Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

East Columbia Basin Irrigation District

Adams County

For the period January 1, 2015 through December 31, 2015

Issued September 22, 2016

Reissued November 30, 2017

Report No. 1017529

Office of the Washington State Auditor
Pat McCarthy

November 30, 2017

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,

Pat McCarthy

State Auditor

Olympia, WA

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East Columbia Basin Irrigation District
Adams County
January 1, 2015 through December 31, 2015

2015-001 East Columbia Basin Irrigation District's internal controls over financial statement preparation are inadequate to ensure accurate reporting.

Background

Board members, state and federal agencies, and the public rely on information included in the financial statements and reports to make decisions. It is the responsibility of the District to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

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

Description of Condition

We identified the following deficiencies in internal controls that, when taken together, represent a material weakness:

- The District did not correctly apply capital asset reporting requirements using guidance under Generally Accepted Accounting Principles (GAAP).
- The District did not have adequate procedures in place to ensure Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement of GASB No. 27* was implemented correctly.
- Although the District had established a review of the financial statements, the review was not effective to ensure financial statements were accurate.

Cause of Condition

The District performed multiple maintenance and construction projects during 2015 funded through grants. The District did not ensure three projects for new construction were reported as capital assets and the revenue was not reported as capital grants on the financial statements.

Also, the District did have a clear understanding of the new GASB standard and did not follow guidance provided in the GASB Statement No. 68 to ensure new accounting standards were presented correctly on the financial statements.

Effect of Condition

We identified the following errors in the original financial statements we received for audit:

- The District reported construction projects as an operating and maintenance expense totaling $10,551,753 instead of construction in progress. The construction projects were funded through capital grants that were not designated as capital in the financial statements and the Statement of Cash Flows.

- The District did not correctly report transactions related to GASB No. 68. Specifically, the District did not report an adjustment to beginning net assets of $4,852,720 due to the change in accounting principal. Also, the District incorrectly reported a net pension asset of $4,618,860. Further, the District did not report the required supplementary information related to this new GASB standard.

The District subsequently corrected these errors in the reported financial statements.

Recommendation

We recommend the District establish ongoing, consistent internal controls over financial reporting, to include the following:

- Establish a process to ensure the correct classification and capitalization of assets that follow the Generally Accepted Accounting Principles (GAAP) and Budgeting, Accounting and Reporting Systems (BARS).

- Allocate the necessary time and resources to determine whether accounting standards are properly reported.

District's Response

The three capital projects that were initially expensed, rather than capitalized, were done so based on the structure of the project numbering system that had been in place long before the decisions to add structures to the earthwork project were made. The numbering system was designed to insure complete and proper billing to meet the Department of Ecology's requirements so as to receive all of the $26 million grant that the District was entitled to. This left out expense that may *not have been grant eligible but would have been eligible to capitalize. We believe this to be not a deficiency in internal controls but rather a thought out decision to ensure that the District receives all the grant money it is entitled to and thereby minimizing expense to District landowners. The District has done its best to capture those expenditures manually and has complied with the State Auditor's Office determination.*

The District believes we dedicated extensive time and resources through workshops, presentations and webinars, as well as preparation assistance from the State Auditor's Office, towards the understanding and preparation of GASB 68 reporting. We recognize that errors were still made during the reporting preparation of this highly complex GASB Statement but believe we have processes in place to insure accurate reporting in the future.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during the next audit.

Applicable Laws and Regulations

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.

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 on the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with 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, Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

> a. Significant deficiency: 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.
>
> b. Material weakness: A material weakness is a deficiency, or 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.

Budgeting, Accounting and Reporting System (BARS) manual – Accounting, Accounting Principles and General Procedures, Internal Control, 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. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

Governmental Accounting Standards Board Statement No. 68 *– Accounting and Financial Reporting Pensions,* states in part:

> 48. A liability should be recognized for the employer's proportionate share of the collective net pension liability, measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The employer's proportionate share of the collective net pension liability should be measured by:
>
> > a. Determining the employer's proportion—a measure of the proportionate relationship of (1) the employer (and, to the extent associated with the employer, nonemployer contributing entities, if any, that provide support for the employer but that are not in a special funding situation) to (2) all employers and all nonemployer contributing entities. The basis for the employer's proportion should be consistent

with the manner in which contributions to the pension plan, excluding those to separately finance specific liabilities of an individual employer to the pension plan,15 are determined. The use of the employer's projected long-term contribution effort to the pension plan (including that of nonemployer contributing entities that provide support for the employer but that are not in a special funding situation) as compared to the total projected long-term contribution effort of all employers and all nonemployer contributing entities to determine the employer's proportion is encouraged.

b. Multiplying the collective net pension liability (determined in conformity with paragraphs 59−70) by the employer's proportion calculated in (a).

