Washington State Auditor's Office

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Financial Statements Audit Report

East Columbia Basin Irrigation District

Adams County

For the period January 1, 2013 through December 31, 2013

Published May 26, 2015

Report No. 1014336

Washington State Auditor

May 26, 2015

Board of Directors
East Columbia Basin Irrigation District
Othello, Washington

Report on Financial Statements

Please find attached our report on the East Columbia Basin Irrigation District's financial statements.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

TABLE OF CONTENTS

East Columbia Basin Irrigation District
Adams County
January 1, 2013 through December 31, 2013

2013-001 The District's internal controls over financial statement preparation are inadequate to ensure accurate reporting.

Background

It is the responsibility of District management to design, implement, and maintain internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting. Our audit identified a material weakness in controls over financial statement reporting that affected the District's ability to produce reliable financial statements.

Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate material weaknesses, defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

Our audit identified deficiencies in internal controls that, when taken together, represent a material weakness:

- Staff responsible for preparation of the financial statements lacked the technical knowledge of certain reporting requirements prescribed by Governmental Accounting Standards Board (GASB).
- Although the District has a process for reviewing the prepared financial statements, this review was not effective in ensuring the financial statements were accurate in all respects.

Cause of Condition

The District did not dedicate the necessary time and resources to ensure the financial statements were accurately presented in accordance with all applicable GASB requirements. In addition, the District had turn over in accounting staff and was establishing new process for review; however, these procedures were not fully developed and implemented at the time the 2013 financial statements were prepared.

Effect of Condition

During our audit, we identified the following errors, which were not detected by the District:

- Net Investment in Capital Assets was understated by $21,136,074 and Unrestricted Net Position was overstated by the same amount.
- District had not completely adopted the joint venture reporting requirements of GASB Statement No. 14 The Financial Reporting Entity, related to the District's participation in forming a regional hydroelectric authority. Although the District had disclosed the joint venture in its notes, Generally Accepted Accounting Principles require that a portion of the joint venture be reported as an asset on the District's financial statements. As a result, assets were understated by $21,830,923 and the income statement did not report the $833,810 reduction in the value of the District's portion of the joint venture.
- District did not adopted relevant provisions of GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which resulted in liabilities being overstated by $454,806 and deferred inflows of resources was understated by same amount.
- Also, we identified less significant errors during the course of our audit, which were communicated to the District's management and subsequently corrected in the financial statements.

Recommendation

We recommend the District:

- Provide adequate training to staff responsible for financial reporting to ensure compliance with existing reporting requirements and newly issued GASB reporting standards.
- Establish a detailed secondary review process to ensure financial statements are free of errors and comply with current reporting requirements.

District's Response

Financial Statement Review:

The District is continuing efforts to develop a review process that would allow an independent reviewer to adequately check for accuracy.

Provisions of GASB Statements:

Description of Condition: The District disagrees with the statement that "staff responsible for preparation of the financial statements lacked the technical knowledge of certain reporting requirements prescribed by Governmental Accounting Standards Board (GASB)". District staff, independent accounting review, legal review and numerous audit reviews disagree with the application of the requirements of GASB 14. Also, in the case of GASB 65, staff had not completed interpreting the requirements as they applied to irrigation district assessments. We do not believe it to be a lack of technical knowledge. Moreover, there is no negative impact on cash flow from the alleged GASB reporting error.

Regarding GASB 14: The District, along with the other irrigation districts participating in the joint development of hydroelectric power, have had the long standing practice of disclosing the existence of the development in the notes to the financial statements but had determined that the provisions of GASB 14 did not apply to the operation of this separate state authorized legal entity. However, the District, in deference to the state auditors position that GASB applies, has agreed to comply with the auditor's finding and has made the necessary adjustments to the Statement of Net Position (Balance Sheet), Statement of Revenue, Expenses and Changes in Fund Net Position (Income Statement) and Statement of Cash Flows.

Regarding GASB 65: At the time of the audit, the District was still in the process of determining whether the provisions of GASB 65, liabilities such as advance assessments, should be recognized as deferred inflows and whether it applied to irrigation district assessments. The District has since determined that it could be interpreted as such. Therefore the District has relocated the advance assessments to Deferred Inflows, a new section on the Statement of Net Position.

Auditor's Remarks

We appreciate the District's response and recognize that the District is committed to improving its internal controls over financial statement reporting.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

> **4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions

> of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines material weaknesses and significant deficiencies in its *Codification of Statements on Auditing Standards*, Section 265 as follows:

> **.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:
>
> > Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
> >
> > Significant deficiency. 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.

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

> The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

Budgeting Accounting and Reporting System (BARS) Manual – Part 3, Accounting, Chapter 1, states in part:

> Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, states in part:

> *Joint Ventures*

69. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. If the organization is jointly controlled but the participants do not have an ongoing financial interest or ongoing financial responsibility, as defined in paragraphs 70 and 71, it is a jointly governed organization, rather than a joint venture. Reporting requirements for participants in jointly governed organizations are provided in paragraph 77.

Ongoing financial interest

70. An ongoing financial interest in a joint venture includes an equity interest, as defined in paragraph 72, and any other arrangement that causes a participating government to have access to the joint venture's resources. Access to the joint venture's resources occurs directly, such as when the joint venture pays its surpluses to the participants, or indirectly, such as when the joint venture undertakes projects of interest to the participants. For example, indirect access occurs when the participating governments are able to influence the management of the joint venture so that the joint venture uses its surplus resources to undertake special projects for the participants' citizenry.

Equity interest

72. For financial reporting purposes, there are two types of joint ventures: (a) joint ventures whose participants have equity interests and (b) joint ventures whose participants do not have equity interests. An equity interest in a joint venture is manifest in the ownership of shares of joint venture stock or by otherwise having an explicit, measurable right to the net resources of a joint venture that is usually based on an investment of financial or capital resources by a participating government. An equity interest may or may not change over time as a result of an interest in the net

income or loss of the joint venture. An equity interest is explicit and measurable if the joint venture agreement stipulates that the participants have a present or future claim to the net resources of the joint venture and sets forth the method to determine the participants' shares of the joint venture's net resources. As discussed below, if the government has an equity interest in the joint venture, that equity interest should be reported as an asset of the fund that has the equity interest.

