 in 2020. Operating expenses exclusive of depreciation increased 4%. Total ending net position reduced from $24,321,687 in 2019, to $23,851,650 in 2020. This is a decrease of $470,037 compared to a decrease in 2019 of $866,672.

	2020	2019
OPERATING REVENUES		
Irrigation Assessments	$ 4,251,227	$ 4,014,635
Power Sales	458,514	353,217
Other	140,881	114,527
Total Operating Revenues	4,850,622	4,482,379
OPERATING EXPENSES	5,498,977	5,356,198
NET OPERATING LOSS	(648,355)	(873,819)
NONOPERATING REVENUE (EXPENSE)	178,318	7,147
LOSS BEFORE CAPITAL CONTRIBUTIONS	(470,037)	(866,672)
CHANGE IN NET POSITION	(470,037)	(866,672)
Total Net Position - Beginning of Year	24,321,687	25,188,359
TOTAL NET POSITION - END OF YEAR	$ 23,851,650	$ 24,321,687

Economic Factors and Next Year's Budget

The Covid 19 pandemic had an impact on the economy in 2020. The District was able to carry on its core function of water delivery despite the challenges and changes needed to safely operate. In 2019 and 2020, the District adopted balanced budgets, but sometimes expenses exceeded actual revenue received. It was anticipated that any budget shortfall would be supplemented by the reserve fund. In future budgets the revenue will need to be increased to offset the anticipated increases in operation expenses. The 2013 bond refinance reduced debt service payments starting in 2014 and continued through 2019 when the bond issue was paid off. The retirement of the 30-year debt service payment was the third time in the history of YTID that the Water users of the District were able to retire an outstanding debt to improve water delivery infrastructure. The bond reserve funds were then made available to the District for future needs. Reserve funds will continue to be used to balance budgets as needed over the next few years. The future revenue from the Tieton Hydropower project may be available to help offset increased operating costs in the short-term, but it cannot be assumed that it will produce revenue to the District every year, and the amount will also vary depending on the water forecast. The 2017 Budget was the last year the District assessed for the 2013 bond issue debt service. The final payment was made from existing bond reserve funds in 2019. The Board of Directors works with the management staff to prepare, review, and adopt each year's budget and set the assessment rates in accordance with RCW Title 87. The District is also planning by evaluating and prioritizing infrastructure and other operational needs to continue to provide service to the water users. This will require future budgets to be increased to reflect these needs.

Conclusion

We believe the overall financial status of the District is good. The operation and maintenance programs used by the District are expected to keep the delivery system and infrastructure in good service for the near future. A cautionary comment is in order here as 2020 was the 34th year of service under the pressurized system. The main canal has been in service since 1910. Costs to operate and maintain will continue to increase as the system gets older even with a good maintenance program. Power revenues from the two hydropower plants will increase 2021 through 2030 based upon the updated power purchase agreement with PacifiCorp. The reduction in debt service improved the financial status from 2012 through 2016 and retirement of other long-term debt in 2019 increased the District reserve funds for uses other than the bond issue requirements. The need to increase assessments for operation and maintenance costs and facility improvements is an important issue for the District. In 2013 the District also began the planning process for replacement or upgrade of the 12-mile-long main canal. Outside funding from the federal and state government to start this process has been obtained, but the district must also fund this effort. Therefore, a plan to increase assessments for capital improvements and other operational needs will be necessary for the long-term delivery of water. The District Board of Directors and the management staff will continue to make prudent decisions to balance the economic realities facing the patrons of the District, the changing and difficult challenges facing irrigation districts, and the rising operation and maintenance costs.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's accountability for all those interested. If you should have additional questions regarding the financial information, please contact our office in writing at the following address:

> Yakima-Tieton Irrigation District
> Attn: Richard Dieker
> 470 Camp 4 Road
> Yakima, WA 98908

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Cash Equivalents	$ 3,827,673
Assessments Receivable	178,539
Inventories	306,643
Prepaid Expenses	265,477
Investments	964,805
Total Current Assets	5,543,137
NONCURRENT ASSETS	
Water Shares	9,900
Net Pension Asset	391,091
Investments	4,713,103
Capital Assets Not Being Depreciated:	
Land	99,770
Work in Progress	2,988,082
Capital Assets Being Depreciated:	
Canals, Laterals, and Bridges	81,336,671
Buildings and Homes	680,270
Equipment	1,999,182
Software	75,193
Total	87,179,168
Less: Accumulated Depreciation	75,622,676
Total Capital Assets	11,556,492
Total Noncurrent Assets	16,670,586
Total Assets	22,213,723
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	410,135
Total Assets and Deferred Outflows of Resources	$ 22,623,858

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Trade Payables	$ 125,801
Payroll, Taxes, and Retirement	90,358
Total Current Liabilities	216,159
NONCURRENT LIABILITIES	
Net Pension Liability	225,812
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	397,486
NET POSITION	
Net Investment in Capital Assets	11,556,492
Restricted - Related to Pension	1,136,172
Unrestricted	9,091,737
Total Net Position	21,784,401
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 22,623,858

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Cash Equivalents	$ 3,899,441
Assessments Receivable	189,274
Inventories	299,481
Prepaid Expenses	265,477
Investments	2,024,360
Total Current Assets	6,678,033
NONCURRENT ASSETS	
Water Shares	9,900
Pension Asset	1,141,102
Investments	3,932,474
Capital Assets not Being Depreciated:	
Land	99,770
Work in Progress	2,692,733
Capital Assets Being Depreciated:	
Canals, Laterals, and Bridges	81,216,156
Buildings and Homes	672,910
Equipment	2,006,844
Total	86,688,413
Less: Accumulated Depreciation	73,498,249
Total Capital Assets	13,190,164
Total Noncurrent Assets	18,273,640
Total Assets	24,951,673
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	144,744
Total Assets and Deferred Outflows of Resources	$ 25,096,417

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Trade Payables	$ 39,065
Payroll, Taxes, and Retirement	87,554
Total Current Liabilities	126,619
NONCURRENT LIABILITIES	
Net Pension Liability	108,751
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	1,178,173
NET POSITION	
Net Investment in Capital Assets	13,190,164
Restricted - Related to Pension	2,319,302
Unrestricted	8,173,408
Total Net Position	23,682,874
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 25,096,417

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Cash Equivalents	$ 3,193,155
Assessments Receivable	140,009
Inventories	242,729
Prepaid Expenses	270,477
Investments	2,014,320
Total Current Assets	5,860,690
NONCURRENT ASSETS	
Water Shares	9,900
Investments	4,057,272
Capital Assets not Being Depreciated:	
Land	99,770
Work in Progress	2,384,753
Capital Assets Being Depreciated:	
Canals, Laterals, and Bridges	80,976,321
Buildings and Homes	672,910
Equipment	1,936,731
Total	86,070,485
Less: Accumulated Depreciation	71,366,571
Total Capital Assets	14,703,914
Total Noncurrent Assets	18,771,086
Total Assets	24,631,776
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	159,551
Total Assets and Deferred Outflows of Resources	$ 24,791,327

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Trade Payables	$ 246,262
Payroll, Taxes, and Retirement	113,466
Total Current Liabilities	359,728
NONCURRENT LIABILITIES	
Net Pension Liability	443,860
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	136,089
NET POSITION	
Net Investment in Capital Assets	14,703,914
Unrestricted	9,147,736
Total Net Position	23,851,650
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 24,791,327

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES	
Irrigation Assessments	$ 4,424,678
Power Sales	627,048
Other	92,395
Total Operating Revenues	5,144,121
OPERATING EXPENSES	
U.S. Bureau of Reclamation Storage Assessments	218,004
Labor	931,706
Employee Benefits and Payroll Taxes	245,859
Materials and Supplies	88,508
Repairs	1,770,815
Utilities	381,117
Communications	25,445
Insurance	219,731
Depreciation and Amortization	2,143,469
General and Administrative	844,668
Total Operating Expenses	6,869,322
LOSS FROM OPERATIONS	(1,725,201)
NONOPERATING REVENUE (EXPENSE)	
Interest Earned	99,630
Realized Loss on Investments	(26,864)
Unrealized Loss on Investments	(251,038)
Gain on Disposal of Capital Assets	5,000
Total Nonoperating Revenue (Expense)	(173,272)
CHANGE IN NET POSITION	(1,898,473)
Total Net Position - Beginning of Year	23,682,874
TOTAL NET POSITION - END OF YEAR	$ 21,784,401

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES	
Irrigation Assessments	$ 4,255,243
Power Sales	629,385
Other	123,580
Total Operating Revenues	5,008,208
OPERATING EXPENSES	
U.S. Bureau of Reclamation Storage Assessments	213,563
Labor	927,606
Employee Benefits and Payroll Taxes	26,123
Materials and Supplies	77,925
Repairs	599,555
Utilities	345,099
Communications	41,838
Insurance	30,797
Depreciation and Amortization	2,136,429
General and Administrative	749,298
Total Operating Expenses	5,148,233
LOSS FROM OPERATIONS	(140,025)
NONOPERATING REVENUE (EXPENSE)	
Interest Earned	83,007
Realized Gain (Loss) on Investments	(25,325)
Unrealized Gain (Loss) on Investments	(89,433)
Gain on Disposal of Capital Assets	3,000
Total Nonoperating Revenue (Expense)	(28,751)
CHANGE IN NET POSITION	(168,776)
Total Net Position - Beginning of Year	23,851,650
TOTAL NET POSITION - END OF YEAR	$ 23,682,874