49. To the extent that different contribution rates are assessed based on separate relationships that constitute the collective net pension liability (for example, separate rates are calculated based on an internal allocation of liabilities and assets for different classes or groups of employees), the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those separate relationships.

50. The employer's proportion should be established as of the measurement date, unless the employer's proportion is actuarially determined, in which case a proportion established at the date of the actuarial valuation used to determine the collective net pension liability may be used.

51. Whether pensions are provided through cost-sharing, single-employer, or agent pension plans, liabilities for net pension liabilities associated with different pension plans may be displayed in the aggregate, and assets for net pension assets associated with different pension plans may be displayed in the aggregate in the financial statements. Aggregated pension liabilities should be displayed separately from aggregated pension assets.

74. The total (aggregate for all pensions, whether provided through costsharing, single-employer, or agent pension plans) of the employer's pension liabilities, pension assets, deferred

outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures for the period associated with net pension liabilities should be disclosed if the total amounts are not otherwise identifiable from information presented in the financial statements.

75. The information identified in paragraphs 76−80 should be disclosed for benefits provided through each cost-sharing pension plan in which the employer participates. Disclosures related to more than one pension plan should be combined in a manner that avoids unnecessary duplication.

81. The required supplementary information identified in subparagraphs (a) and (b), as applicable, should be presented separately for each cost-sharing pension plan through which pensions are provided. The information indicated is subparagraph (a) should be determined as of the measurement date of the collective net pension liability. The information in subparagraph (b) should be determined as of the employer's most recent fiscal year-end.

a. A 10-year schedule presenting the following for each year:

(1) If the employer does not have a special funding situation:

(a) The employer's proportion (percentage) of the collective net pension liability

(b) The employer's proportionate share (amount) of the collective net pension liability (c) The employer's covered-employee payroll

(d) The employer's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll

(e) The pension plan's fiduciary net position as a percentage of the total pension liability.

(2) If the employer has a special funding situation:

(a) The employer's proportion (percentage) of the collective net pension liability

(b) The employer's proportionate share (amount) of the collective net pension liability

(c) The portion of the nonemployer contributing entities' total proportionate share (amount) of the collective net pension liability that is associated with the employer

(d) The total of (b) and (c)

(e) The employer's covered-employee payroll

(f) The employer's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll

(g) The pension plan's fiduciary net position as a percentage of the total pension liability.

b. If the contribution requirements of the employer are statutorily or contractually established, a 10-year schedule presenting the following for each year:

(1) The statutorily or contractually required employer contribution. For purposes of this schedule, statutorily or contractually required contributions should exclude amounts, if any, to separately finance specific liabilities of the individual employer to the pension plan.

(2) The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution. For purposes of this schedule, contributions should include only amounts recognized as additions to the pension plan's fiduciary net position during the employer's fiscal year resulting from actual contributions and from contributions recognized by the pension plan as current receivables.

(3) The difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution.

(4) The employer's covered-employee payroll.

(5) The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the employer's covered-employee payroll.

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, 2015 through December 31, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 15, 2016, except as it relates to the reclassification from an investment in joint venture to capital assets, which is as of November 28, 2017. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

This report, which replaces a previously issued report, has been reissued due to a correction of a misstatement. As described in note 1, the District restated the 2015 financial statements to correct a misstatement. The District determined that it owns one-third of the total capital assets administered by a joint venture and reclassified these as District capital assets. These amounts were previously classified as investments in joint venture.

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 2015-001 to be a material weakness.

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 RESPONSE 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.

Pat McCarthy

State Auditor

Olympia, WA

September 15, 2016, except as it relates to the reclassification from an investment in joint venture to capital assets, and as to Note 1, for which the date is November 28, 2017.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

East Columbia Basin Irrigation District
Adams County
January 1, 2015 through December 31, 2015

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, 2015, 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 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, 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, 2015, 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 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters – Report Reissuance

This report, which replaces a previously issued report, has been reissued due to a correction of a misstatement. As described in Note 1, the District restated the 2015 financial statements as it determined that the District owns one-third of the total capital assets administered by a joint venture and reclassified these as District capital assets. These amounts were previously classified as investments in joint venture.

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 26 and pension plan information on pages 47 through 48 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 September 15, 2016 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

September 15, 2016, except as it relates to the reclassification from an investment in joint venture to capital assets, and as to Note 1, for which of the date is November 28, 2017.

FINANCIAL SECTION

East Columbia Basin Irrigation District
Adams County
January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

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, 2015. 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 2015 are as follows:

- The East Columbia Basin Irrigation District's assets exceeded its liabilities at December 31, 2015 by over $52 million.

- In 2015, the District continued to invest in System Improvements, both in new capital assets and upgrading existing assets. New System Improvement projects increased by $447,339 primarily as a result of the construction phase of the Comprehensive Pumping Plant Replacement and Modernization Plan and water conservation pipelines.