Reporting participation in joint ventures in which there is an equity interest

73. Proprietary Funds. The "Investment in joint venture" account reported in a proprietary fund should report the participating government's equity interest calculated in accordance with the joint venture agreement. Initially, the investment in the joint venture should be reported at cost. If the joint venture agreement provides for the participating government to share in the operating results of the joint venture, the equity interest should be adjusted for the participant's share of the joint venture's net income or loss, regardless of whether the amount is actually remitted. In calculating the participant's share of the net income or loss of the joint venture, any profit on the operating transactions between the proprietary fund and the joint venture should be eliminated. Nonoperating transactions between the joint venture and the proprietary fund should increase or decrease the equity interest. The equity interest should be reported in the proprietary fund's balance sheet as a single amount, and the fund's share of the joint venture's net income or loss should be reported in its operating statement as a single amount.

Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, states in part:

Imposed Nonexchange Revenue Transactions

9. Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before (a) the period for which property taxes are levied or (b) the period when resources are required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements.

STATUS OF PRIOR AUDIT FINDINGS

East Columbia Basin Irrigation District
Adams County
January 1, 2013 through December 31, 2013

The status of findings contained in the prior years' audit reports of the East Columbia Basin Irrigation District is provided below:

1. **The Irrigation District needs to implement internal controls over federal grant reporting to ensure compliance with the required nine-month reporting deadline.**

   Report No. 1009501, dated December 2, 2013

   Background

   U.S. Office of Management and Budget Circular A-133 requires grantees that spend $500,000 or more in federal money in a year to submit a completed Schedule of Expenditures of Federal Awards (SEFA) and to have a single audit conducted and audit report issued within nine months of fiscal year-end.

   The District used the invoice date to accrue expenses related to the grant on its financial records and reports. However, per Generally Accepted Accounting Principles (GAAP) and Office of Management and Budget (OMB) guidance, expenses are incurred when the activity takes places, so invoices received in 2012 for prior year activity should have been reported in the 2011 financial records.

   During our audit, we found the District did not consider when the expenditures occurred in determining which year to report the expenditures on the SEFA. As a result the District incorrectly reported $158,000 of federal expenditures on its 2011 SEFA when the amount should have been $541,000. Since the total 2011 federal expenditures were originally reported below the Circular A-133 audit threshold, a federal single audit was not performed and the federal audit reporting deadline was not met for fiscal year 2011

   Status

   The District has added another level of staff review of invoices and supporting documents to determine what year the expenditure was for. Those invoices dated in the current year that evade the automated process are manually added to the accrual document used for the accrual journal entry. We consider this issue to be resolved.

STATUS OF PRIOR FEDERAL AUDIT FINDINGS

East Columbia Basin Irrigation District
Adams County
January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the East Columbia Basin Irrigation District. The State Auditor's Office has reviewed the status as presented by the Entity.

<table>
<tr><td>Audit Period:
FY 2011</td><td>Report Ref. No.:
1009501</td><td>Finding Ref. No.: 1</td><td>CFDA Number(s):
15.507</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
WaterSMART (Sustain and Manage Americas Resources for Tomorrow) Grants
Department of Interior, United States Bureau of Reclamation</td><td colspan="2">Pass-Through Agency Name:
NA</td></tr>
<tr><td colspan="4">Finding Caption:
East Columbia Basin Irrigation District does not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.</td></tr>
<tr><td colspan="4">Background:
In fiscal year 2011, the District spent $508,488 in federal funding under the WaterSMART Grants program. The funds were used for a water conservation project, where open ditches were converted to piped canals.

Federal grant regulations prohibit recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. For vendor contracts of $25,000 or more and all subawards, the District must ensure the vendor or subrecipient is not suspended or debarred.

The District's controls over suspension and debarment for public works projects did not extend to purchases of materials. The District did not verify suspension and debarment for a vendor that was paid $92,800 for the purchase of materials.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)
x Fully Corrected   ☐ Partially Corrected   ☐ No Corrective Action Taken   ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
The District has incorporated language into public works contract bid documents that requires bidders to certify in writing that they have not been suspended or debarred. In addition, the District also reviews the federal Excluded Parties List issued by the U.S. General Service Administration.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

East Columbia Basin Irrigation District
Adams County
January 1, 2013 through December 31, 2013

Board of Directors
East Columbia Basin Irrigation District
Othello, 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 East Columbia Basin Irrigation District, Adams County, Washington, as of and for the year ended December 31, 2013, 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 30, 2015. Our report includes a reference to other auditors who audited the financial statements of the joint venture, as described in our report on the District's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the joint venture were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the joint venture.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the District implemented Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and Statement No. 65, *Items Previously Reported as Assets.* As discussed in Note 10 to the financial statements, the 2013 financial statements have been restated to correct a misstatement.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 2013-001 to be material weaknesses.

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 the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

DISTRICT'S REPONSE TO FINDINGS

The District's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

April 30, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

East Columbia Basin Irrigation District
Adams County
January 1, 2013 through December 31, 2013

Board of Directors
East Columbia Basin Irrigation District
Othello, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the East Columbia Basin Irrigation District, Adams County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 18.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the joint venture, which represents 38 percent, 47 percent and 43 percent, respectively, of the assets, net position and non-operating expenses of the District. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the joint venture, is based solely on the other auditors.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the joint venture were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the East Columbia Basin Irrigation District, as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* and Statement No. 65, *Items Previously Reported as Assets.* Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 25 be presented to supplement the basic financial statements. Such information, 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 30, 2015 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 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.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

April 30, 2015

FINANCIAL SECTION

East Columbia Basin Irrigation District
Adams County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013
Statement of Revenues, Expenses and Changes in Fund Net Position – 2013
Statement of Cash Flows – 2013
Notes to Financial Statements – 2013

East Columbia Basin Irrigation District
Management's Discussion And Analysis
December 31, 2013

The discussion and analysis of the East Columbia Basin Irrigation District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 are as follows:

- The East Columbia Basin Irrigation District's assets exceeded its liabilities at December 31, 2013 by over $44 million.

- In 2013, the District continued to invest in System Improvements, both in new capital assets and upgrading existing assets. New System Improvement projects increased by $2,579,495 primarily as a result of the construction phase of the Comprehensive Pumping Plant Replacement and Modernization Plan and water conservation pipelines.

- In 2013, the District received $3,024,764 from State and Federal sources to pipe open ditches and seal lined canals to conserve water, modernize pumping plants to conserve energy and widen the District's main canal to aid in the future expansion of the District.