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2020

OPERATING REVENUES	
Irrigation Assessments	$ 4,251,227
Power Sales	458,514
Other	140,881
Total Operating Revenues	4,850,622
OPERATING EXPENSES	
U.S. Bureau of Reclamation Storage Assessments	138,963
Labor	953,459
Employee Benefits and Payroll Taxes	345,538
Materials and Supplies	82,475
Repairs	496,033
Utilities	337,112
Communications	32,370
Insurance	197,719
Depreciation and Amortization	2,133,202
General and Administrative	782,106
Total Operating Expenses	5,498,977
LOSS FROM OPERATIONS	(648,355)
NONOPERATING REVENUE (EXPENSE)	
Interest Earned	84,370
Realized Gain on Investments	29,814
Unrealized Gain on Investments	58,134
Gain on Disposal of Capital Assets	6,000
Total Nonoperating Revenue (Expense)	178,318
CHANGE IN NET POSITION	(470,037)
Total Net Position - Beginning of Year	24,321,687
TOTAL NET POSITION - END OF YEAR	$ 23,851,650

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Water Users	$ 5,062,461
Cash Paid to Suppliers	(3,468,714)
Cash Paid to Employees	(1,353,767)
Cash Received from Other Operating Activity	92,395
Net Cash Provided by Operating Activities	332,375
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(509,797)
Proceeds from Sale of Capital Assets	5,000
Net Cash Used by Capital and Related Financial Activities	(504,797)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	99,630
Realized Investment Loss	(26,864)
Proceeds from Sale of Investments	2,026,864
Investment Purchases	(1,998,976)
Net Cash Provided by Investing Activities	100,654
NET DECREASE IN CASH AND CASH EQUIVALENTS	(71,768)
Cash and Cash Equivalents - Beginning of Year	3,899,441
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,827,673
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Loss	$ (1,725,201)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided By Operating Activities:	
Depreciation and Amortization	2,143,469
Effects of Changes in Assets and Liabilities:	
Assessments Receivable	10,735
Inventories	(7,162)
Deferred Outflows of Resources Related to Pensions	(265,391)
Trade Payables	86,736
Payroll, Taxes, and Retirement	2,804
Net Pension Asset	750,011
Net Pension Liability	117,061
Deferred Inflows of Resources Related to Pensions	(780,687)
Total Adjustments	2,057,576
Net Cash Provided by Operating Activities	$ 332,375

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Water Users	$ 4,835,363
Cash Paid to Suppliers	(2,317,024)
Cash Paid to Employees	(1,398,961)
Cash Received from Other Operating Activity	123,580
Net Cash Provided by Operating Activities	1,242,958
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(622,679)
Proceeds from Sale of Capital Assets	3,000
Net Cash Used by Capital and Related Financial Activities	(619,679)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	83,007
Realized Investment Loss	25,325
Proceeds from Sale of Investments	1,974,675
Investment Purchases	(2,000,000)
Net Cash Provided by Investing Activities	83,007
NET INCREASE IN CASH AND CASH EQUIVALENTS	706,286
Cash and Cash Equivalents - Beginning of Year	3,193,155
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,899,441
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Loss	$ (140,025)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided By Operating Activities:	
Depreciation and Amortization	2,136,429
Effects of Changes in Assets and Liabilities:	
Assessments Receivable	(49,265)
Inventories	(56,752)
Prepaid Expenses	5,000
Deferred Outflows of Resources Related to Pensions	14,807
Trade Payables	(207,197)
Payroll, Taxes, and Retirement	(25,912)
Net Pension Asset	(1,141,102)
Net Pension Liability	(335,109)
Deferred Inflows of Resources Related to Pensions	1,042,084
Total Adjustments	1,382,983
Net Cash Provided by Operating Activities	$ 1,242,958

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Water Users	$ 4,838,709
Cash Paid to Suppliers	(2,177,077)
Cash Paid to Employees	(1,445,734)
Net Cash Provided by Operating Activities	1,215,898
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(1,070,679)
Proceeds from Sale of Capital Assets	6,000
Net Cash Used by Capital and Related Financial Activities	(1,064,679)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	84,370
Proceeds from Sale of Investments	2,000,000
Investment Purchases	(2,000,000)
Net Cash Provided by Investing Activities	84,370
NET INCREASE IN CASH AND CASH EQUIVALENTS	235,589
Cash and Cash Equivalents - Beginning of Year	2,957,566
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,193,155

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Yakima-Tieton Irrigation District (the District) was organized under the laws of the state of Washington in 1918 to provide irrigation water to fruit growers and other water users located in Yakima County. The amount of water services provided can be adversely impacted by weather conditions in Eastern Washington. The current economic conditions have improved in the past year for those commodities raised in the District; however, trends are difficult to predict. Any long-term downward trend could have an impact on the District's operations.

The District is a municipal corporation governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, management has considered all potential component units in defining the reporting entity. The District has no component units.

Basis of Accounting

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). The accounting records of the District are maintained in accordance with methods prescribed by the state auditor under the authority of Chapter 43.09 RCW.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on the economic resources measurement focus and full accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses associated with the operations are included on the statement of net position and statement of revenues, expenses, and changes in fund net position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all unrestricted investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include investments in the state of Washington Treasurer's Local Government Investment Pool (LGIP). Investments in the LGIP are stated at share price which is equal to amortized cost.

Receivables

Receivables represent uncollected assessments from current and prior years. There is no provision for uncollectible assessment receivables as these represent liens against the property.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, consisting mainly of pipe, valves, turnouts, fittings, gates, and chemicals, are valued at the lower of cost (computed on the first-in, first-out basis) or net realizable value. Inventories are expensed when consumed as opposed to expensing when purchased.

Investments

Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than $7,000 and an estimated useful life in excess of one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, and overhead. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses, and changes in fund net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation is computed as follows:

	Method	Lives
Canals, Laterals, and Bridges	Straight-Line	5 to 40 Years
Buildings and Homes	Straight-Line	15 to 35 Years
Equipment	Straight-Line and Declining Balance	5 to 20 Years

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified into the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources reduced by the outstanding balances of any related bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and capital related deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted for Operations and Debt Service – This component of net position consists of the net pension asset , without addition for deferred outflows of resources related to pensions or reduction for deferred inflows of resources related to pensions, and assets restricted by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments reduced by related liabilities and deferred inflows of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District first applies restricted resources then unrestricted when both unrestricted and restricted resources are available.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consisted of contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability or addition to the net pension asset in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the District's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the District are the sale of power to power companies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, with the exception of irrigation assessments, which are reported as operating revenue.

Presentation of irrigation assessments as operating revenue results in a higher operating income. Overall, it does not affect the presentation of the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue

At December 31, 2022, other revenue consists of:

Cowiche Creek Water Assessment	$	24,854
Jobbing and Custom Work		40,535
Other Revenue		1,112
Miscellaneous Revenue		25,894
Total	$	92,395

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay, which may be accumulated up to a maximum of 200 hours as of February 15 of each year, is payable upon resignation, retirement, or death. Sick leave is accumulated during employment, with a maximum of 112 hours payable to those employees eligible for retirement.

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset only.

Financial Statement Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The District adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The District did not have any leasing arrangements as of December 31, 2022 that exceeded capitalization threshold of $7,000. As a result of the adoption of the new lease accounting guidance, the District did not recognize any right-to-use asset or lease liability, and there was no impact to the Districts net assets as of December 31, 2022.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Cash on hand at December 31, 2022 was $300. The District's bank balances as of December 31, 2022 were $1,118,410.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As required by state law, all investments of the District's funds are obligations of the U.S. Government, U.S. Government agency issues, obligations of the state of Washington, certificates of deposit with Washington State Banks, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at Amortized Cost

Washington State Local Government Investment Pool (LGIP)	$ 2,708,963

Investments in Local Government Investment Pool

The District is a voluntary participant in the LGIP, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investment in the LGIP are reported at amortized cost, which is the same as the value of the pool per share.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, P.O. Box 40200, Olympia, WA 98504-0200, or online at www.tre.wa.gov.

Investments Measured at Fair Value

The District measures and reports investments at fair value using the valuation input hierarchy established by accounting principles generally accepted in the United States of America, as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes assets and liabilities valued at quoted prices adjusted for legal or contractual restrictions specific to the assets or liabilities;

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the asset or liability.