- In 2015, the District received $15,174,389 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 2015, 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, 2015, the fund balance was 23.5% 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.

- Odessa Development Fund – This fund was established for the purpose of paying and securing payment of principle and interest of bonds and loans secured for the development of the Odessa Ground Water Replacement Program (OGWRP) or other Odessa Ground Water Replacement Program activities as the Board of Directors authorizes. 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 of the District's net position for 2015.

MD&A
Table 1
Net Position

Assets	**2015**	**2014**
Current Assets	14,761,674.99	8,576,161.17
Capital Assets, Net	47,406,481.32	21,047,116.69
Non-Current Assets:		
Restricted Assets	4,869,087.47	4,846,143.28
Non-Restricted Assets	114,244.67	20,165,655.00
Total Assets	67,153,503.45	54,635,076.14
Deferred Outflow of Resources	507,275.00	509,077.22
Total Assets & Deferred Outflows	67,660,778.45	55,144,153.36
Liabilities		
Current Liabilities	7,441,118.31	1,996,867.42
Non-current Liabilities	6,352,280.06	7,008,807.99
Total Liabilities	13,793,398.37	9,005,675.41
Deferred Inflow of Resources	1,135,671.59	509,077.22
Net Position		
Net Position Invested in Capital Assets,		

net of related debt	41,023,812.57	14,237,864.60
Restricted	4,220,279.48	3,903,474.50
Unrestricted	7,485,601.44	26,978,984.41
Total Net Position	52,729,693.49	45,120,323.51
Total Net Position, Liabilities & Deferred Inflows	67,658,763.45	54,635,076.14

Table 2 provides a summary comparing the changes in revenues, expenses and net income for the year 2015.

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

	2015	2014	
Revenue			
Operating Revenues	12,860,646.64	11,927,742.24	
Non-Operating Revenues	22,120,808.71	7,088,115.37	
Total Revenue	34,981,455.35	19,015,857.61	
Expense			
Operating Expense	20,620,372.80	16,664,492.45	
Non-Operating Expense	2,020,734.61	1,776,475.53	
Total Expense	22,641,107.41	18,440,967.98	
Change in Net Position	12,340,347.94	574,889.63	
Net Position January 1	45,120,323.51	44,545,433.88	
Cumulative Effect of a Change in Accounting Principle	(4,852,720.00)		-
Prior Period Adjustment	121,742.04		-
Net Position - Beginning of Year, as Restated	40,389,345.55	44,545,433.88	
Net Position December 31	52,729,693.49	45,120,323.51	

BUSINESS TYPE ACTIVITIES

Revenues

Grant Revenue accounted for 53.53% of the total revenue in 2015.

Irrigation Assessments accounted for 31.32% of the total revenue in 2015. The average assessment was $62.89 per acre, which was up from $58.62 per acre in 2014.

Excess Water Sales accounted for 3.71% of the total revenue in 2015. This can vary as water usage is affected by variables such as weather and types of crops grown.

Power Sales accounted for 8.85% of the total revenue in 2015 which was down from 12.3% in 2013. 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 Columbia Basin Hydropower (formerly Grand Coulee Project Hydroelectric Authority).

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

Expenses

Payroll & Payroll Benefits accounted for 34.15% of total expense in 2015.

Reserved Works payments accounted for 5.92% of total expense in 2015. 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 for 2015.

MD&A
Table 3
Capital Assets at Year-End

	2015	2014
Land	990.40	990.40
Land held by CB Hydro	5,487.00	
Office & Bldg. Improvements	692,001.52	692,001.52
System Improvements	31,565,355.09	31,118,016.59
Minor Equipment	1,837,078.23	1,701,076.32
Major Equipment	6,053,722.03	5,889,818.78
Motor Vehicles	2,753,383.72	2,488,635.52
Radio Equipment	104,818.58	108,163.13
Office Equip & Furnishings	196,528.62	175,589.99
Structures and Improvements-CBH	16,359,344.00	
Waterways and Dams-CBH	10,722,856.00	
Turbines and Generators-CBH	12,504,986.00	
Electrical Equipment-CBH	1,250,541.00	
Power Plant Equipment-CBH	478,408.00	
Roads and Bridges-CBH	540,445.00	
Station Equipment-CBH	587,468.00	
Poles and Fixtures-CBH	395,137.00	
Overhead Conduction-CBH	4,106.00	
Construction in Progress	11,192,459.70	643,370.11
Construction In Progress-CBH	976,221.00	
Totals	98,221,336.89	42,817,662.36
Less: Accumulated Depreciation	(50,814,855.57)	(21,770,545.67)
Total Net Capital Assets	47,406,481.32	21,047,116.69

Additional information regarding capital assets is provided in Note 6 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 2015. 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.