- The East Columbia Basin Irrigation District's financial position remains strong and continues to improve year to year. In 2013, the District continued the practice of investing in its assets through system improvements and upgrading equipment while keeping the financial impact on the District's water users as minimal as possible.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the East Columbia Basin Irrigation District as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position provides information about the District's finances and a longer-term view of its assets and liabilities.

Reporting the East Columbia Basin Irrigation District as a Whole

The Statement of Net Position and Statement of Revenue, Expenses and Changes in Fund Net Position:

These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the District's Net Position and changes in those assets. This change in assets is important as it tells the reader whether the financial position of the District has improved or diminished.

Reporting the East Columbia Basin Irrigation District's Funds

- O & M Fund – All of the District's O&M expenses are paid from the Operation & Maintenance fund. This fund is a component of the District's irrigation assessment.

- Emergency Reserve Fund – This fund was established as a requirement of Article 35 of the 1968 Repayment Contract with the U.S. Bureau of Reclamation. The Contract also requires that the fund balance be equal to at least 15% of the average of the previous five years' O & M expense be maintained. In October 2001, the Board of Directors determined that a 30% Emergency Reserve Fund level is an appropriate goal to reach at some point in the future with the method and timing of progress toward that goal to be subject to review at the time each budget is adopted and when assessments are equalized. At December 31, 2013, the fund balance was 22.9% of the average of the previous five years' O & M expense. This fund is a component of the District's irrigation assessment and is a restricted fund.

- Construction Fund – This fund is a component of the District's irrigation assessment and is used to make construction payments to the U.S. Bureau of Reclamation per the 1968 Repayment Contract. This is a restricted fund.

- Equipment Depreciation Fund – This fund was established to fund, or partially fund, the purchase of major equipment or as the Board of Directors may dictate.

- Power Revenue Fund – This fund contains the revenue from power generation sales.

- Federal Drainage Work Fund – Funds qualifying drainage projects on behalf of the U.S. Bureau of Reclamation. This is a restricted fund.

- Loan Fund – This fund is a component of the District's irrigation assessment for those landowners who participated in the Rill to Sprinkler Conversion Loan Program. Payments from landowners are deposited into this fund and re-payments to the Washington State Department of Ecology are made from this fund. The cash in this fund was depleted during 2009 with the balance after the final loan payment transferred to the Equipment Depreciation Fund. This is a restricted fund.

- Project 2006 Fund – The proceeds from the sale of the Revenue Bonds, 2006, were deposited into this fund and were used to pay costs of the Project and costs of issuance of the Bonds. The cash in this fund was depleted during 2010. This is a restricted fund.

- Project 2007 Fund – The proceeds from the sale of the Revenue Bonds, 2007, were deposited into this fund and were used to pay costs of the Project and costs of issuance of the Bonds. The cash in this fund was depleted during 2008. This is a restricted fund.

- Debt Service 2006 Fund – This fund is a component of the District's irrigation assessment and is used to make debt service payments on the District's Revenue Bonds, 2006 debt. This is a restricted fund.

- Debt Service 2007 Fund – This fund is a component of the District's irrigation assessment and is used to make debt service payments on the District's Revenue Bonds, 2007 debt. This is a restricted fund.

- Debt Service 2007 Reserve Fund – This was funded by the proceeds from the sale of the District's Revenue Bonds, 2007 in an amount equal to the debt service reserve requirement. This was done in lieu of purchasing reserve insurance. This is a restricted fund.

THE DISTRICT AS A WHOLE

The Statement of Net Position looks at the District as a whole. Table 1 provides a summary comparing the District's net position for 2013 and 2012.

Table 1
Net Position

	2013	2012
Assets		
Current Assets	11,331,420.16	13,533,950.57
Capital Assets, Net	21,184,421.26	18,532,205.22
Non-Current Assets:		
Restricted Assets	1,421,794.22	2,055,621.13
Non-Restricted Assets	20,997,113.00	21,830,923.33
Total Assets	54,934,748.64	55,952,700.25
Liabilities		
Current Liabilities	2,206,840.17	2,218,559.30
Non-current Liabilities	7,727,668.78	8,616,794.22
Total Liabilities	9,934,508.95	10,835,353.52
Deferred Inflow of Resources		
Advance Assessments	454,805.81	59,547.74
Net Position		
Net Position Invested in Capital Assets, net of related debt	13,989,421.26	10,947,205.22
Restricted	2,893,010.08	2,828,697.82
Unrestricted	27,663,002.54	31,281,895.95
Total Net Position	44,545,433.88	45,057,798.99
Total Net Position, Liabilities & Deferred Inflows	54,934,748.64	55,952,700.25

Table 2 provides a summary comparing the changes in revenues, expenses and net income for the years 2013 and 2012
.

Table 2
Statement of Revenue, Expenses & Changes in Net Position

	2013		2012
Revenue			
Operating Revenues	11,067,927.42		10,702,635.65
Non-Operating Revenues	5,285,570.58		3,805,743.74
Total Revenue	16,353,498.00		14,508,379.39
Expense			
Operating Expense	14,913,788.00		12,498,663.59
Non-Operating Expense	1,952,075.11		1,125,374.95
Total Expense	16,865,863.11		13,624,038.54
Change in Net Position	(512,365.11)		884,340.85
Net Position January 1	45,057,798.99		22,342,534.81
Prior Period Adjustment	0.00		21,830,923.33
Net Position December 31	44,545,433.88		45,057,798.99

BUSINESS TYPE ACTIVITIES

Revenues

Irrigation Assessments accounted for 60.2% of the total revenue in 2013. The average assessment was $54.55 per acre, which was up from $56.43 per acre in 2012.

Excess Water Sales accounted for 3.9% of the total revenue in 2013. This can vary as water usage is affected by variables such as weather and types of crops grown.

Power Sales accounted for 12.3% of the total revenue in 2013 which was down from 13% in 2012. These revenues come from the sale of electricity generated from six hydroelectric plants jointly owned by the East, South and Quincy Columbia Basin Irrigation Districts and operated by the Grand Coulee Project Hydroelectric Authority

Remaining Revenue comes from Grants, Common Services provided to SCBID, QCBID and GCPHA, Investment, Assessment and S&E Interest and other miscellaneous sources.

Expenses

Payroll & Payroll Benefits accounted for 37.8% of total expense in 2013.