At December 31, 2022, the District had the following investments measured at fair value:

	(Level 1)	(Level 2)	(Level 3)	Total	Concentration
Types of Investments:					
U.S. Treasury Notes	$ 964,805	$ -	$ -	$ 964,805	17 %
Federal Home Loan Banks	-	983,088	-	983,088	17
Federal Farm Credit Bank	-	1,852,612	-	1,852,612	33
Federal Home Loan Bank	-	893,449	-	893,449	16
Federal Home Loan Banks	-	983,954	-	983,954	17
Total	$ 964,805	$ 4,713,103	$ -	$ 5,677,908	100 %

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are subject to the following risks.

Interest Rate Risk

Interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an instrument. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District mitigates interest rate risk by investing in fixed income investments, with maturities of generally less than six months.

The District's total deposits and investments are as follows:

			Maturities (in Years)	
	Amortized Cost	Fair Value	1 to 5 Years	Less than 1
Deposits:				
Demand Deposits	$ 84,992	$ -	$ -	$ 84,992
Unrestricted Money Market Accounts	1,033,418	-	-	1,033,418
Total Deposits	1,118,410	-	-	1,118,410
Investments:				
U.S. Government Agencies	-	5,677,908	4,713,103	964,805
Washington State LGIP	2,708,963	-	-	2,708,963
Total Investments	2,708,963	5,677,908	4,713,103	3,673,768
Total Deposits and Investments	3,827,373	5,677,908	$ 4,713,103	$ 4,792,178
Add Cash on Hand	300	-		
Total Cash and Investments	$ 3,827,673	$ 5,677,908		

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The District does not have a formal policy that addresses credit risk, rather it follows state guidelines, and it is restricted by state law in the types of investment that can be made. The state investment pool is not rated.

At December 31, 2022, the District's investments had the following credit quality distribution for securities with credit exposure based on the Standard and Poor's Rating Services:

Agency	Fair Value	AA AA
U.S Treasury Notes	$ 964,805	$ 964,805
Federal Home Loan Banks	983,088	983,088
Federal Farm Credit Bank	1,852,612	1,852,612
Federal Home Loan Bank	893,449	893,449
Federal Home Loan Banks	983,954	983,954
Total	$ 5,677,908	$ 5,677,908

NOTE 3 CAPITAL ASSETS

The District's capital assets and the related accumulated depreciation for the year ended December 31, 2022 was as follows:

	Balance December 31, 2021	Additions	Transfers and/or Retirements	Balance December 31, 2022
Capital Assets Not Being Depreciated:				
Land	$ 99,770	$ -	$ -	$ 99,770
Work in Progress	2,692,733	295,349	-	2,988,082
Total Capital Assets Not Being Depreciated	2,792,503	295,349	-	3,087,852
Capital Assets Being Depreciated:				
Canals, Laterals, and Bridges	81,216,156	120,515	-	81,336,671
Buildings and Homes	672,910	7,360	-	680,270
Equipment	2,006,844	11,380	(19,042)	1,999,182
Software	-	75,193	-	75,193
Total Capital Assets Being Depreciated	83,895,910	214,448	(19,042)	84,091,316
Less Accumulated Depreciation:				
Canals, Laterals, and Bridges	(71,562,725)	(2,023,996)	-	(73,586,721)
Buildings and Homes	(366,210)	(16,630)	-	(382,840)
Equipment	(1,569,314)	(102,843)	19,042	(1,653,115)
Total Less Accumulated Depreciation	(73,498,249)	(2,143,469)	19,042	(75,622,676)
Total Capital Assets Being Depreciated, Net	10,397,661	(1,929,021)	-	8,468,640
Total Capital Assets, Net	$ 13,190,164	$ (1,633,672)	$ -	$ 11,556,492

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	$ (225,812)
Pension Assets	391,091
Deferred Outflows of Resources	410,135
Deferred Inflows of Resources	(397,486)
Pension Expense	(46,761)

NOTE 4 PENSION PLANS (CONTINUED)

State Sponsored Pension Plans

Substantially all the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Plan 1

Actual Contribution Rates	Employer	Employee*
January - August 2022:		
PERS Plan 1	6.36 %	6.00%
PERS Plan 1 UAAL	3.71	-
Administrative Fee	0.18	-
Total	10.25 %	6.00%
September - December 2022:		
PERS Plan 1	6.36 %	6.00%
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Total	10.39 %	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 2/3

Actual Contribution Rates	Employer 2/3	Employee 2*
January - August 2022:		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.71	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	10.25 %	6.36 %
September - December 2022:		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.85	-
Administrative Fee	0.18	-
Employee PERS Plan 3	-	Varies
Total	10.39 %	6.36 %

The District's actual PERS plan contributions were $49,106 to PERS Plan 1 and $83,135 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability/(asset) (TPL/A) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL/A was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021 to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability/(asset) for all DRS plans was 7.0%.

NOTE 4 PENSION PLANS (CONTINUED)

Discount Rate (Continued)

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00 %	1.50 %
Tangible Assets	7.00	4.70
Real Estate	18.00	5.40
Global Equity	32.00	5.90
Private Equity	23.00	8.90
Total	100.00 %	

Sensitivity of Net Pension Liability (Asset)

The table below presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6%) or one-percentage point higher (8%) than the current rate.

Plan	One Percent Decrease (6.00%)	Current Discount Rate (7.00%)	One Percent Increase (8.00%)
PERS 1	$ 301,682	$ 225,812	$ 159,596
PERS 2/3	460,561	(391,091)	(1,090,777)

NOTE 4 PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the District reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability or (Asset)
PERS 1	$ 225,812
PERS 2/3	(391,091)

At June 30, 2022, the District's proportionate share of the collective net pension liabilities (assets) was as follows:

Plan	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change in Proportion
PERS 1	0.008905 %	0.008110 %	(0.000795)%
PERS 2/3	0.011455	0.010545	(0.000910)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

Pension Expense

For the year ended December 31, 2022, the District recognized pension expense as follows:

Plan	Pension Expense
PERS 1	$ 81,838
PERS 2/3	(128,599)
Total	$ (46,761)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 4 PENSION PLANS (CONTINUED)

Pension Expense (Continued)

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(37,424)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	25,116	-
Total PERS 1	$ 25,116	$ (37,424)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 96,903	$ (8,853)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(289,136)
Changes of Assumptions	217,979	(57,075)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	28,126	(4,998)
Contributions Subsequent to the Measurement Date	42,011	-
Total PERS 2/3	$ 385,019	$ (360,062)
Total All Plans	$ 410,135	$ (397,486)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or an addition to the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PERS 1
2023	$ (15,837)
2024	(14,384)
2025	(18,044)
2026	10,841
2027	-
Thereafter	-
Total	$ (37,424)

NOTE 4 PENSION PLANS (CONTINUED)

Pension Expense (Continued)

Year Ending December 31,	PERS 2/3
2023	$ (86,714)
2024	(74,403)
2025	(90,234)
2026	137,436
2027	49,391
Thereafter	47,470
Total	$ (17,054)

NOTE 5 OTHER POSTRETIREMENT BENEFIT EXPENSES (OPEB)

General Information about the OPEB Plan

Plan Description

The District participates in the Northwest Laborers-Employers Health & Security Plan, Administered by Zenith American Solutions. The plan is a cost-sharing defined benefit OPEB plan that is not a state or local governmental OPEB plan. Certain bargaining retirees and their dependents are eligible for retiree medical and prescription coverage under the Plan. Retirees are eligible for benefits if they are receiving a pension from a plan approved by the Trustees and meet the requirements of the collective bargaining agreements.

Financial reports can be obtained by contacting Zenith American Solutions at 201 Queen Anne Ave. North, Seattle, WA 98109 or 206-282-4100.

Benefits Provided

The plan provides retiree coverage for medical and prescription drug benefits. Self-payment is required for retiree medical for the retiree, spouse, and each dependent child, if covered. The rates are subsidized and are determined by the board of trustees annually.

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	0
Active Employees	19

NOTE 5 OTHER POSTRETIREMENT BENEFIT EXPENSES (OPEB) (CONTINUED)

Contributions

Contributions paid into the Plan to obtain benefits are received and held in a trust by the board of trustees pending payment of benefits, administrative expenses, and premiums. The board of trustees pays benefits directly from the Trust Fund. The cost of the postretirement benefit obligation is implicitly shared by the Plan's participating employers and retirees. In addition to deductibles and co-payments, retirees, on average, contributed 38% of the estimated postretirement welfare benefit cost (including expenses) for the plan year ended March 31, 2022. Contributions paid by the District during the year ended December 31, 2022 were $167,561.

General Information about the OPEB Plan

In the event the District were to cease participation in the Plan, a withdrawal liability for their share of the Plan's underfunded vested benefits would be required. The liability and payment requirements are determined by an actuary, with payment options available up to 20 years.

NOTE 6 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Net Pension Liability	$ 108,751	$ -	$ 117,061	$ 225,812	$ -
Total Noncurrent Liabilities	$ 108,751	$ -	$ 117,061	$ 225,812	$ -

NOTE 7 RISK MANAGEMENT

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2022, membership includes 195 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment

NOTE 7 RISK MANAGEMENT (CONTINUED)

Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs..