Odessa Groundwater Replacement Program (OGWRP)

The Odessa Groundwater Replacement Program (OGWRP) is a comprehensive initiative being implemented by the East Columbia Basin Irrigation District (District), U.S. Bureau of Reclamation (Reclamation) and the Washington State Department of Ecology, Office of Columbia River (Ecology). The program involves the development of three federal, surface water supplies to be conveyed by existing and improved Columbia Basin Project (CBP) irrigation district facilities to lands currently relying on deep-well irrigation. These supplies will replace roughly 87,700 acres of deep-well irrigated agriculture.

One major component of OGWRP implementation is the improvement of the District operated-and-maintained East Low Canal. The ELC is the main irrigation water conveyance facility for the District. Increasing the capacity of the ELC is necessary to provide new federal surface water supplies to deep-well irrigators via new canal-side pump plant facilities. Through an Ecology construction grant, the District has undertaken major canal widening and improvement activities to increase canal capacity, including earthwork, installation of two new siphons at the Lind Coulee complex, installation of new radial gate structures and rebuilding and modification of county road bridges.

Ecology funding has also been used to complete feasibility designs for contemplated delivery systems that would convey water from the improved ELC to eligible lands under contract with the District to receive federal OGWRP water. Additionally, designs have moved forward with a preliminary OGWRP delivery system at the EL47.5 mile marker. This system currently contemplates between 7,000 and 9,000 acres of water delivery through a pressurized, buried pipeline from a canal-side pumping plant. Full design and construction of this system hinges on landowner participation and securing funding which is currently being pursued via tax-exempt municipal revenue bonds.

<u>Request for Financial Information</u>

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 Rosa Dekker, Assistant Secretary/Treasurer, P.O. Box E, Othello, WA 99344, (509) 488-9671 or e-mail at rdekker@ecbid.org.

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF NET POSITION
December 31, 2015

ASSETS:	
Current Assets:	
Cash on Hand	6,189,702.08
Accounts Receivable:	
Water Service Contracts	911.45
Supplemental & Excess Water	347,207.67
Miscellaneous	4,576.41
Other Districts, USBR	3,397,474.66
GCPHA	0.00
Assessments Receivable	86,310.22
District Fees	17,276.28
Assessment/S&E Interest Receivable	22,852.64
Accrued Investment Interest	5,489.46
Supplies/Materials Inventory	403,579.13
Investments	4,006,167.72
Big Bend Capital Credits	136,567.10
Prepaid Expenses	143,560.17
Total Current Non Restricted Assets	**14,761,674.99**
Restricted Assests:	
Cash on Hand	1,319,362.59
Water Service Contracts	57.88
Assessments Receivable	6,896.29
Investments	2,893,962.72
Contract Interest in System	206,527.93
Net Pension Asset - PERS 1	
Net Pension Asset - PERS 2, 3	
Total Current Restricted Assets	4,426,807.41
Total Current Assets	19,188,482.40
Noncurrent Assets:	
Restricted Assets:	
Contract Interest in System	442,280.06
Non-Restricted Assets:	
Investment in Joint Venture	114,244.67
Capital Assets	
Land	990.40
Land held by CBH	5,487.00
Office & Bldg Improvements	692,001.52
System Improvements	31,565,355.09
Minor Equipment	1,837,078.23
Major Equipment	6,053,722.03
Motor Vehicles	2,753,383.72
Radio Equipment	104,818.58
Office Equip & Furnishings	196,528.62

Structures and Improvements	16,359,344.00
Waterways and Dams	10,722,856.00
Turbines and Generators	12,504,986.00
Electrical Equipment	1,250,541.00
Power Plant Equipment	478,408.00
Roads and Bridges	540,445.00
Station Equipment	587,468.00
Poles and Fixtures	395,137.00
Overhead Conduction	4,106.00
Construction in Progress	11,192,459.70
Construction in Progress CBH	976,221.00
	98,221,336.89
Less: Accum Depreciation	(50,814,855.57)
Total Capital Assets (Net)	47,406,481.32
Total Noncurrent Assets	47,963,006.05
TOTAL ALL ASSETS	67,151,488.45
Deferred Outflow of Resources	
Pensions, PERS 1	136,660.00
Pensions, PERS 2,3	370,615.00
Total Deferred Outflows	507,275.00
TOTAL ASSETS & DEFERRED OUTFLOWS	67,658,763.45
LIABILITIES AND NET POSITION:	
Current Liabilities:	
Accounts Payable	1,347,975.24
Retentions Payable	489,024.94
Accrued Wages & Taxes	318,796.01
Accrued Leave Payable	333,156.28
Deposits Payable	39,662.16
Net Pension Liability - PERS 1	2,337,336.00
Net Pension Liability - PERS 2,3	1,895,971.00
Payables from Restricted Liabilities:	
Construction Obligation-USBR	206,527.93
Accrued Interest Payable	22,668.75
D.O.E. Note Payable	
Revenue Bonds 2006 Payable	315,000.00
Revenue Bonds 2007 Payable	135,000.00
Total Current Liabilities	7,441,118.31