Reserved Works payments accounted for 11% of total expense in 2013. This is the U.S. Bureau of Reclamation cost associated with pumping project water at Grand Coulee Dam up to Banks Lake and conveyance throughout the canal system.

Remaining Expenses are related to general operation and maintenance costs.

DEBT ADMINISTRATION

Long Term Debt - The long-term debt represents a Contract payable to the United States of America, held by the U. S. Bureau of Reclamation, for the repayment of the construction costs incurred on these lands, within the boundaries of the East Columbia Basin Irrigation District, to develop irrigation. The Contract was entered into in 1968 and is to be repaid over fifty years.

The District assesses each landowner for the repayment of the construction debt. The U. S. Bureau of Reclamation construction debt is based on a maximum of $131.60 per irrigable acre, but not less than $85.00 per acre as determined by the Secretary of the Interior.

On August 23, 2006, the District's Board of Directors adopted Resolution 2006-12, providing for the issuance, specifying the maturities, interest rates, terms and covenants and fixing the form of $6,555,000 par value Revenue Bonds, 2006, to provide funds with which to pay the costs of carrying out part of the District's Comprehensive Pumping Plant Replacement and Modernization Plan and the costs of issuance and sale of such bonds; providing for bond and reserve insurance; and providing for the sale and delivery of the bonds with a closing date of September 6, 2006. The Revenue Bonds carry a term of 20 years.

On January 25, 2007, the District's Board of Directors adopted Resolution 2007-05, providing for the issuance, specifying the maturities, interest rates, terms and covenants and fixing the form of $2,920,000 par value Revenue Bonds, 2007, to provide funds with which to pay the costs of carrying out part of the District's Comprehensive Pumping Plant Replacement and Modernization Plan and to fund a reserve for and pay costs of issuance and sale of such bonds; providing for bond insurance; and providing for the sale and delivery of the bonds with a closing date of February 15, 2007. The Revenue Bonds carry a term of 20 years.

Additional information regarding the District's debt is provided in Note 3.

CAPITAL IMPROVEMENTS

The District continues to upgrade equipment such as minor and major equipment; motor vehicles, radio equipment and office equipment and furnishings while surplusing older equipment. System Improvements continue to be a focus of the District in projects such as canal linings, pipelines and pumping plant renovation and replacement. The following table shows the net change in the District's capital assets between years 2013 and 2012.

Table 3
Capital Assets at Year-End

	2013	2012
Land	990.40	990.40
Office & Bldg Improvements	692,001.52	692,001.52
System Improvements	28,594,809.54	26,015,314.38
Minor Equipment	1,494,255.93	1,413,367.34
Major Equipment	5,322,148.18	2,598,289.65
Motor Vehicles	2,369,226.81	2,090,108.40
Radio Equipment	102,740.03	98,817.17
Office Equip & Furnishings	163,908.59	144,967.60
Construction in Progress	641,850.48	881,210.54
Totals	39,381,931.48	33,935,067.00
Less: Accum Depreciation	(18,197,510.22)	(15,402,861.78)
Total Net Capital Assets	21,184,421.26	18,532,205.22

Additional information regarding capital assets is provided in Note 7 of the Notes to Financial Report.

THE EAST COLUMBIA BASIN IRRIGATION DISTRICT IN THE FUTURE

All irrigation water supplied by the East District is dependent on pumping at Grand Coulee Dam. Beyond that, about 20% of the land served by the District depends on additional pumping by 62 re-lift stations throughout the District. These stations range from as small as 5 hp to 1600 hp in capacity.

This equipment is all in the neighborhood of 50 years old and while it has been well maintained and major breakdowns are rare, replacement is now necessary for continued dependability. Beginning about 10 years ago, equipment replacement began at the rate of about one plant each year, concentrating on smaller plants. That slow pace was deliberate for financial reasons, anticipating that income from power sales at the 7 hydroelectric plants jointly owned by the East, Quincy and South Columbia Basin Irrigation Districts would increase once the construction debt for those plants is retired. That debt was paid off in 2005.

In 2003, the District contracted with J-U-B Engineers, Inc. to assist in developing an overall replacement plan. In July 2004, the District's Board of Directors adopted the Comprehensive Pumping Plant Replacement and Modernization Plan. The Pump Plan estimates the total engineering and construction cost to replace the equipment in all 62 re-lift plants to be $15.2 million. Work began in 2005 on three pumping plants with all replacements being completed by 2014. The five largest plants will be updated during the first six years of the period then attention will move to the medium and small size plants. This sequence comes from a prioritization criteria established in the Pump Plan that ranks individual plant factors such as aces supplied, equipment condition and risk of failure. The District contracted with CH2M Hill, Inc. for engineering services for this construction effort.

The District has found it necessary to seek other financing to reimburse capital expenditures in connection with the replacement and modernization of the pumping plants. On August 23, 2006, the

District's Board of Directors adopted Resolution 2006-12, providing for the issuance, specifying the maturities, interest rates, terms and covenants and fixing the form of $6,555,000 par value Revenue Bonds, 2006, to provide funds with which to pay the costs of carrying out part of the District's Comprehensive Pumping Plant Replacement and Modernization Plan and the costs of issuance and sale of such bonds; providing for bond and reserve insurance; and providing for the sale and delivery of the bonds with a closing date of September 6, 2006. The Revenue Bonds carry a term of 20 years.

On November 3, 2006, the District's Board of Directors adopted the 2007 Operation and Maintenance Budget. The Budget incorporated the combined construction of the three Warden Pumping Plants and declared an official intent to reimburse capital expenditures in connection with the replacement and modernization of the pumping plants from the proceeds of a future borrowing in early 2007.

On January 25, 2007, the District's Board of Directors adopted Resolution 2007-05, providing for the issuance, specifying the maturities, interest rates, terms and covenants and fixing the form of $2,920,000 par value Revenue Bonds, 2007, to provide funds with which to pay the costs of carrying out part of the District's Comprehensive Pumping Plant Replacement and Modernization Plan and to fund a reserve for and pay costs of issuance and sale of such bonds; providing for bond insurance; and providing for the sale and delivery of the bonds with a closing date of February 15, 2007. The Revenue Bonds carry a term of 20 years.

Request for Financial Information

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Steven W. Kimble, Assistant Secretary/Treasurer, P.O. Box E, Othello, WA 99344, (509) 488-9671 or e-mail at ecbid@ecbid.org.