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of $50,000,000 with a self-insured retention (SIR) of $500,000. Members are responsible for a $1,000 to $50,000 deductible for each claim (can vary by member), while the program is responsible for the $500,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the $500,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $7,110,058, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of $500,000. Members are responsible for a $1,000 deductible for each claim (some member deductibles vary). The program bears the $500,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of $25,000. Members are responsible for a $1,000 deductible for each claim (some member deductibles vary). The program bears the $25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of $2,500 (cities and special districts) and $500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of $50,000. Members are responsible for a $10,000 deductible for each claim, while the program is responsible for the remaining $40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2022, were $2,747,183.56.

A board of 10 members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

NOTE 8 POWER PURCHASE AGREEMENT

In 2020, the District entered into two contracts with PacificCorp to sell the "net metered output" generated by the Orchard Avenue Hydroelectric Station and by the Cowiche Hydroelectric Station. The District is to provide an estimated 3,073,555 kWh (kilowatt hours) to PacificCorp annually generated by the Orchard Avenue Hydroelectric Station and 3,464,227 kWh (kilowatt hours) generated by Cowiche Hydroelectric Station. The term for both plants terminates on December 31, 2030. The contract prices are as follows:

	Winter		Summer	
Year	On-Peak	Off-Peak	On-Peak	Off-Peak
2022	50.94	32.08	86.57	58.72
2023	44.64	28.78	89.36	59.67
2024	42.37	28.07	98.46	64.31
2025	45.53	29.95	106.56	68.81
2026	48.64	31.85	110.30	71.33
2027	49.77	32.75	111.82	72.92
2028	51.98	34.15	117.00	76.12
2029	54.19	35.45	122.39	79.26
2030	55.46	36.46	127.27	82.05

NOTE 9 TRANSFER OF FEDERAL ENERGY REGULATORY COMMISSION LICENSE

In 2005, the District entered into a contract with Tieton Hydropower, LLC to transfer the District's Federal Energy Regulatory Commission License to Tieton Hydropower in exchange for an annual royalty for each year the project generates 30 million kWh or greater. During the first 15 years of operation, the annual royalty will be calculated at 3% of gross revenue each year. After 15 years, it will be calculated at 16% of the gross revenue of the project for the months of October through April each year, and 12% of the gross revenue of the project for the months of May through September. A royalty agreement was put in place whereby the District receives $4.94 for each megawatt hour generated. The royalty payments are made twice a year, in June of the generation year and within 30 days of December 31 of each generation year.

NOTE 10 COLLECTIVE BARGAINING AGREEMENT

At December 31, 2022, approximately 73% of the District's employees worked under a collective bargaining agreement. The current agreements are effective July 1, 2021, through May 31, 2022 and June 1, 2022 through May 31, 2025.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Yakima-Tieton Irrigation District (the District) was organized under the laws of the state of Washington in 1918 to provide irrigation water to fruit growers and other water users located in Yakima County. The amount of water services provided can be adversely impacted by weather conditions in Eastern Washington. The current economic conditions have improved in the past year for those commodities raised in the District; however, trends are difficult to predict. Any long-term downward trend could have an impact on the District's operations.

The District is a municipal corporation governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, management has considered all potential component units in defining the reporting entity. The District has no component units.

Basis of Accounting

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). The accounting records of the District are maintained in accordance with methods prescribed by the state auditor under the authority of Chapter 43.09 RCW.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on the economic resources measurement focus and full accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses associated with the operations are included on the statement of net position and statement of revenues, expenses, and changes in fund net position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all unrestricted investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include investments in the State of Washington Treasurer's Local Government Investment Pool (LGIP). Investments in the LGIP are stated at share price which is equal to amortized cost.

Receivables

Receivables represent uncollected assessments from current and prior years. There is no provision for uncollectible assessment receivables as these represent liens against the property.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, consisting mainly of pipe, valves, turnouts, fittings, gates, and chemicals, are valued at the lower of cost (computed on the first-in, first-out basis) or net realizable value. Inventories are expensed when consumed as opposed to expensing when purchased.

Investments

Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than $7,000 and an estimated useful life in excess of one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, and overhead. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses, and changes in fund net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation is computed as follows:

	Method	Lives
Canals, Laterals, and Bridges	Straight-Line	5 to 40 Years
Buildings and Homes	Straight-Line	15 to 35 Years
Equipment	Straight-Line and Declining Balance	5 to 20 Years

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified into the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources reduced by the outstanding balances of any related bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and capital related deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted for Operations and Debt Service – This component of net position consists of assets restricted by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments reduced by related liabilities and deferred inflows of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District first applies restricted resources then unrestricted when both unrestricted and restricted resources are available.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consisted of contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the District's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the District are the sale of power to power companies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, with the exception of irrigation assessments, which are reported as operating revenue.

Presentation of irrigation assessments as operating revenue results in a higher operating income. Overall, it does not affect the presentation of the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue

At December 31, 2021, other revenue consists of:

Cowiche Creek Water Assessment	$	29,739
Jobbing and Custom Work		63,140
Other Revenue		19,363
Miscellaneous Revenue		11,338
Total	$	123,580

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay, which may be accumulated up to a maximum of 200 hours as of February 15 of each year, is payable upon resignation, retirement, or death. Sick leave is accumulated during employment, with a maximum of 112 hours payable to those employees eligible for retirement.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Financial Statement Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions. The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the District is unknown at this time.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The District's bank balances as of December 31, 2021 were $1,234,882.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As required by state law, all investments of the District's funds are obligations of the U.S. Government, U.S. Government agency issues, obligations of the state of Washington, certificates of deposit with Washington State Banks, and the Local Government Investment Pool managed by the Washington State Treasurer's office. There is no risk related to foreign currency.

Investments Measured at Amortized Cost

Washington State Local Government Investment Pool (LGIP)	$ 2,664,261

Investments in Local Government Investment Pool

The District is a participant in the LGIP. The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statue that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the LGIP. The policy is reviewed annually and proposed changes are reviewed by the LGIP advisory committee. The participants are allowed to contribute and withdraw funds on a daily basis.

Investment in the LGIP are stated at share price, which is equal to amortized cost, and approximates fair value. The LGIP was not rated by a nationally recognized statistical rating organization (NRSRO). The LGIP is invested in a manner that meets the maturity, quality, diversity, and liquidity requirements of Governmental Accounting Standards Board Statement 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, P.O. Box 40200, Olympia, WA 98504-0200, or online at www.tre.wa.gov.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at Fair Value

The District measures and reports investments at fair value using the valuation input hierarchy established by accounting principles generally accepted in the United States of America, as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes assets and liabilities valued at quoted prices adjusted for legal or contractual restrictions specific to the assets or liabilities;

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the asset or liability.

At December 31, 2021, the District had the following investments measured at fair value:

	(Level 1)	(Level 2)	(Level 3)	Total	Concentration
Types of Investments:					
U.S. Treasury Notes	$ 990,117	$ -	$ -	$ 990,117	17%
Federal Home Loan Bank	-	2,024,360	-	2,024,360	34%
Federal Farm Credit Bank	-	1,967,548	-	1,967,548	33%
Federal Home Loan Bank	-	974,809	-	974,809	16%
Total	$ 990,117	$ 4,966,717	$ -	$ 5,956,834	100%

Investments are subject to the following risks.

Interest Rate Risk

Interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an instrument. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District mitigates interest rate risk by investing in fixed income investments, with maturities of generally less than six months.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk (Continued)

The District's total deposits and investments are as follows:

	Amortized Cost	Fair Value	Maturities (in Years) 1 to 5 Years	Less than 1
Deposits:				
Demand Deposits	$ 121,675	$ -	$ -	$ 121,675
Unrestricted Money Market Accounts	1,113,207	-	-	1,113,207
Total Deposits	1,234,882	-	-	1,234,882
Investments:				
U.S. Government Agencies	-	5,956,834	3,932,474	2,024,360
Washington State LGIP	2,664,261	-	-	2,664,261
Total Investments	2,664,261	5,956,834	3,932,474	4,688,621
Total Deposits and Investments	3,899,142	5,956,834	$ 3,932,474	$ 5,923,502
Add Cash on Hand	300	-		
Total Cash and Investments	$ 3,899,442	$ 5,956,834		

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The District does not have a formal policy that addresses credit risk, rather it follows state guidelines, and it is restricted by state law in the types of investment that can be made. The state investment pool is not rated.