Non-Current Liabilities:	
Payables from Restricted Liabilities:	
Construction Obligation-USBR	442,280.06
Revenue Bonds 2006 Payable	3,995,000.00
Revenue Bonds 2007 Payable	1,915,000.00
Total Non-current Liabilities	6,352,280.06
Total Liabilities	13,793,398.37
Deferred Inflow of Resources	
Advance Assessments	435,117.59
Pensions, PERS 1	127,878.00
Pensions, PERS 2,3	572,676.00
Total Deferred Inflows	1,135,671.59
Net Position:	
Net Investment in Capital Assets, Net of Related Debt	41,023,812.57
Restricted	4,220,279.48
Unrestricted	7,485,601.44
Total Net Position	52,729,693.49
TOTAL NET POSITION & LIABILITIES & DEFERRED INFLOWS	67,658,763.45

The Accompanying Notes Are An Integral Part Of This Statement.

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
December 31, 2015

OPERATING REVENUES:	
Assessments	9,291,494.44
Supplemental & Excess Water Sales	1,299,159.26
Water Service Contracts	1,663,625.50
Common Services	317,210.83
Penalties & Fees	175,013.87
Rentals	75,090.00
Misc. Refunds	26,748.34
Expenses Billed	18,784.40
Fees, Overhead Billed	0.00
Other Operating Revenue	(6,480.00)
Total Operating Revenue	12,860,646.64
OPERATING EXPENSES:	
Director Salaries & Expenses	45,079.10
Attorney Salaries & Expenses	184,140.32
Administrative Salaries	572,317.83
Clerical Salaries	207,568.24
Engineering Salaries	233,465.02
O&M Field Salaries	4,406,469.99
District Paid Benefits	2,267,324.37
Professional Services	87,310.85
Common Services Expense	79,754.00
Office Supplies & Expense	133,047.02
Depreciation Expense	4,684,030.90
O&M Expenses	5,650,645.78
Project Reserved Works	2,069,219.38
Total Operating Expenses	20,620,372.80
Operating Income (Loss)	(7,759,726.16)
NON-OPERATING REVENUES:	
Assessment/Supplemental & Excess Interest	19,280.63
Investment Interest	13,137.18
Power Generating Revenue	3,094,340.83
Reserved Energy Credit	47,608.00
Capital Grants	18,561,288.17
Capital Contribution Relate to Hydro	303,969.96
Other Non-Operating Revenue	81,183.94
Total Non-Operating Revenue	22,120,808.71
NON-OPERATING EXPENSE:	
Constuction Repayment	293,860.79
Construction on Water Service Contracts	139,754.16
Debt Service 2006 Interest	191,575.00
Debt Service 2007 Interest	89,216.66
Misc Non-Operating Expense	
Other Non-Operating Expense	1,306,328.00
Total Non-Operating Expense	2,020,734.61
Non-Operating Income (Loss)	20,100,074.10

CHANGE IN NET POSITION	12,340,347.94
Net Position, January 1	45,120,323.51
Commulative Effect of a Change in Accounting Pri	(4,852,720.00)
Prior Period Adjustment	121,742.04
Net Position - Beginning of Year, as Restated	40,389,345.55
TOTAL NET POSITION DECEMBER 31	52,729,693.49

The Accompanying Notes Are An Integral Part Of This Statement.

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
December 31, 2015

Increase (Decrease) in Cash

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	9,228,242.02
Cash received from other operating revenues	-
Cash paid to suppliers	(6,857,913.97)
Cash paid to employees	(8,328,270.34)
Cash paid for other operating expenses	-
Comulative Effect of a Change in Accounting Principle	
Net cash provided by (used in) operating activities	(5,957,942.29)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Net cash provided by noncapital and related financing activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Grants received	18,865,258.13
Acquisition and Construction of Capital Assets	(12,679,156.53)
Principal paid on Revenue Bonds, 2006	(300,000.00)
Principal paid on Revenue Bonds, 2007	(125,000.00)
Amortizaiton expense paid on USBR repayment contract	(293,860.79)
Construction paid on WSC	(139,754.16)
Interest Payments on Debts	(282,375.00)
Proceeds from sale of assets	81,183.94
Other non-operating	486,842.33
Net cash provided by capital and related financing activities	5,613,137.92
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities	(10,470,368.25)
Matured investments	8,055,442.20
Interest income received	30,472.19
Power generating revenue - GCPHA	3,094,340.83
Capital credits	(4,499.72)
Proceeds from redemption of capital credits	47,608.00
Net cash provided by investing activities	752,995.25
NET (DECREASE) INCREASE IN CASH	408,190.88
CASH, BEGINNING OF YEAR	7,085,131.75
CASH, END OF YEAR	7,493,322.63

The Accompanying Notes Are An Integral Part Of This Statement.