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2013

ASSETS:

Current Assets:	
Cash on Hand	6,464,996.32
Accounts Receivable:	
Water Service Contracts	2,472.67
Supplemental & Excess Water	126,488.95
Miscellaneous	9,085.65
Other Districts, USBR	587,451.91
GCPHA	300.00
Assessments Receivable	88,838.28
District Fees	24,005.08
Assessment/S&E Interest Receivable	31,158.44
Accrued Investment Interest	3,921.49
Supplies/Materials Inventory	321,209.57
Investments	3,483,930.73
Big Bend Capital Credits	134,539.92
Prepaid Expenses	53,021.15
Restricted Assets:	
Contract Interest in System	479,125.44
Total Current Assets	11,810,545.60
Noncurrent Assets:	
Restricted Assets:	
Contract Interest in System	942,668.78
Non-Restricted Assets:	
Investment in Joint Venture	20,997,113.00
Capital Assets	
Land	990.40
Office & Bldg Improvements	692,001.52
System Improvements	28,594,809.54
Minor Equipment	1,494,255.93
Major Equipment	5,322,148.18
Motor Vehicles	2,369,226.81
Radio Equipment	102,740.03
Office Equip & Furnishings	163,908.59
Construction in Progress	641,850.48
	39,381,931.48
Less: Accum Depreciation	(18,197,510.22)
Total Capital Assets (Net)	21,184,421.26
Total Noncurrent Assets	43,124,203.04
TOTAL ALL ASSETS	54,934,748.64

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG No. 1536

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2013

LIABILITIES AND NET POSITION:

Current Liabilities:	
Accounts Payable	640,745.77
Retentions Payable	242.77
Accrued Wages & Taxes	343,897.71
Accrued Leave Payable	306,514.75
Accrued Interest Payable	25,718.76
Deposits Payable	594.97
Payables from Restricted Liabilities:	
Construction Obligation-USBR	479,125.44
Revenue Bonds 2006 Payable	290,000.00
Revenue Bonds 2007 Payable	120,000.00
Total Current Liabilities	2,206,840.17
Non-Current Liabilities:	
Payables from Restricted Liabilities:	
Construction Obligation-USBR	942,668.78
Revenue Bonds 2006 Payable	4,610,000.00
Revenue Bonds 2007 Payable	2,175,000.00
Total Non-current Liabilities	7,727,668.78
Total Liabilities	9,934,508.95
Deferred Inflow of Resources	
Advance Assessments	454,805.81
Net Position:	
Net Investment in Capital Assets, Net of Related Debt	13,989,421.26
Restricted	2,893,010.08
Unrestricted	27,663,002.54
Total Net Position	44,545,433.88
TOTAL NET POSITION & LIABILITIES & DEFERRED INFLOWS	54,934,748.64
	54,934,748.64

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG No. 1536

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
December 31, 2013

OPERATING REVENUES:	
Assessments	8,704,361.63
Supplemental & Excess Water Sales	635,770.06
Water Service Contracts	1,147,505.17
Common Services	301,353.64
Penalties & Fees	143,043.10
Rentals	80,473.16
Misc. Refunds	42,057.27
Expenses Billed	13,363.39
Fees, Overhead Billed	0.00
Other Operating Revenue	0.00
Total Operating Revenue	11,067,927.42
OPERATING EXPENSES:	
Director Salaries & Expenses	53,147.61
Attorney Salaries & Expenses	118,545.61
Administrative Salaries	515,529.51
Clerical Salaries	191,091.52
Engineering Salaries	304,683.48
O&M Field Salaries	3,474,616.53
District Paid Benefits	1,841,309.36
Professional Services	99,251.49
Common Services Expense	97,417.91
Office Supplies & Expense	133,378.11
Depreciation Expense	2,843,134.25
O&M Expenses	3,432,029.22
Project Reserved Works	1,809,653.40
Total Operating Expenses	14,913,788.00
Operating Income (Loss)	(3,845,860.58)
NON-OPERATING REVENUES:	
Assessment/Supplemental & Excess Interest	20,452.79
Investment Interest	9,213.71
Power Generating Revenue	2,004,666.69
Reserved Energy Credit	0.00
Grants	3,175,767.66
Other Non-Operating Revenue	75,469.73
Total Non-Operating Revenue	5,285,570.58
NON-OPERATING EXPENSE:	
Constuction Repayment	633,826.91
Construction on Water Service Contracts	149,839.83
Debt Service 2006 Interest	215,072.59
Debt Service 2007 Interest	101,135.09
Misc Non-Operating Expense	18,390.36
Other Non-Operating Expense	833,810.33
Total Non-Operating Expense	1,952,075.11
Non-Operating Income (Loss)	3,333,495.47
CHANGE IN NET POSITION	(512,365.11)
Total Net Position, January 1	45,057,798.99
TOTAL NET POSITION DECEMBER 31	44,545,433.88

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG No. 1536

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
December 31, 2013

Increase (Decrease) in Cash

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	10,565,354.95
Cash received from other operating revenues	-
Cash paid to suppliers	(5,379,841.08)
Cash paid to employees	(6,306,557.03)
Cash paid for other operating expenses	-
Net cash provided by (used in) operating activities	(1,121,043.16)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Grant received	3,175,767.66
Cash payments received from rill to sprinkler projects	-
Repayments of loans relative to rill to sprinkler project	-
Net cash provided by noncapital and related financing activities	3,175,767.66
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and Construction of Capital Assets	(5,495,350.31)
Principal paid on Revenue Bonds, 2006	(275,000.00)
Principal paid on Revenue Bonds, 2007	(115,000.00)
Amortizaiton expense paid on USBR repayment contract	(633,826.91)
Construction paid on WSC	(149,839.83)
Cash paid for other non-operating expenses	(18,390.36)
Interest Payments on Debts	(317,603.50)
Proceeds from sale of assets	75,469.75
Net cash provided by capital and related financing activities	(6,929,541.16)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities	(14,899,840.52)
Matured investments	18,944,623.72
Interest income received	30,610.15
Power generating revenue - GCPHA	2,004,666.69
Capital credits	(800.49)
Proceeds from redemption of capital credits	-
Net cash provided by investing activities	6,079,259.55
NET (DECREASE) INCREASE IN CASH	1,204,442.89
CASH, BEGINNING OF YEAR	5,260,553.43
CASH, END OF YEAR	6,464,996.32

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG No. 1536

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
December 31, 2013

	12/31/2013
Income (loss) from operations	(3,845,860.58)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation and amortization	2,843,134.25
Decrease (increase) in assets:	
Accounts receivable	(502,572.47)
Prepaid expenses	4,198.03
Inventories	(139,578.62)
Increase (decrease) in liabilities:	
Accounts payable	(57,327.37)
Accrued liabilities	184,730.31
Deposits	(3,024.78)
Increase (decrease) in deferred inflows:	
Advance assessments	395,258.07
Total adjustments	2,724,817.42
Net cash provided by (used in) operating activities	(1,121,043.16)
Noncash Investing, Capital, and Financing Activities:	
Purchase of land, structures and equipment with direct financing	-
Adjustment to Investment in Joint Venture	(833,810.33)
Net cash provided by (used in) operating activities	(1,954,853.49)

The Accompanying Notes Are An Integral Part Of This Statement.