At December 31, 2021, the District's investments had the following credit quality distribution for securities with credit exposure based on the Standard and Poor's Rating Services:

Agency	Fair Value	AAA AAA	AA AA	A A	BBB BBB	BB/Ba and Below	Unrated
U.S. Treasury Notes	$ 990,117	$ -	$ 990,117	$ -	$ -	$ -	$ -
Federal Home Loan Bank	2,024,360	-	2,024,360	-	-	-	-
Federal Farm Credit Bank	1,967,548	-	1,967,548	-	-	-	-
Federal Home Loan Bank	974,809	-	974,809	-	-	-	-
Total	$ 5,956,834	$ -	$ 5,956,834	$ -	$ -	$ -	$ -

NOTE 3 CAPITAL ASSETS

The District's capital assets and the related accumulated depreciation for the year ended December 31, 2021 was as follows:

	Balance December 31, 2020	Additions	Transfers and/or Retirements	Balance December 31, 2021
Capital Assets - Nondepreciable:				
Land	$ 99,770	$ -	$ -	$ 99,770
Work in Progress	2,384,753	307,980	-	2,692,733
Total Capital Assets not Being Depreciated	2,484,523	307,980	-	2,792,503
Capital Assets - Depreciable:				
Canals, Laterals, and Bridges	80,976,321	239,835	-	81,216,156
Buildings and Homes	672,910	-	-	672,910
Equipment	1,936,731	74,864	(4,751)	2,006,844
Total Capital Assets Being Depreciated	83,585,962	314,699	(4,751)	83,895,910
Less Accumulated Depreciation:				
Canals, Laterals, and Bridges	(69,542,737)	(2,019,968)	-	(71,562,705)
Buildings and Homes	(349,826)	(16,384)	-	(366,210)
Equipment	(1,474,008)	(100,077)	4,751	(1,569,334)
Less Accumulated Depreciation	(71,366,571)	(2,136,429)	4,751	(73,498,249)
Total Capital Assets Being Depreciated, Net	12,219,391	(1,821,730)	-	10,397,661
Total Capital Assets, Net	$ 14,703,914	$ (1,513,750)	$ -	$ 13,190,164

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	$ (108,751)
Pension Assets	1,141,102
Deferred Outflows of Resources	145,744
Deferred Inflows of Resources	(1,178,173)
Pension Expense	(266,543)

NOTE 4 PENSION PLANS (CONTINUED)

State Sponsored Pension Plans

Substantially all the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for each plan. The DRS annual comprehensive report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS annual comprehensive report may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS Plans 1 and 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 1

Actual Contribution Rates	Employer	Employee*
January - June 2021		
PERS Plan 1	7.92 %	6.00%
PERS Plan 1 UAAL	4.87	
Administrative Fee	0.18	
Total	12.97 %	6.00%
July - December 2021		
PERS Plan 1	10.07 %	6.00%
PERS Plan 1 UAAL	-	
Administrative Fee	0.18	
Total	10.25 %	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January - June 2021		
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.87	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	12.97 %	7.90 %
July - December 2021		
PERS Plan 2/3	6.36 %	6.36 %
PERS Plan 1 UAAL	3.71	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	10.25 %	6.36 %

The District's actual PERS plan contributions were $57,367 to PERS Plan 1 and $95,410 to PERS Plan 2/3 for the year ended December 31, 2021.

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study and the 2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020 to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases**: In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year-end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

NOTE 4 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00 %	2.20 %
Tangible Assets	7.00	5.10 %
Real Estate	18.00	5.80 %
Global Equity	32.00	6.30 %
Private Equity	23.00	9.30 %
Total	100.00 %	

NOTE 4 PENSION PLANS (CONTINUED)

Sensitivity of Net Pension Liability (Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 185,263	$ 108,751	$ 42,024
PERS 2/3	(325,078)	(1,141,102)	(1,813,099)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability or (Asset)
PERS 1	$ 108,751
PERS 2/3	(1,141,102)

At June 30, 2021, the District's proportionate share of the collective net pension liabilities (assets) was as follows:

Plan	Proportionate Share 6/30/2020	Proportionate Share 6/30/2021	Change in Proportion
PERS 1	0.008555%	0.008905%	0.000350%
PERS 2/3	0.011089%	0.011455%	0.000366%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

NOTE 4 PENSION PLANS (CONTINUED)

Pension Expense

For the year ended December 31, 2021, the District recognized pension expense as follows:

Plan	Pension Expense
PERS 1	$ (8,052)
PERS 2/3	(258,491)
Total	$ (266,543)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(120,677)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	24,040	-
Total	$ 24,040	$ (120,677)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 55,422	$ (13,989)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(953,694)
Changes of Assumptions	1,668	(81,037)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	23,403	(8,776)
Contributions Subsequent to the Measurement Date	41,211	-
Total	$ 121,704	$ (1,057,496)

NOTE 4 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 55,422	$ (13,989)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(1,074,371)
Changes of Assumptions	1,668	(81,037)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	23,403	(8,776)
Contributions Subsequent to the Measurement Date	65,251	-
Total	$ 145,744	$ (1,178,173)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PERS 1
2022	$ (31,967)
2023	(29,294)
2024	(27,698)
2025	(31,718)
2026	-
Thereafter	-
Total	$ (120,677)

Year Ending December 31,	PERS 2/3
2022	$ (260,158)
2023	(243,023)
2024	(229,873)
2025	(246,172)
2026	242
Thereafter	1,980
Total	$ (977,004)

NOTE 5 OTHER POSTRETIREMENT BENEFIT EXPENSES (OPEB)

General Information about the OPEB Plan

Plan Description

The District participates in the Northwest Laborers-Employers Health & Security Plan, Administered by Zenith American Solutions. The plan is a cost-sharing defined benefit OPEB plan that is not a state or local governmental OPEB plan. Certain bargaining retirees and their dependents are eligible for retiree medical and prescription coverage under the Plan. Retirees are eligible for benefits if they are receiving a pension from a plan approved by the Trustees and meet the requirements of the collective bargaining agreements.

Financial reports can be obtained by contacting Zenith American Solutions at 201 Queen Anne Ave. North, Seattle, WA 98109 or 206-282-4100.

Benefits Provided

The plan provides retiree coverage for medical and prescription drug benefits. Self-payment is required for retiree medical for the retiree, spouse, and each dependent child, if covered. The rates are subsidized and are determined by the Board of Trustees annually.

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	0
Active Employees	18

Contributions

Contributions paid into the Plan to obtain benefits are received and held in a trust by the Board of Trustees pending payment of benefits, administrative expenses, and premiums. The Board of Trustees pays benefits directly from the Trust Fund. The cost of the postretirement benefit obligation is implicitly shared by the Plan’s participating employers and retirees. Retirees, on average, contributed 39% of the estimated postretirement welfare benefit cost for the plan year ended March 31, 2021. Contributions paid by the District during the year ended December 31, 2021 were $168,264.

In the event the District were to cease participation in the Plan, a withdrawal liability for their share of the Plan’s underfunded vested benefits would be required. The liability and payment requirements are determined by an actuary, with payment options available up to 20 years.

NOTE 6 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Amounts Due Within One Year
Net Pension Liability	$ 443,860	$ -	$ (335,109)	$ 108,751	$ -
Total Noncurrent Liabilities	$ 443,860	$ -	$ (335,109)	$ 108,751	$ -

NOTE 7 RISK MANAGEMENT

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. Anagreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2021, membership includes 192 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision, Equipment Breakdown, Crime Protection and Liability, including General, Automobile, Wrongful Acts, and Cyber, which are included to fit the member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per occurrence self-insured retention (SIR) of $100,000. Members are responsible for a $1,000 to $10,000 deductible for each claim (can vary by member), while the program is responsible for the $100,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the $100,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $3,505,566, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of $100,000. Members are responsible for a $1,000 deductible for each claim (some member deductibles vary). The program bears the $100,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim (some member deductibles vary). The program bears the $25,000 SIR, in addition to the deductible.

NOTE 7 RISK MANAGEMENT (CONTINUED)

Equipment Breakdown insurance is subject to a per occurrence deductible of $2,500 (cities and special districts) and $500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of $50,000. Members are responsible for a $10,000 deductible for each claim, while the program is responsible for the remaining $40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2021, were $2,772,987.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

NOTE 8 POWER PURCHASE AGREEMENT

In 2020, the District entered into two contracts with PacificCorp to sell the “net metered output” generated by the Orchard Avenue Hydroelectric Station and by the Cowiche Hydroelectric Station. The District is to provide an estimated 3,073,555 kWh (kilowatt hours) to PacificCorp annually generated by the Orchard Avenue Hydroelectric Station and 3,464,227 kWh (kilowatt hours) generated by Cowiche Hydroelectric Station. The term for both plants terminates on December 31, 2030. The contract prices are as follows:

	Winter		Summer	
Year	On-Peak	Off-Peak	On-Peak	Off-Peak
2021	52.83	33.63	84.09	57.19
2022	50.94	32.08	86.57	58.72
2023	44.64	28.78	89.36	59.67
2024	42.37	28.07	98.46	64.31
2025	45.53	29.95	106.56	68.81
2026	48.64	31.85	110.30	71.33
2027	49.77	32.75	111.82	72.92
2028	51.98	34.15	117.00	76.12
2029	54.19	35.45	122.39	79.26
2030	55.46	36.46	127.27	82.05

NOTE 9 TRANSFER OF FEDERAL ENERGY REGULATORY COMMISSION LICENSE

In 2005, the District entered into a contract with Tieton Hydropower, LLC to transfer the District's Federal Energy Regulatory Commission License to Tieton Hydropower in exchange for an annual royalty for each year the project generates 30 million kWh or greater. During the first 15 years of operation, the annual royalty will be calculated at 3% of gross revenue each year. After 15 years, it will be calculated at 16% of the gross revenue of the project for the months of October through April each year, and 12% of the gross revenue of the project for the months of May through September. A royalty agreement was put in place whereby the District receives $4.94 for each megawatt hour generated. The royalty payments are made twice a year, in June of the generation year and within 30 days of December 31 of each generation year.

NOTE 10 COLLECTIVE BARGAINING AGREEMENT

At December 31, 2021, approximately 72% of the District's employees worked under a collective bargaining agreement. The current agreement is effective July 1, 2021, through May 31, 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Yakima-Tieton Irrigation District (the District) was organized under the laws of the state of Washington in 1918 to provide irrigation water to fruit growers and other water users located in Yakima County. The amount of water services provided can be adversely impacted by weather conditions in Eastern Washington. The current economic conditions have improved in the past year for those commodities raised in the District; however, trends are difficult to predict. Any long-term downward trend could have an impact on the District's operations.

The District is a municipal corporation governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, management has considered all potential component units in defining the reporting entity. The District has no component units.

Basis of Accounting

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). The accounting records of the District are maintained in accordance with methods prescribed by the state auditor under the authority of Chapter 43.09 RCW.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on the economic resources measurement focus and full accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses associated with the operations are included on the statement of net position and statement of revenues, expenses, and changes in fund net position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all unrestricted investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include investments in the State of Washington Treasurer's Local Government Investment Pool (LGIP). Investments in the LGIP are stated at share price which is equal to amortized cost.

Receivables

Receivables represent uncollected assessments from current and prior years. There is no provision for uncollectible assessment receivables as these represent liens against the property.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories, consisting mainly of pipe, valves, turnouts, fittings, gates, and chemicals, are valued at the lower of cost (computed on the first-in, first-out basis) or net realizable value. Inventories are expensed when consumed as opposed to expensing when purchased.

Investments

Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than $7,000 and an estimated useful life in excess of one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, and overhead. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses, and changes in fund net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation is computed as follows:

	Method	Lives
Canals, Laterals, and Bridges	Straight-Line	5 to 40 Years
Buildings and Homes	Straight-Line	15 to 35 Years
Equipment	Straight-Line and Declining Balance	5 to 20 Years

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified into the following three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources reduced by the outstanding balances of any related bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and capital related deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted for Operations and Debt Service – This component of net position consists of assets restricted by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments reduced by related liabilities and deferred inflows of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District first applies restricted resources then unrestricted when both unrestricted and restricted resources are available.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consisted of contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the District's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a district's principal ongoing operations. The principal operating revenues of the District are the sale of power to power companies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, with the exception of irrigation assessments, which are reported as operating revenue.

Presentation of irrigation assessments as operating revenue results in a higher operating income. Overall, it does not affect the presentation of the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Revenue

Other revenue consists of the following:

- Extra Water Purchased by Customers
- Water Wheeling
- Customer Changes
- Delinquent Fee Revenue
- Recycling Revenue
- VFD Power Incentive
- Insurance Refund

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The District records unpaid leave for compensated absences as an expense and liability when incurred. Vacation pay, which may be accumulated up to a maximum of 200 hours as of February 15 of each year, is payable upon resignation, retirement, or death. Sick leave is accumulated during employment, with a maximum of 112 hours payable to those employees eligible for retirement.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Financial Statement Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The District's bank balances as of December 31, 2020 were $531,383.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the District would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The District deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As required by state law, all investments of the District's funds are obligations of the U.S. Government, U.S. Government agency issues, obligations of the state of Washington, certificates of deposit with Washington State Banks and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Investments Measured at Amortized Cost

Washington State Local Government Investment Pool (LGIP)	$ 2,661,472

Investments in Local Government Investment Pool

The District is a participant in the LGIP. The LGIP was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statue that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the LGIP. The policy is reviewed annually and proposed changes are reviewed by the LGIP advisory committee.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in Local Government Investment Pool (Continued)

Investment in the LGIP are stated at share price, which is equal to amortized cost, and approximates fair value. The LGIP was not rated by a nationally recognized statistical rating organization (NRSRO). The LGIP is invested in a manner that meets the maturity, quality, diversity, and liquidity requirements of Governmental Accounting Standards Board Statement 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, P.O. Box 40200, Olympia, WA 98504-0200, or online at www.tre.wa.gov.

Investments Measured at Fair Value

The District measures and reports investments at fair value using the valuation input hierarchy established by accounting principles generally accepted in the United States of America, as follows:

- *Level 1* – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- *Level 2* – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes assets and liabilities valued at quoted prices adjusted for legal or contractual restrictions specific to the assets or liabilities;
- *Level 3* – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the asset or liability.

At December 31, 2020, the District had the following investments measured at fair value:

	(Level 1)	(Level 2)	(Level 3)	Total	Concentration
Types of Investments:					
Fannie Mae	$ -	$ 2,014,320	$ -	$ 2,014,320	33 %
Federal Home Loan Banks	-	2,062,090	-	2,062,090	34
Resolution Funding Corporation Bond	-	1,995,182	-	1,995,182	33
Total	$ -	$ 6,071,592	$ -	$ 6,071,592	100 %

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments are subject to the following risks.

Interest Rate Risk

Interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an instrument. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District mitigates interest rate risk by investing in fixed income investments, with maturities of generally less than six months.

The District's total deposits and investments are as follows:

			Maturities (in Years)	
	Amortized Cost	Fair Value	1 to 5 Years	Less than 1
Deposits:				
Demand Deposits	$ 73,287	$ -	$ -	$ 73,287
Unrestricted Money Market Accounts	458,096	-	-	458,096
Total Deposits	531,383	-	-	531,383
Investments:				
U.S. Government Agencies	-	6,071,592	4,057,272	2,014,320
Washington State LGIP	2,661,472	-	-	2,661,472
Total Investments	2,661,472	6,071,592	4,057,272	4,675,792
Total Deposits and Investments	3,192,855	6,071,592	$ 4,057,272	$ 5,207,175
Add Cash on Hand	300	-		
Total Cash and Investments	$ 3,193,155	$ 6,071,592		

Credit Risk

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The District does not have a formal policy that addresses credit risk, rather it follows state guidelines, and it is restricted by state law in the types of investment that can be made. The state investment pool is not rated.

At December 31, 2020, the District's investments had the following credit quality distribution for securities with credit exposure based on the Standard and Poor's Rating Services:

Agency	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and Below	Unrated
Fannie Mae	$ 2,014,320	$ -	$ 2,014,320	$ -	$ -	$ -	$ -
Federal Home Loan Banks	2,062,090	-	2,062,090	-	-	-	-
Resolution Funding Corporation Bond	1,995,182	-	1,995,182	-	-	-	-
Total	$ 6,071,592	$ -	$ 6,071,592	$ -	$ -	$ -	$ -

NOTE 3 CAPITAL ASSETS

The District's capital assets and the related accumulated depreciation for the year ended December 31, 2020 was as follows:

	Balance December 31, 2019	Additions	Transfers and/or Retirements	Balance December 31, 2020
Capital Assets - Nondepreciable:				
Land	$ 99,770	$ -	$ -	$ 99,770
Work in Progress	1,859,590	525,163	-	2,384,753
Total Capital Assets not Being Depreciated	1,959,360	525,163	-	2,484,523
Capital Assets - Depreciable:				
Canals, Laterals, and Bridges	80,893,074	83,247	-	80,976,321
Buildings and Homes	411,819	261,091	-	672,910
Equipment	1,763,986	201,178	(28,433)	1,936,731
Total Capital Assets Being Depreciated	83,068,879	545,516	(28,433)	83,585,962
Less Accumulated Depreciation:				
Canals, Laterals, and Bridges	(67,518,958)	(2,023,779)	-	(69,542,737)
Buildings and Homes	(339,225)	(10,601)	-	(349,826)
Equipment	(1,403,619)	(98,822)	28,433	(1,474,008)
Less Accumulated Depreciation	(69,261,802)	(2,133,202)	28,433	(71,366,571)
Total Capital Assets Being Depreciated, Net	13,807,077	(1,587,686)	-	12,219,391
Total Capital Assets, Net	$ 15,766,437	$ (1,062,523)	$ -	$ 14,703,914

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	$ 443,860
Deferred Outflows of Resources	159,551
Deferred Inflows of Resources	136,089
Pension Expense	48,981

NOTE 4 PENSION PLANS (CONTINUED)

State Sponsored Pension Plans

Substantially all the District's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for each plan. The DRS comprehensive annual report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS comprehensive annual report may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and nonduty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - August 2020		
PERS Plan 1	7.92 %	6.00%
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Total	12.86 %	6.00%
September - December 2020		
PERS Plan 1	7.92 %	6.00%
PERS Plan 1 UAAL	4.87	
Administrative Fee	0.18	
Total	12.97 %	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3

Actual Contribution Rates	Employer 2/3	Employee 2*
January - August 2020		
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	12.86 %	7.41 %
September - December 2020		
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.87	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	12.97 %	7.90 %

The District's actual PERS plan contributions were $64,573 to PERS Plan 1 and $106,625 to PERS Plan 2/3 for the year ended December 31, 2020.

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study and the 2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.5% salary inflation
- **Salary increases**: In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.

- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

NOTE 4 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00 %	2.20 %
Tangible Assets	7.00	5.10 %
Real Estate	18.00	5.80 %
Global Equity	32.00	6.30 %
Private Equity	23.00	9.30 %
Total	100.00 %	

Sensitivity of NPL

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4%) or 1-percentage point higher (8.4%) than the current rate.

NOTE 4 PENSION PLANS (CONTINUED)

Sensitivity of NPL (Continued)

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 378,319	$ 302,038	$ 235,512
PERS 2/3	882,454	141,822	(468,089)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a total pension liability of $443,860 for its proportionate share of the net pension liabilities as follows:

Plan	Liability
PERS 1	$ (302,038)
PERS 2/3	(141,822)
Total	$ (443,860)

At June 30, 2020, the District's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/2019	Proportionate Share 6/30/2020	Change in Proportion
PERS 1	0.008134%	0.008555%	0.000421%
PERS 2/3	0.010510%	0.011089%	0.000579%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

NOTE 4 PENSION PLANS (CONTINUED)

Pension Expense

For the year ended December 31, 2020, the District recognized pension expense as follows:

Plan	Pension Expense
PERS 1	$ 32,685
PERS 2/3	16,296
Total	$ 48,981

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(1,682)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	32,913	-
Total	$ 32,913	$ (1,682)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 50,770	$ (17,774)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(7,203)
Changes of Assumptions	2,020	(96,877)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	19,900	(12,553)
Contributions Subsequent to the Measurement Date	53,948	-
Total	$ 126,638	$ (134,407)

NOTE 4 PENSION PLANS (CONTINUED

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 50,770	$ (17,774)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(8,885)
Changes of Assumptions	2,020	(96,877)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	19,900	(12,553)
Contributions Subsequent to the Measurement Date	86,861	-
Total	$ 159,551	$ (136,089)

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	PERS 1
2021	$ (7,631)
2022	(240)
2023	2,329
2024	3,860
2025	-
Thereafter	-
Total	$ (1,682)

Year Ending December 31,	PERS 2/3
2021	$ (59,179)
2022	(14,398)
2023	2,189
2024	15,002
2025	(1,707)
Thereafter	(3,624)
Total	$ (61,717)

NOTE 5 OTHER POSTRETIREMENT BENEFIT EXPENSES (OPEB)

General Information about the OPEB Plan

Plan Description

The District participates in the Northwest Laborers-Employers Health & Security Plan, Administered by Zenith American Solutions. The plan is a cost-sharing defined benefit OPEB plan that is not a state or local governmental OPEB plan. Certain bargaining retirees and their dependents are eligible for retiree medical and prescription coverage under the Plan. Retirees are eligible for benefits if they are receiving a pension from a plan approved by the Trustees and meet the requirements of the collective bargaining agreements.

Financial reports can be obtained by contacting Zenith American Solutions at 201 Queen Anne Ave. North, Seattle, WA 98109 or 206-282-4100.

Benefits Provided

The plan provides retiree coverage for medical and prescription drug benefits. Self-payment is required for retiree medical for the retiree, spouse, and each dependent child, if covered. The rates are subsidized and are determined by the Board of Trustees annually.

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	20

Contributions

Contributions paid into the Plan to obtain benefits are received and held in a trust by the Board of Trustees pending payment of benefits, administrative expenses, and premiums. The Board of Trustees pays benefits directly from the Trust Fund. The cost of the postretirement benefit obligation is implicitly shared by the Plan’s participating employers and retirees. Retirees, on average, contributed 39% of the estimated postretirement welfare benefit cost for the plan year ended March 31, 2020. Contributions paid by the District during the year ended December 31, 2020 were $162,535.

In the event the District were to cease participation in the Plan, a withdrawal liability for their share of the plan’s underfunded vested benefits would be required. The liability and payment requirements are determined by an actuary, with payment options available up to 20 years.

NOTE 6 LONG-TERM DEBT

Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year
Net Pension Liability	$ 414,869	$ 28,991	$ -	$ 443,860	$ -
Total Noncurrent Liabilities	$ 414,869	$ 28,991	$ -	$ 443,860	$ -

NOTE 7 RISK MANAGEMENT

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2020, there are 193 members in the program.

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property; including Automobile Comprehensive and Collision, Equipment Breakdown, and Crime Protection and Liability; including General, Automobile, and Wrongful Acts, which are included to fit member's various needs.

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000. Members are responsible for a $1,000 to $10,000 deductible for each claim, while the program is responsible for the $100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the $100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $2,147,814.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible. Privacy and Network Liability coverage is offered with a $10,000 member deductible and $40,000 self-insured retention for systems using encryption and $50,000 member deductible and $50,000 self-insured retention for those without encryption.

NOTE 7 RISK MANAGEMENT (CONTINUED)

Equipment Breakdown insurance is subject to a per-occurrence deductible of $2,500, which may vary per member, with the exception of Pumps & Motors, which is $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors, which is $15,000 and is covered by CIAW.

Members contract to remain in the program for a minimum of one year, and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement. A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program.

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2020, were $2,651,954.

NOTE 8 POWER PURCHASE AGREEMENT

In 2018, the District entered into a contract with PacificCorp to sell the “net metered output” generated by the Cowiche Hydroelectric Station. The District is to provide an estimated 3,529,206 kWh (kilowatt hours) to PacificCorp annually. The term for the Cowiche Plant terminates on December 31, 2020. The contract prices are as follows:

Year	Capacity Payment Dollars/kW - Month	Energy Payment Dollars/MWH
2020	14.07	15.26

In 2018, the District entered into a contract with PacificCorp to sell the “net metered output” generated by the Orchard Avenue Hydroelectric Station. The District is to provide an estimated 3,179,505 kWh (kilowatt hours) to PacificCorp annually. The term for the Orchard Avenue Plant terminates on December 31, 2020. The contract prices are as follows:

Year	Capacity Payment Dollars/kW - Month	Energy Payment Dollars/MWH
2020	2.71	43.28

NOTE 8 POWER PURCHASE AGREEMENT (CONTINUED)

In 2020, the District entered into two contracts with PacificCorp to sell the “net metered output” generated by the Orchard Avenue Hydroelectric Station and by the Cowiche Hydroelectric Station. The District is to provide an estimated 3,073,555 kWh (kilowatt hours) to PacificCorp annually generated by the Orchard Avenue Hydroelectric Station and 3,464,227 kWh (kilowatt hours) generated by Cowiche Hydroelectric Station. The term for both plants terminates on December 31, 2030. The contract prices are as follows:

	Winter		Summer	
Year	On-Peak	Off-Peak	On-Peak	Off-Peak
2021	52.83	33.63	84.09	57.19
2022	50.94	32.08	86.57	58.72
2023	44.64	28.78	89.36	59.67
2024	42.37	28.07	98.46	64.31
2025	45.53	29.95	106.56	68.81
2026	48.64	31.85	110.30	71.33
2027	49.77	32.75	111.82	72.92
2028	51.98	34.15	117.00	76.12
2029	54.19	35.45	122.39	79.26
2030	55.46	36.46	127.27	82.05

NOTE 9 TRANSFER OF FEDERAL ENERGY REGULATORY COMMISSION LICENSE

In 2005, the District entered into a contract with Tieton Hydropower, LLC to transfer the District’s Federal Energy Regulatory Commission License to Tieton Hydropower in exchange for an annual royalty for each year the project generates 30 million kWh or greater. During the first 15 years of operation, the annual royalty will be calculated at 3% of gross revenue each year. After 15 years, it will be calculated at 16% of the gross revenue of the project for the months of October through April each year, and 12% of the gross revenue of the project for the months of May through September. A royalty agreement was put in place whereby the District receives $4.94 for each megawatt hour generated. The royalty payments are made twice a year, in June of the generation year and within 30 days of December 31 of each generation year.

NOTE 10 COLLECTIVE BARGAINING AGREEMENT

At December 31, 2020, approximately 74% of the District’s employees worked under a collective bargaining agreement. The current agreement is effective June 1, 2019, through May 31, 2022.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
PENSION PLANS, PERS 1 AND PERS 2/3
AS OF JUNE 30

	2022	2021	2020	2019	2018	2017	2016	2015
PERS Plan 1								
Employer's Proportion of the Net Pension Liability (Asset)	0.811000%	0.008905%	0.008555%	0.008134%	0.008018%	0.007974%	0.008508%	0.008137%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 225,812	$ 108,751	$ 302,038	$ 312,781	$ 358,086	$ 378,372	$ 456,920	$ 425,641
Employer's Covered Payroll	$ 1,334,562	$ 1,365,476	$ 1,316,044	$ 1,147,564	$ 1,072,620	$ 1,008,402	$ 1,026,282	$ 496,569
Employer's Proportionate Share of the Net Pension Lability as a Percentage of Covered Payroll	16.92%	7.96%	22.95%	27.26%	33.38%	37.52%	44.52%	85.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS Plan 2/3								
Employer's Proportion of the Net Pension Liability (Asset)	1.054500%	0.011455%	0.011089%	0.010510%	0.010239%	0.010256%	0.010886%	0.010504%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ (391,091)	$ (1,141,102)	$ 141,822	$ 102,088	$ 174,822	$ 356,347	$ 548,102	$ 375,314
Employer's Covered Payroll	$ 1,334,562	$ 1,365,476	$ 1,316,044	$ 1,147,564	$ 1,072,620	$ 1,008,402	$ 1,026,282	$ 496,569
Employer's Proportionate Share of the Net Pension Lability as a Percentage of Covered Payroll	-29.30%	-83.57%	10.78%	8.90%	16.30%	35.34%	53.41%	75.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
PENSION PLANS, PERS 1 AND PERS 2/3
AS OF JUNE 30

	2021	2020	2019	2018	2017	2016	2015
PERS Plan 1							
Employer's Proportion of the Net Pension Liability (Asset)	0.008905%	0.008555%	0.008134%	0.008018%	0.007974%	0.008508%	0.008137%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 108,751	$ 302,038	$ 312,781	$ 358,086	$ 378,372	$ 456,920	$ 425,641
Employer's Covered Payroll	$ 1,365,476	$ 1,316,044	$ 1,147,564	$ 1,072,620	$ 1,008,402	$ 1,026,282	$ 496,569
Employer's Proportionate Share of the Net Pension Lability as a Percentage of Covered Payroll	7.96%	22.95%	27.26%	33.38%	37.52%	44.52%	85.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS Plan 2/3							
Employer's Proportion of the Net Pension Liability (Asset)	0.011455%	0.011089%	0.010510%	0.010239%	0.010256%	0.010886%	0.010504%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ (1,141,102)	$ 141,822	$ 102,088	$ 174,822	$ 356,347	$ 548,102	$ 375,314
Employer's Covered Payroll	$ 1,365,476	$ 1,316,044	$ 1,147,564	$ 1,072,620	$ 1,008,402	$ 1,026,282	$ 496,569
Employer's Proportionate Share of the Net Pension Lability as a Percentage of Covered Payroll	-83.57%	10.78%	8.90%	16.30%	35.34%	53.41%	75.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENSION PLANS, PERS 1 AND PERS 2/3
AS OF JUNE 30

	2020	2019	2018	2017	2016	2015
PERS Plan 1						
Employer's Proportion of the Net Pension Liability (Asset)	0.008555%	0.008134%	0.008018%	0.007974%	0.008508%	0.008137%
Employer's Proportionate Share of the Net Pension Liability	$ 302,038	$ 312,781	$ 358,086	$ 378,372	$ 456,920	$ 425,641
Employer's Covered Payroll	$ 1,316,044	$ 1,147,564	$ 1,072,620	$ 1,008,402	$ 1,026,282	$ 496,569
Employer's Proportionate Share of the Net Pension Lability as a Percentage of Covered Payroll	22.95%	27.26%	33.38%	37.52%	44.52%	85.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS Plan 2/3						
Employer's Proportion of the Net Pension Liability (Asset)	0.011089%	0.010510%	0.010239%	0.010256%	0.010886%	0.010504%
Employer's Proportionate Share of the Net Pension Liability	$ 141,822	$ 102,088	$ 174,822	$ 356,347	$ 548,102	$ 375,314
Employer's Covered Payroll	$ 1,316,044	$ 1,147,564	$ 1,072,620	$ 1,008,402	$ 1,026,282	$ 496,569
Employer's Proportionate Share of the Net Pension Lability as a Percentage of Covered Payroll	10.78%	8.90%	16.30%	35.34%	53.41%	75.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS, PERS 1 AND PERS 2/3
AS OF DECEMBER 31

	2022	2021	2020	2019	2018	2017	2016	2015
PERS Plan 1								
Statutorily or Contractually Required Contributions	$ 49,106	$ 57,367	$ 64,873	$ 60,306	$ 57,168	$ 50,312	$ 48,444	$ 45,747
Contributions in Relation to the Statutorily or Contractually Required Contributions	(49,106)	(57,367)	(64,873)	(60,306)	(57,168)	(50,312)	(48,444)	(45,747)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,307,159	$ 1,332,306	$ 1,346,275	$ 1,222,508	$ 1,129,146	$ 1,026,440	$ 1,015,594	$ 1,008,677
Contributions as a Percentage of Covered Payroll	3.76%	4.31%	4.82%	4.93%	5.06%	4.90%	4.77%	4.54%
PERS Plan 2/3								
Statutorily or Contractually Required Contributions	$ 83,135	$ 95,410	$ 106,625	$ 94,536	$ 84,685	$ 70,492	$ 63,272	$ 57,240
Contributions in Relation to the Statutorily or Contractually Required Contributions	(83,135)	(95,410)	(106,625)	(94,536)	(84,685)	(70,492)	(63,272)	(57,240)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,307,159	$ 1,332,306	$ 1,346,275	$ 1,222,508	$ 1,129,146	$ 1,026,440	$ 1,015,594	$ 1,008,677
Contributions as a Percentage of Covered Payroll	6.36%	7.16%	7.92%	7.73%	7.50%	6.87%	6.23%	5.67%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS, PERS 1 AND PERS 2/3
AS OF DECEMBER 31

	2021	2020	2019	2018	2017	2016	2015
PERS Plan 1							
Statutorily or Contractually Required Contributions	$ 57,367	$ 64,873	$ 60,306	$ 57,168	$ 50,312	$ 48,444	$ 45,747
Contributions in Relation to the Statutorily or Contractually Required Contributions	(57,367)	(64,873)	(60,306)	(57,168)	(50,312)	(48,444)	(45,747)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,332,306	$ 1,346,275	$ 1,222,508	$ 1,129,146	$ 1,026,440	$ 1,015,594	$ 1,008,677
Contributions as a Percentage of Covered Payroll	4.31%	4.82%	4.93%	5.06%	4.90%	4.77%	4.54%
PERS Plan 2/3							
Statutorily or Contractually Required Contributions	$ 95,410	$ 106,625	$ 94,536	$ 84,685	$ 70,492	$ 63,272	$ 57,240
Contributions in Relation to the Statutorily or Contractually Required Contributions	(95,410)	(106,625)	(94,536)	(84,685)	(70,492)	(63,272)	(57,240)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,332,306	$ 1,346,275	$ 1,222,508	$ 1,129,146	$ 1,026,440	$ 1,015,594	$ 1,008,677
Contributions as a Percentage of Covered Payroll	7.16%	7.92%	7.73%	7.50%	6.87%	6.23%	5.67%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS, PERS 1 AND PERS 2/3
AS OF DECEMBER 31

	2020	2019	2018	2017	2016	2015
PERS Plan 1						
Statutorily or Contractually Required Contributions	$ 64,873	$ 60,306	$ 57,168	$ 50,312	$ 48,444	$ 45,747
Contributions in Relation to the Statutorily or Contractually Required Contributions	(64,873)	(60,306)	(57,168)	(50,312)	(48,444)	(45,747)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,346,275	$ 1,222,508	$ 1,129,146	$ 1,026,440	$ 1,015,594	$ 1,008,677
Contributions as a Percentage of Covered Payroll	4.82%	4.93%	5.06%	4.90%	4.77%	4.54%
PERS Plan 2/3						
Statutorily or Contractually Required Contributions	$ 106,625	$ 94,536	$ 84,685	$ 70,492	$ 63,272	$ 57,240
Contributions in Relation to the Statutorily or Contractually Required Contributions	(106,625)	(94,536)	(84,685)	(70,492)	(63,272)	(57,240)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,346,275	$ 1,222,508	$ 1,129,146	$ 1,026,440	$ 1,015,594	$ 1,008,677
Contributions as a Percentage of Covered Payroll	7.92%	7.73%	7.50%	6.87%	6.23%	5.67%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
YEARS ENDED DECEMBER 31

	2022	2021	2020	2019	2018
NW Laborers-Employers Health and Security Plan					
Statutorily or Contractually Required Contributions	$ 167,561	$ 168,264	$ 162,535	$ 151,857	$ 143,023

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
YEARS ENDED DECEMBER 31

	2021	2020	2019	2018
NW Laborers-Employers Health and Security Plan				
Statutorily or Contractually Required Contributions	$ 168,264	$ 162,535	$ 151,857	$ 143,023

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
YEARS ENDED DECEMBER 31

	2020	2019	2018
NW Laborers-Employers Health and Security Plan			
Statutorily or Contractually Required Contributions	$ 162,535	$ 151,857	$ 143,023

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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