EAST COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
December 31, 2015

Income (loss) from operations	(7,759,726.16)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation and amortization	4,684,030.90
Decrease (increase) in assets:	
Accounts receivable	(3,462,737.95)
Prepaid expenses	(88,642.00)
Inventories	(105,634.54)
Increase (decrease) in liabilities:	
Accounts payable	736,830.08
Accrued liabilities	502,895.51
Deposits	35,134.50
Increase (decrease) in deferred inflows:	
Advance assessments	(73,959.63)
Adj. to pension Expense	(426,133.00)
Total adjustments	1,801,783.87
Net cash provided by (used in) operating activities	(5,957,942.29)
Noncash Investing, Capital, and Financing Activities:	
Purchase of land, structures and equipment with direct financing	-
Adjustment to Investment in Joint Venture	(1,306,328.00)
Net cash provided by operating and non-operating activities	(7,264,270.29)

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, 2015

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. During the year ended December 31,2015 East Columbia Basin Irrigation District adopted GASB Statement No. 68, Accounting*. This pronouncement requires the restatement of the December 31, 2014 net position as follows. *In 2015 the East Columbia Basin Irrigation District also reclassified the reporting of the interest in the Columbia Basin Hydropower- Joint Venture to a show a third ownership showing assets and liabilities within the statements of East Columbia Basin Irrigation District for which a prior period adjustment was made to show work in progress previously expensed by the District.*

Net Position - Beginning of Year, as Originally stated	45,120,323.51
Cumulative Effect of a Change of GASB 68, Net Pension Liability	(4,852,720.00)
Prior Period Adjustment	121,742.04
Net Position - Beginning of Year, as Restated	40,389,345.55

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. The East Columbia Basin Irrigation has no component Units. On May 10, 1980, the East Columbia Basin Irrigation District, the Quincy-Columbia Basin Irrigation District, and the South Columbia Basin Irrigation District (the District's) pursuant to R.C.W. 87.03.013 entered into a joint venture agreement providing for the cooperation of the District's in the development, operation and maintenance of hydroelectric generating facilities (developments) to be developed on the irrigation systems or related to the Columbia Basin Project.

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, Debt Service Reserve 2007 and Odessa Development 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 Columbia Basin Hydropower (formerly Grand Coulee Project Hydroelectric Authority) and are ultimately to be paid by the power purchaser.

i. 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/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.

NOTE 2 – Columbia Basin Hydropower

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 Columbia Basin Hydropower (formerly 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. However, the District provides support to the Columbia Basin Hydropower when developing new capital projects, and the expense is shared amongst the other two Districts.

Separate financial statements may be obtained by contacting the Columbia Basin Hydropower, 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, 2015. The annual requirements to amortize all debts outstanding as of December 31, 2015, 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, 2015, 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. Through 2015, the final installments have been paid on Blocks 40, 41, 42, 43, and 49. The following tabulation shows the changes in the account since its inception:

Block	Initial Construction Charge Obligation	Accrued Annual Installments Paid	Balance 12/31/2015
40	1,669,097	1,669,097	0
401	139,213	125,849	13,364
41	1,481,655	1,481,656	0
42	2,909,399	2,909,399	0
421	162,318	151,021	11,297
43	2,051,041	2,051,041	0
44	2,531,019	2,495,798	35,220
45	2,351,119	2,248,460	102,659
46	2,475,216	2,236,677	238,540
461	107,153	49,572	57,581
47	880,981	819,806	61,175
48	373,546	244,574	128,972
49	1,677,536	1,677,536	0
	18,809,292	18,160,485	648,808

The annual requirements to amortize the Construction repayment outstanding as of December 31, 2015, are as follows:

Construction Obligation **

2016	$ 206,528
2017	$ 214,429
2018	$ 214,429
2019	$ 13,423
Total	$ 648,808

*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, 2015, are as follows:

Year	Principal	Interest	Total
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	355,000.00	135,312.50	490,312.50
2020	375,000.00	118,468.75	493,468.75
2021-2023	1,220,000.00	255,212.50	1,475,212.50
2024-2026	1,380,000.00	89,675.00	1,469,675.00
Total	**4,310,000.00**	**1,094,768.75**	**5,404,768.75**

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, 2015, are as follows:

Year	Principal	Interest	Total
2016	135,000.00	82,812.50	217,812.50
2017	140,000.00	75,937.50	215,937.50
2018	145,000.00	69,537.50	214,537.50
2019	155,000.00	63,537.50	218,537.50
2020-2023	680,000.00	188,309.38	868,309.38
2024-2026	585,000.00	63,009.38	648,009.38
2027	210,000.00	4,331.25	214,331.25
Total	**2,050,000.00**	**547,475.00**	**2,597,475.00**

b. Changes in Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2015	Additions	Reductions	Ending Balance 12/31/2015	Due Within One Year
Construction Repayment	$ 942,669	$ 0	$ 293,861	$ 648,807	$ 206,528
Revenue Bonds 2006	$ 4,610,000	$ 0	$ 300,000	$ 4,310,000	$ 315,000
Revenue Bonds 2007	$ 2,175,000	$ 0	$ 125,000	$ 2,050,000	$ 135,000
Compensated Absences	$ 322,461	$ 10,695	$ 0	$ 333,156	$ 0

NOTE 4 - 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, 2015, the District had the following investments:

b. Investments	Maturities	Fair Value
Other Securities	4,985,802.61	4,985,802.61
State Investment Pool	1,914,327.83	1,914,327.83
Total	6,900,130.44	6,900,130.44

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 $6,900,130.44, no investments are exposed to custodial credit risk.

NOTE 5 - PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ 4,233,307
Deferred outflows of resources	$ 507,275
Deferred inflows of resources	$ 700,554
Pension expense/expenditures	$ 121,240

State Sponsored Pension Plans

Substantially 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 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 (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.

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 Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent 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 non-duty 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 percent. 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 percent. 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 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The District's actual contributions to the plan were $248,955 for the year ended December 31, 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent 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 three percent 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 five percent 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 non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent 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 percent and escalate to 15 percent 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 percent. 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 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The District's actual contributions to the plan were $298,420 for the year ended December 31, 2015

Sensitivity of NPL

The table below presents the District's proportionate share* of the net pension liability calculated using the discount rate of 7.5 percent, 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	**Current Discount Rate (7.5%)**	**1% Increase (8.5%)**
PERS 1	$ 2,845,713	$ 2,337,336	$ 1,900,179
PERS 2/3	$ 5,543,918	$ 1,895,971	$ (897,125)

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, 2015, the District reported a total pension liability of $4,233,307.00 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 2,337,336.00
PERS 2/3	$ 1,895,971.00

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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.048922%	0.044683%	-0.00424%
PERS 2/3	0.055131%	0.053063%	-0.00207%

Pension Expense

For the year ended December 31, 2015, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$ (93,525)
PERS 2/3	$ 214,765

Deferred Outflows of Resources and Deferred Inflows of Resources
At December 31, 2015, 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	$	$ 127,878
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 20,015	$
TOTAL	$ 20,015	$ 127,878

PERS 2, 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 201,542	$
Net difference between projected and actual		

investment earnings on pension plan investments	$	$ 506,135
Changes of assumptions	$ 3,055	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$ 86,112
Contributions subsequent to the measurement date	$ 270,015	$
TOTAL	$ 474,612	$ 592,247

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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be amortized as follows:

Year ended December 31:	Plan 1
2016	$ (49,561)
2017	$ (49,561)
2018	$ (49,561)
2019	$ 20,805
2020	$ 0
Thereafter	$ 0

Year ended December 31:	Plan 2, 3
2016	$ (156,989)
2017	$ (156,989)
2018	$ (156,989)
2019	$ 102,888
2020	$ 0
Thereafter	$ 0

NOTE 6 – CAPITAL ASSETS

Major expenses for capital assets are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred. The hydropower capital assets included in the table below represents the District's one-third ownership in its joint venture capital assets. We were unable to locate the original journal entry to record the FERC licenses when Columbia Basin Hydropower was established approximately 30 years ago. We believe the Federal Energy Regulatory Commission (FERC) licenses consisting of $750,000 are included in the Hydropower Structures and improvements and are reported on the face of the financial statements conjunctly. Capital Asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital asset not being depreciated:				
Land	990.40	0.00	0.00	990.40
Land held by CBH		5,486.67		5,486.67
Construction in Progress	643,370.11	10,973,611.94	(424,522.35)	11,192,459.70
Construction In Progress CBH		976,221.00		976,221.00
Total capital asset not being depreciated	644,360.51	11,955,319.61	(424,522.35)	12,175,157.77
Capital assets being depreciated:				
Office & Building Improvements	692,001.52	0.00	0.00	692,001.52
System Improvements	31,118,016.59	447,338.50	0.00	31,565,355.09
Minor Equipment	1,701,076.32	144,207.50	(8,205.59)	1,837,078.23
Major Equipment	5,889,818.78	163,903.25	0.00	6,053,722.03
Motor Vehicles	2,488,635.52	342,951.23	(78,203.03)	2,753,383.72
Radio Equipment	108,163.13	0.00	(3,344.55)	104,818.58
Office Equipment & Furnishings	175,589.99	56,230.85	(35,292.22)	196,528.62
Structures and Improvements	16,359,343.67			16,359,343.67
Waterways and Dams	10,722,856.33			10,722,856.33
Turbines and Generators	12,504,986.00			12,504,986.00
Electrical Equipment	1,250,541.67			1,250,541.67
Power Plant Equipment	478,407.67			478,407.67
Roads and Bridges	540,445.33			540,445.33
Station Equipment	587,468.67			587,468.67
Poles and Fixtures	395,137.00			395,137.00
Overhead Conduction	4,105.67			4,105.67
Total capital assets being depreciated	85,016,593.85	1,154,631.33	(125,045.39)	86,046,179.79
Less accumulated depreciation for:				
Office & Building Improvements	679,133.42	6,492.90	0.00	685,626.32
System Improvements	14,269,986.95	2,757,984.36		17,027,971.31
Minor Equipment	1,418,509.66	85,415.04	(7,737.45)	1,496,187.25
Major Equipment	3,229,895.68	747,124.54		3,977,020.22
Motor Vehicles	1,935,306.58	215,564.57	(78,203.03)	2,072,668.12
Radio Equipment	98,202.57	2,953.76	(3,344.55)	97,811.78
Office Equipment & Furnishings	139,510.81	11,959.73	(34,974.97)	116,495.57
CBH Held assets	25,341,075.00			25,341,075.00
Total accumulated depreciation	47,111,620.67	3,827,494.90	(124,260.00)	50,814,855.57
Total capital assets being depreciated, net	37,904,973.18	(2,672,863.57)	(785.39)	35,231,324.22
TOTAL CAPITAL ASSETS, NET	**38,549,333.69**	**9,282,456.04**	**(425,307.74)**	**47,406,481.99**