EAST COLUMBIA BASIN IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2013

The following notes are an integral part of the accompanying financial report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Columbia Basin Irrigation District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The District has elected not to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989 to the extent that it does not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1991, GASB approved Statement No. 14, *Establishing Standards for Reporting Participation in Joint Ventures*. Starting in 2013, The District adopted the provisions of GASB 14. In June 1999, GASB approved Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.* In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* These and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the more significant policies, including identification of those policies which result in material departures from generally accepted accounting principles:

a. Reporting Entity

The East Columbia Basin Irrigation District is a quasi-municipal corporation governed by an elected five-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. (The East Columbia Basin Irrigation has no component units.)

b. Basis of Accounting and Presentation

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 District uses the **Uniform System of Accounts for Irrigation Districts.** Adoption of the Uniform System of Accounts was begun on January 1, 1983.

The District's financial statements include the financial position and results of all enterprise operations, which the District manages. The financial statements include as well the assets and liabilities of all funds for which the District has responsibility.

All funds use the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Fixed asset purchases are capitalized and long-term liabilities are accounted for in the Construction Fund, Debt Service 06 Fund and Debt Service 07 Fund.

c. Operating and Non-operating Revenues and Expenses

The District distinguishes between operating revenues and expenses from non-operating ones. Operating revenues and expenses result from providing services in connection with the District's ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, with the exception of the District's assessments, which are reported as operating revenue.

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

d. Inventories

Inventories are recorded at cost using the first in, first out (FIFO) method, which approximates market value.

e. Capital Assets

Capital Assets over $500.00 are recorded at cost. Depreciation is computed on the straight-line method with useful lives of 5 to 30 years.

f. Restricted Funds

In accordance with the contract with the U. S. Department of the Interior and certain related agreements, separate restricted funds are required to be established. The assets held in these funds are restricted for specific uses, including debt service and other special reserve requirements. Those funds are the Emergency Reserve, Construction, Federal Drain Work, Debt Service 2006, Debt Service 2007 and Debt Service Reserve 2007 funds.

g. 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 240 hours (30 days) is payable upon resignation, retirement or death.

Sick leave may accumulate indefinitely. At the end of the first pay period in October, an employee whose accrued sick leave balance exceeds 320 hours and whose sick leave use for the 26 consecutive pay periods preceding that pay period does not exceed 48 hours may, at employee's option, convert up to 26 hours of sick leave to annual leave.

h. Construction Financing

The District has entered into a low head hydropower construction project with the Quincy and South Columbia Basin Irrigation Districts. All costs are reimbursed by the Grand Coulee Project Hydroelectric Authority (formerly the Power Generating Division of the South District) and are ultimately to be paid by the power purchaser.

NOTE 2 - JOINT VENTURE

The East Columbia Basin Irrigation District is involved in the Grand Coulee Hydroelectric Project, which is comprised of seven hydroelectric generating developments located within the boundaries of the South Columbia Basin Irrigation District, the Quincy-Columbia Basin Irrigation District and the East Columbia Basin Irrigation District. These projects are jointly owned by all three districts, one third each, pursuant to an agreement executed on May 10, 1980 by the Districts.

South Columbia Basin Irrigation District was designated by the above agreement to be the lead agency for these projects, with the responsibility for development, operation and maintenance of these projects until such time as a separate legal entity was created to assume these duties. By Agreement dated December 10, 1987, the three Districts assigned to the Grand Coulee Project Hydroelectric Authority the rights and obligations to administer the developments on their behalf and appointed the "Authority" as their agent and representative for that purpose.

On May 10, 1980, the three irrigation districts executed power sales agreements with the City of Seattle and the City of Tacoma for all six hydroelectric projects. Under said agreement, the Cities have agreed to purchase 100 percent of the power generated by the projects. In addition, the cities are required to make payments to the districts that equal the operating and maintenance expenses plus the annual debt service on the revenue bonds issued. The Districts do not actually receive title to the facilities until 40 years after the date of the contract.

Also, the East Columbia Basin Irrigation District, South Columbia Basin Irrigation District and Quincy-Columbia Basin Irrigation District are involved in the operation of the Quincy Chute Hydroelectric Project, in which Quincy District is the lead agency. Grant County Public Utility District has contracted to purchase 100 percent of the power generated by the Quincy Chute, in accordance with a Construction and Operation Agreement dated May 21, 1982.

On July 11, 1986, the East Columbia Basin Irrigation District, South Columbia Basin Irrigation District and Quincy Columbia Basin Irrigation District entered into a Contract with Grant County Public Utility District for the construction of the Potholes East Canal Headworks Hydroelectric Project, in which South District is the lead agency, whereby Grant County Public Utility District will undertake development, operation and maintenance of the project and purchase 100 percent of the power output. In any month that the account balance, as determined by Grant County Public Utility District, is positive, Grant County Public Utility District shall pay one-half of the account balance to the Districts. The Districts do not receive title for forty years after the date of commercial operation of the project, or October 1, 2032, whichever event first occurs.

The District provides no financial support to the Joint Venture as it is funded entirely from the sale of electricity. The proceeds from those sales to the three districts are net of expense.

Separate financial statements may be obtained by contacting the Grand Coulee Project Hydroelectric Authority, P.O. Box 219, Ephrata, WA 98823; South Columbia Basin Irrigation District, PO Box 1006, Pasco, WA 99301; Quincy Columbia Basin Irrigation District, PO Box 188, Quincy, WA 98848.

NOTE 3 - LONG TERM DEBT & LIABILITIES

a. Long-Term Debt
   Schedule 09, which accompanies this report, contains a list of the outstanding debt at December 31, 2013. The annual requirements to amortize all debts outstanding as of December 31, 2013, including interest where applicable are as follows:

Construction Repayment Contract

The following long-term debt represents a Contract payable to the United States of America, held by the U. S. Bureau of Reclamation, for the repayment of the construction costs incurred on these lands, within the boundaries of the East Columbia Basin Irrigation District, to develop irrigation. The Contract was entered into in 1968 and is to be repaid over fifty years.

The District assesses each landowner for the repayment of the construction debt. The U. S. Bureau of Reclamation construction debt is based on a maximum of $131.60 per irrigable acre, but not less than $85.00 per acre as determined by the Secretary of the Interior.

The construction charge obligation at December 31, 2013, represents the difference between the initial construction charge obligation and the annual installments paid by application of development period surplus, and/or payments from District funds. Development of Block 461 was completed in 1986, adding the amount of $107,153.17 to the initial construction charge obligation. During 2013, the final installment was paid on Blocks 40 and 41.

The following tabulation shows the changes in the account since its inception:

Block	Initial Construction Charge Obligation	Accrued Annual Installments Paid	Balance 12/31/2013
40	1,669,097	1,669,097	0
401	139,213	117,022	22,191
41	1,481,655	1,481,656	0
42	2,909,399	2,844,874	64,525
421	162,318	140,734	21,584
43	2,051,041	1,949,951	101,090
44	2,531,019	2,335,518	195,500
45	2,351,119	2,099,769	251,350
46	2,475,216	2,079,915	395,301
461	107,153	43,907	63,246
47	880,981	764,017	116,964
48	373,546	220,912	152,634
49	1,677,536	1,640,127	37,409
	18,809,292	17,387,499	1,421,794

The annual requirements to amortize the Construction repayment outstanding as of December 31, 2013, are as follows:

Construction Obligation **

2014	$ 479,125
2015	$ 510,261
2016	$ 432,408
Total	$1,421,794

*Annual installments are determined by multiplying the base annual installment by the normal price index factor and then multiplying the product so obtained by the normal agricultural parity factor. The end result is that a percentage of the base annual installment is actually due. The percentage for the following year's payment is sent to the District each fall. These figures are calculated assuming that 100% of the base annual installment will be due.

**This is an interest free obligation.

East Columbia Basin Irrigation District Revenue Bonds, 2006

On August 23, 2006, the District's Board of Directors adopted Resolution 2006-12, providing for the issuance, specifying the maturities, interest rates, terms and covenants and fixing the form of $6,555,000 par value Revenue Bonds, 2006, to provide funds with which to pay the costs of carrying out part of the District's Comprehensive Pumping Plant Replacement and Modernization Plan and the costs of issuance and sale of such bonds; providing for bond and reserve insurance; and providing for the sale and delivery of the bonds with a closing date of September 6, 2006. The Revenue Bonds carry a term of 20 years.

The annual requirements to amortize the Bond Debt Service, 2006 outstanding as of December 31, 2013, are as follows:

Year	Principal	Interest	Total
2014	290,000.00	204,387.50	494,387.50
2015	300,000.00	192,212.50	492,212.50
2016	315,000.00	179,143.75	494,143.75
2017	325,000.00	165,543.75	490,543.75
2018	340,000.00	151,412.50	491,412.50
2019-2023	1,950,000.00	508,993.75	2,458,993.75
2024-2026	1,380,000.00	89,675.00	1,469,675.00
Total	**4,900,000.00**	**1,491,368.75**	**6,391,368.75**

East Columbia Basin Irrigation District Revenue Bonds, 2007

On January 25, 2007, the District's Board of Directors adopted Resolution 2007-05, providing for the issuance, specifying the maturities, interest rates, terms and covenants and fixing the form of $2,920,000 par value Revenue Bonds, 2007, to provide funds with which to pay the costs of carrying out part of the District's Comprehensive Pumping Plant Replacement and Modernization Plan and to fund a reserve for and pay costs of issuance and sale of such bonds; providing for bond insurance; and providing for the sale and delivery of the bonds with a closing date of February 15, 2007. The Revenue Bonds carry a term of 20 years.

The annual requirements to amortize the Bond Debt Service, 2007 outstanding as of December 31, 2013, are as follows:

Year	Principal	Interest	Total
2014	120,000.00	95,437.50	215,437.50
2015	125,000.00	89,312.50	214,312.50
2016	135,000.00	82,812.50	217,812.50
2017	140,000.00	75,937.50	215,937.50
2018-2022	800,000.00	284,878.13	1,084,878.13
2023-2026	765,000.00	99,515.63	864,515.63
2027	210,000.00	4,331.25	214,331.25
Total	**2,295,000.00**	**732,225.00**	**3,027,225.00**

b. Changes in Long-Term Liabilities

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2012	Additions	Reductions	Ending Balance 12/31/2013	Due Within One Year
Construction Repayment	$ 2,055,621	$ 0	$ 633,827	$ 1,421,794	$ 479,125
Revenue Bonds 2006	$ 5,175,000	$ 0	$ 275,000	$ 4,900,000	$ 290,000
Revenue Bonds 2007	$ 2,410,000	$ 0	$ 115,000	$ 2,295,000	$ 120,000
Compensated Absences	$ 270,052	$ 36,463	$ 0	$ 306,515	$ 0

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There were no violations of finance-related legal or contractual provisions.

NOTE 5 - DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the District's funds are obligations of the U. S. Government, the State Treasurer's Investment Pool, deposits with Washington State banks, Savings and Loan institutions, or other investments allowed by Chapter 39.59 RCW.

a. The District's deposits and certificates of deposit are entirely 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 of December 31, 2013, the District had the following investments:

b. Investments	Maturities	Fair Value
Other Securities	2,499,172.57	2,499,172.57
State Investment Pool	984,758.16	984,758.16
Total	3,483,930.73	3,483,930.73

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the District would not be able to recover the value of the investment or collateral securities. Of the District’s total position of $3,483,930.73, no investments are exposed to custodial credit risk.

NOTE 6 - PENSION PLAN

All of the District's full-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 Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

Description of Plans 1, 2 and 3 - Public Employees' Retirement System

PERS is a cost-sharing multiple-employer system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the state legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2% of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60% of the AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years..Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased 3% annually. Plan 1 members may also elect to receive an additional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of the annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60.The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2% of the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance was granted at age 66 based upon years of service times the COLA amount. This benefit was eliminated by the Legislature, effective July 1, 2012. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with 5 years of service. The monthly benefit is 2% of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.) PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

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

PERS Plan 2 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.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1% of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

Effective June 7, 2006, 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2% of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the consumer Price Index) capped at 3% annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's benefit.

Beneficiaries of a PERS Plan2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not a normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	**263,347**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5% to 15%t; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Contributions Required

The required contribution rates expressed as a percentage of current-year covered payrolls, as of December 31, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
*** Minimum rate.

Both the District and the employees made the required contributions. The District's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 46,256.98	$ 518,767.05	$ 37,514.20
2012	$ 46,959.12	$ 401,103.90	$ 26,290.57
2011	$ 64,894.56	$ 391,056.47	$ 26,748.87

NOTE 7 – CAPITAL ASSETS

Major expenses for capital assets are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Capital Asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital asset not being depreciated:				
Land	990.40	0.00	0.00	990.40
Construction in Progress	881,210.54	573,296.37	(812,656.43)	641,850.48
Total capital asset not being depreciated	882,200.94	573,296.37	(812,656.43)	642,840.88
Capital assets being depreciated:				
Office & Building Improvements	692,001.52	0.00	0.00	692,001.52
System Improvements	26,015,314.38	2,579,495.16	0.00	28,594,809.54
Minor Equipment	1,413,367.34	86,489.71	(5,601.12)	1,494,255.93
Major Equipment	2,598,289.65	2,723,858.53	0.00	5,322,148.18
Motor Vehicles	2,090,108.40	322,003.12	(42,884.71)	2,369,226.81
Radio Equipment	98,817.17	3,922.86	0.00	102,740.03
Office Equipment & Furnishings	144,967.60	18,940.99	0.00	163,908.59
Total capital assets being depreciated	33,052,866.06	5,734,710.37	(48,485.83)	38,739,090.60

	Beginning Balance	Increase	Decrease	Ending Balance
Less accumulated depreciation for:				
Office & Building Improvements	657,903.19	10,700.82	0.00	668,604.01
System Improvements	9,167,886.73	2,429,464.71	0.00	11,597,351.44
Minor Equipment	1,312,478.94	47,373.09	(5,601.12)	1,354,250.91
Major Equipment	2,324,002.44	190,059.29	0.00	2,514,061.73
Motor Vehicles	1,725,003.82	153,925.36	(42,884.69)	1,836,044.49
Radio Equipment	90,053.64	3,608.71	0.00	93,662.35
Office Equipment & Furnishings	125,533.02	8,002.27	0.00	133,535.29
Total accumulated depreciation	15,402,861.78	2,843,134.25	(48,485.81)	18,197,510.22
Total capital assets being depreciated, net	17,650,004.28	2,891,576.12	(0.02)	20,541,580.38
TOTAL CAPITAL ASSETS, NET	**18,532,205.22**	**3,464,872.49**	**(812,656.45)**	**21,184,421.26**

NOTE 8- RISK MANAGEMENT

The East Columbia Basin Irrigation District is not a member of a public risk pool.

The District's Directors, officers and employees are subject to loss from errors and omissions in the administration of their duties. Public Officials Errors and Omissions coverage is purchased to protect against those exposures including employment practices liability.

The District is exposed to tort liability for which it carries commercial general liability insurance (with special endorsements for application of herbicide and pesticide) and automobile liability insurance exceeding expected annual level of claims.

The District's insurance program is subject to the following deductibles:

Property	
Property	$ 100,000
Buildings, Pers. Property	$ 10,000
Mobile Equipment	$ 25,000
Rented, Borrowed Equip	$ 1,000
Earth Movement	2% applies per locations involved, $100,000 min.
Flood	$ 100,000
Small Tools, Equipment	$ 500
Crime	
Management Liability	$ 25,000 Each Wrongful Act or Offense
Employee Theft	$ 500 per loss
Forgery or Alteration	$ 500 per occurrence
Theft of Money & Security	$ 500 per occurrence
Robbery	$ 500 per occurrence
Computer Fraud	$ 500 per occurrence
Funds Transfer Fraud	$ 500 per occurrence
Money Orders	$ 500 per occurrence
Automobile	
Comprehensive	$ 100
Collision	$ 1,000
Public Officials Liability	$ 10,000
Architects & Engineers Professional Liability	$ 10,000 Per Claim

Deductible payments, if any, are considered an operational expense payable from the general operation and maintenance fund. The amount of settlements did not exceed insurance coverage in each of the past three years.

The Columbia Basin Project irrigation facilities are owned by the United States which is self-insured. The District is required by federal repayment contract to accumulate and maintain an emergency reserve operation and maintenance fund equal in amount to 15% of the average annual operation and maintenance costs of the District for the preceding five years. This fund is available for the purpose of meeting major, extraordinary or unforeseen costs of operation and maintenance, repair and replacements of transferred works and the District's share of such costs relating to project reserved works and special reserved works.

The District also provides for property loss through commercial insurance on a replacement cost basis not subject to co-insurance.

The District's risk management also includes loss prevention and reduction and risk transfer as follows:

1. Loss Prevention and Reduction:
   (a) The District has developed an emergency response plan; and
   (b) The District has periodic safety meetings: and
   (c) The insurance carrier's loss control representative periodically tours the District and makes recommendations on actions to reduce risk.

2. Risk Transfer
   (a) Independent contractors are required to furnish certificates of insurance coverage and contractual risk transfer clauses are included in contracts.

NOTE 9 – GRANT FUNDED CAPITAL IMPROVEMENTS

Prior to 1999, the District reduced the cost of capital improvements on projects that were partially funded by State grants, by the amount of the grant. In 1999 the District began recording the grants as revenue and capitalizing all expenses related to the capital improvement.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

An adjustment was made to 2012 Miscellaneous Accounts Receivable and Other Non-Operating Revenue in the amount of $8,745.65. This was related to a 13th month transaction that was not captured until the 2012 year end reset of revenues and expenses which caused an imbalance to O&M Retained Revenue for 2013.

A debit adjustment was made to 2012, Investment in Joint Venture, asset, and a credit adjustment to O&M Retained Revenue in the amount of $21,830,923.33 setting up and recognizing the one third value of the Grand Coulee Project Hydroelectric Authority Joint Venture.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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