NOTE 7 – Construction and Other Significant Commitments

A. Construction Commitments

The District has active construction projects as of December 31, 2015. At year end the District's commitments with contractors and suppliers are as follows:

Project	Spent to Date	Remaining Commitment
Calloway Road Bridge	-	25,211.69
Lind Coulee Siphons	9,226,874.13	3,838,625.27
Total	9,226,874.13	3,863,836.96

(Of the committed balance of $ 3,863,836.96, the District will be required to raise $0.00 in future financing.)

NOTE 8- RISK MANAGEMENT

The East Columbia Basin Irrigation District is a member of Cities Insurance Association of Washington. 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 Government Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2015 there were 210 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 and Wrongful Acts which are included to fit members' various needs;

The program acquires liability insurance through their Administrator, Clear Risk Solutions that is subject to a per-occurrence self-insured retention of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability with have a self-insured retention of $25,000. The standard member deductible is $1,000 for each claim (deductibles vary per member), while the program is responsible for the $100,000 self-insured retention. Insurance carriers cover insured losses over $101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership with an attachment point of $2,140,107.

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.

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 $19,000. 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 the 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, claims adjustment and administration and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 31, 2015 were $627,702.49.

Deductible payments, if any, are considered an operational expense payable from the 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 – SUBSEQUENT EVENTS

On July 6, 2016, the District's Board of Directors adopted Resolution 2016-11, providing for the issuance, specifying the maturities, interest rates, terms and covenants and fixing the form of $22,530,000 par value Revenue Bonds, 2016, to refund bonds 2006 and 2007 pursuant to chapter 39.53 RCW and to acquiring, constructing and installing additions and improvements to and extensions and betterments of, acquiring necessary equipment for, or making sale of such bonds; providing for bond and reserve fund; and providing for the sale and delivery of the bonds with a closing date of November 10, 2016. The Revenue Bonds carry a term of 32 years.

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30 2015
Last 10 Fiscal Years*

		2015
Employer's proportion of the net pension liability (asset)	%	0.04%
Employer's proportionate share of the net pension liability	$	2,337,336
TOTAL	$	
Employer's covered employee payroll	$	199,877
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	1169.39%
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%

Schedule of Proportionate Share of the Net Pension Liability
PERS 2 & 3
As of June 30 *2015*
Last 10 Fiscal Years*

		2015
Employer's proportion of the net pension liability (asset)	%	0.05%
Employer's proportionate share of the net pension liability	$	1,895,971
TOTAL	$	
Employer's covered employee payroll	$	5,173,223
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	36.65%
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%

Schedule of Employer Contributions
PERS 1
As of December 31 *2015*
Last 10 Fiscal Years*

		2015
Statutorily or contractually required contributions	$	248,955
Contributions in relation to the statutorily or contractually required contributions	$	-248,955
Contribution deficiency (excess)	$	0
Covered employer payroll	$	156,409
Contributions as a percentage of covered employee payroll	%	159.17%

Schedule of Employer Contributions
PERS 2&3
As of December 31 *2015*
Last 10 Fiscal Years*

		2015
Statutorily or contractually required contributions	$	298,420
Contributions in relation to the statutorily or contractually required contributions	$	-298,420
Contribution deficiency (excess)	$	0
Covered employer payroll	$	5,089,249
Contributions as a percentage of covered employee payroll	%	5.86%

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov