Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Quincy-Columbia Basin Irrigation District

Grant County

For the period January 1, 2016 through December 31, 2016

Published December 28, 2017

Report No. 1020548

Office of the Washington State Auditor
Pat McCarthy

December 28, 2017

Board of Directors
Quincy-Columbia Basin Irrigation District
Quincy, Washington

Report on Financial Statements

Please find attached our report on the Quincy-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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Quincy-Columbia Basin Irrigation District
Grant County
January 1, 2016 through December 31, 2016

Board of Directors
Quincy-Columbia Basin Irrigation District
Quincy, 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 Quincy-Columbia Basin Irrigation District, Grant County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2017.

Our report includes a reference to other auditors who audited the financial statements of the Columbia Basin Hydropower (the Hydropower), a joint venture, as described in our report on the District's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Hydropower were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Hydropower.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

December 19, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Quincy-Columbia Basin Irrigation District
Grant County
January 1, 2016 through December 31, 2016

Board of Directors
Quincy-Columbia Basin Irrigation District
Quincy, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Quincy-Columbia Basin Irrigation District, Grant County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Columbia Basin Hydropower (the Hydropower), a joint venture, which represents -0.2 percent, -0.3 percent and 1 percent, respectively, of the assets, net position and expenses of the District. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hydropower, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Hydropower were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Quincy-Columbia Basin Irrigation District, as of December 31, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 December 19, 2017 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

State Auditor

Olympia, WA

December 19, 2017

FINANCIAL SECTION

Quincy-Columbia Basin Irrigation District
Grant County
January 1, 2016 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016
Statement of Revenues, Expenses, and Changes in Fund Net Position – 2016
Statement of Cash Flows – 2016
Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS Plan 1, PERS Plan 2/3 – 2016
Schedule of Employer Contributions – PERS Plan 1, PERS Plan 2/3 – 2016

QUINCY-COLUMBIA BASIN IRRIGATION DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2016

This management discussion and analysis (MD&A) is intended to:

1. Assist reader in focusing on significant financial issues;
2. Provide an overview of the District's financial activity;
3. Identify changes in the District's financial position;
4. Provide information on challenges in the next and subsequent years; and
5. Identify individual fund or program issues and concerns.

Since the MD&A is designed to focus on the fiscal year ending December 31, 2016, please read it in conjunction with the District's financial statement.

District Financial Statements

The District's financial statements are designed so that all activity for the District is reported as one total for the entire District. They are designed to display the financial position and activity of the District as a whole. The District consists exclusively of enterprise funds utilizing the accrual basis of accounting, and is reported as required by the Washington State Auditor for classified water and sewer Districts. These statements include:

1. Statement of Net Position. This is similar to a balance sheet in that it reports all financial and capital resources of the District.

   The focus of the Statement of Net Position is designed to present the net position available to the District. Total net position is reported in five sections:

   - Assets. This section reports all assets as current or non-current.
   - Deferred Outflows. This section reports all deferred outflows.
   - Liabilities. This component reports all liabilities as current or non-current.
   - Deferred Inflows. This section reports all deferred inflows.
   - Net Position. This component reports net position separated as to current year or prior year. Their separation is intended to focus the reader's attention on the net position activity for the current years.

2. Statement of Revenue, Expenses and Changes in Fund Net Position. This statement is similar to an income statement and includes sections for operating and non-operating revenues and operating and non-operating expenses. The change in net position is forwarded and shown on the Statement of Net Position as current Net Position.

3. Statement of Cash Flow. This statement shows net cash provided by or used for operating activities, non-capital financing activities, capital and related financing activities and investing activities.

Financial Analysis of the District

The District's overall financial position remained stable in 2016 and 2015. In 2016 and 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. The District did not incur any new long-term debt in the current year. Irrigation facilities are all approximately 50 years old and have been well maintained, rehabilitated, and replaced as necessary to deliver irrigation water dependably. The District is following a deliberate and methodical plan to continually improve and maintain the infrastructure.

An Overview of the District's Financial Position and Operations

The District's overall financial position and operations for the past two years are summarized below, and based upon the information in the Financial Statements.

STATMENT OF NET POSITION	2016	2015
Assets		
Current Assets	19,687,503	17,670,406
Non-Current Assets	22,907,453	23,791,558
Total Assets	42,594,956	41,461,964
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	1,111,995	610,964
Total Assets and Deferred Outflows	43,706,951	42,072,928
Liabilities		
Current Liabilities	1,986,915	2,240,665
Non-Current Liabilities	7,748,030	6,901,158
Total Liabilities	9,734,945	9,141,824
Deferred Inflows of Resources		
Assessments in Advance	829,208	556,089
Deferred Inflows Related to Pensions	145,443	837,936
Total Deferred Inflows of Resources	974,651	1,394,025
Net Position		
Investment in Capital Assets	21,310,239	21,523,294
Restricted by USBR for Extraordinary Maint	4,936,591	3,594,236
Unrestricted	6,750,526	6,419,549
Total Net Position	32,997,356	31,537,079
Total Liabilities, Deferred Inflows & Net Position	43,706,951	42,072,928

Total Assets

In 2016, total assets increased approximately $1.2 million from 2015 as a result of several factors: an increase in cash and investments due to increased assessments; a decrease in the District's Construction Repayment Receivable as annual assessments containing a construction component are billed and received; and an increase in the District's joint venture assets.

Total Liabilities

In 2016, total liabilities increased approximately $.6 million from 2015, mainly due to an increase in net pension liability, a slight decrease in accounts payable and a decrease in the District's Construction Repayment Obligation. The Construction Repayment Obligation decreases as payments to the United States Bureau of Reclamation are made. The District's construction payment for fiscal year 2016, (Current Maturities liability) further decreased due to a "true-up" reduction of the final payment for irrigation Blocks 76 and 78 which had been over paid in prior years. In June, 2016, the District will make the final payment on the aforementioned irrigation Blocks to the Bureau of Reclamation. Irrigation Blocks will continue to be paid off in the coming years. The Bureau of Reclamation's price index ratio decreased to 97% for the 2016 payment.

Total Net Position

The District's overall financial position remained stable, with ending Net Position increasing from 2015 to 2016. See section on following page for explanation.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
		2016		**2015**
Revenues				
Irrigation Assessments		14,922,593		14,393,546
Water Sales		1,977,551		2,963,509
Rentals		153,862		141,085
Work for Others & Other Operating Rev		786,238		714,588
Non-Operating Revenues		5,267,924		6,494,500
Totals Revenues		23,108,168		24,707,227
Expenses				
Salaries & Benefits		9,643,802		9,160,115
Supplies, Maintenance & Repair		6,026,662		6,554,037
Professional Services & Insurance		667,169		655,334
Reserved Works & Construction Payments		3,369,217		3,331,412
Depreciation		1,470,929		1,411,712
Utilities & Other Operating Expenses		512,750		538,461
Non-Operating Expenses		219,881		1,306,328
Total Expenses		21,910,410		22,957,399
Capital Contributions (Hydropower Assets)		262,517		303,969
Change in Net Position		1,460,275		2,053,796
Rounding		2		(4)
Restatement				(5,713,818)
Ending Net Position		32,997,356		31,537,079

Major Factors Affecting the Statement of Revenue, Expenses and Change in Net Position

In 2015, Net Position was significantly affected by the implementation of GASB 68 (Accounting and Financial Reporting for Pensions) resulting in the addition of a $5.2 million net pension liability and a negative 5.7 million Restatement of Net Position. The net pension liability increased approximately 1.2 million in 2016.

Total revenue decreased by 1.6 million from 2015 to 2016. Although assessment revenue rose in 2016, excess water sales revenue declined due to climate conditions. Hydropower sales revenue also decreases as reduced irrigation flows generate less electricity. Grant revenue for construction projects decreased in 2016. Work performed for the US Bureau of Reclamation increased due to aging infrastructure.

Total expenses decreased by 1.1 million from 2015 to 2016. Wages, benefits, and professional services experienced increases while supplies, materials and repairs decreased compared to 2015. Reserved Works expense, the cost of irrigation water purchased from the Bureau of Reclamation, increased slightly due to rising operations and maintenance costs of Bureau of Reclamation infrastructure. Non-operating expenses decreased substantially in 2016 as the Columbia Basin Hydropower's (the District's joint venture) implemented GASB 68 (Accounting and Financial Reporting for Pensions) in 2015.

Economic Factors

Although agriculture commodity prices are decreasing, the farming economy in the community the District serves remained strong in 2016 and 2015.

Long Term Debt

The long-term liability 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 Quincy-Columbia Basin Irrigation District, to develop irrigation. The Contract was entered into in 1968 and is to be repaid over sixty years. The total liability (current and non-current) for 2016 and 2015 is $1,702,216 and $2,154,019, respectively.

The District assesses each landowner for the annual repayment of the construction debt. Additional information regarding this obligation is provided in Note 5 of the Notes to the Financial Statements.

Capital Assets

The District continues to upgrade minor and major equipment, such as motor vehicles, major equipment, office equipment and furnishings, while surplusing or disposing of older equipment. The District also includes the capital assets from its one-third ownership in the Columbia Basin Hydropower joint venture. The following shows the net change in the District's capital assets between years 2016 and 2015.

CAPITAL ASSET ACTIVITY		
	2016	**2015**
Land	14,104	14,104
Construction in Progress	664,276	976,221
Structure and Improvements (Hydropower)	43,592,754	42,843,291
Minor Equipment	1,544,919	1,480,080
Major Equipment	9,377,757	9,110,285
Office Equipment	140,236	130,510
Total Capital Assets	55,334,046	54,554,491
Accumulated Depreciation	34,023,807	33,031,198
Total Net Capital Assets	21,310,239	21,523,294

Additional information regarding capital assets is provided in Note 4 of the Notes to the Financial Statements.

The Quincy-Columbia Basin Irrigation District in the Future

The District continues to upgrade capital assets and older assets, typically fully depreciated and no longer cost effective to maintain, are sold for surplus. System Improvements will continue to be a focus of the District with projects such as canal linings, pipelines and pumping plant renovation. The main goals of power generation joint venture project, created by the three Columbia Basin irrigation districts thirty-five years ago have been achieved; to provide a source of income for infrastructure replacement and modernization projects and reduce future increases in irrigation assessments.

It is the District's objective to keep the water users rates reasonable while providing operation and maintenance needed to maintain the water delivery system. Annual revenue derived from assessments, power generation and grants currently cover the operational, maintenance and system improvement costs of the District and is projected to do so for the foreseeable future.

Request for Information

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

Quincy-Columbia Basin Irrigation District
P O Box 188
Quincy, WA 98848

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATMENT OF NET POSITION
December 31, 2016

ASSETS	**2016**
Current Assets:	
Cash and Cash Equivalents	3,235,501
Short-Term Investments	10,088,553
Assessments Receivable	77,529
Deposits in Transit	-
Accounts Receivable	
Interest Receivable	21,017
Supplemental & Excess Water	84,314
US Bureau of Reclamation	35,883
Other Accounts Receivable	33,865
Restricted Assets	
Cash and Cash Equivalents	-
Short-Term Investments	4,936,591
Inventory	950,515
Accrued Interest	3,081
Prepayments	220,653
TOTAL CURRENT ASSETS	**19,687,503**
Non-Current Assets:	
Construction Repayment Receivable	1,702,216
Investment in Joint Venture	(105,002)
Capital Assets:	
Capital Assets not Being Depreciated	
Land	14,104
Construction in Progress Related to Hydropower	664,276
Capital Assets Being Depreciated	
Structures and Improvements Related to Hydropower	43,592,754
Equipment	11,062,912
Less Accumulated Depreciation	(34,023,807)
Total Capital Assets	21,310,239
TOTAL NONCURRENT ASSETS	**22,907,453**
TOTAL ASSETS	**42,594,956**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	1,111,995
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**43,706,951**

- - - The accompanying notes should be read with these financial statements - - -

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATMENT OF NET POSITION
December 31, 2016

LIABILITIES	2016
Current Liabilities:	
Accounts Payable	928,447
Payroll Accruals Payable	204,068
Accrued Taxes	887
Accrued Leave	521,232
Deposits	13,616
Current Maturities on Construction Repayment	318,665
TOTAL CURRENT LIABILITIES	**1,986,915**
Non-Current Liabilities:	
Construction Repayment	1,383,551
Net Pension Liability	6,364,479
TOTAL NONCURRENT LIABILITIES	**7,748,030**
TOTAL LIABILITIES	**9,734,945**
DEFERRED INFLOWS OF RESOURCES	
Assessments In Advance	829,208
Deferred Inflows Related to Pensions	145,443
TOTAL DEFERRED INFLOWS OF RESOURCES	**974,651**
NET POSITION	
Net Investment in Capital Assets	21,310,239
Restricted by USBR for Extraordinary Maintenance	4,936,591
Unrestricted	6,750,526
TOTAL NET POSITION	**32,997,356**
TOTAL NET POSITION, DEFERRED INFLOWS AND LIABILITIES	**43,706,951**

- - -The accompanying notes should be read with these financial statements - - -

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ending December 31, 2016

	2016
OPERATING REVENUES:	
Assessments	14,922,593
Water Sales	1,977,551
Rentals And Leases	153,862
Work For Others	760,683
Other Operating Revenue	25,555
Total Operating Revenue	**17,840,244**
OPERATING EXPENSES:	
Salaries	6,457,504
Employee Benefits	3,186,298
Supplies, Materials, Chemicals & Petroleum	4,559,205
Maintenance & Repair	1,296,664
Professional Services	398,528
Office Expense	170,793
Insurance & Bond Premiums	252,807
Insurance Claims	15,835
Utilities	226,672
Reserved Works	3,163,864
Depreciation Expense	1,470,929
Construction On Water Contracts	205,353
Other Operating Expense	286,078
Total Operating Expense	**21,690,529**
OPERATING INCOME (LOSS)	**(3,850,285)**
NONOPERATING REVENUES (EXPENSES)	
Interest Income	92,531
Gains (Losses) On Sale Of Assets	77,445
Power Generating Revenue	3,423,971
Grants / Incentive Contracts	1,650,745
Other Nonoperating Expense	(219,247)
Other Nonoperating Revenue	23,231
Power Development Expense	(634)
TOTAL NONOPERATING REVENUES (EXPENSES)	**5,048,043**
Income Before Contributions, Transfers,	
Extraordinary and Special Items	**1,197,758**
Capital Contributions related to additions in Hydropower assets	262,517
Rounding	2
CHANGE IN NET POSITION	**1,460,277**
Total Net Position, January 1	**31,537,079**
Total Net Position, December 31	**32,997,356**

- - - The accompanying notes should be read with these financial statements

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
For Year Ending December 31, 2016

	2016
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	17,812,723
Cash paid to suppliers	(11,037,253)
Cash paid to employees	(9,626,641)
Cash paid for other operating expenses	(207,371)
Net cash used in operating activities	**(3,058,542)**
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Grants received	1,650,745
Net cash provided by noncapital and related financing activities	**1,650,745**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and Construction of Capital Assets	(1,038,627)
Cash paid for other non-operating expenses	(219,880)
Cash received for other non-operating revenues	23,231
Capital Contributions Related to Hydropower assets	262,517
Proceeds from sale of assets	77,445
Net cash used by capital and related financing activities	**(895,314)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities	(25,819,851)
Matured investments	25,324,272
Interest income received	70,278
Power generating revenue - CBH	3,423,971
Net cash provided by investing activities	**2,998,670**
NET INCREASE (DECREASE) IN CASH	**695,559**
CASH, BEGINNING OF YEAR	**2,539,942**
Rounding	1
CASH, END OF YEAR	**3,235,501**
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Loss from operations	**(3,850,285)**
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation and amortization	1,470,929
Pension expense	(27,987)
Decrease (increase) in assets:	
Accounts/Assessments receivable	(27,521)
Prepaid expenses	(215,766)
Inventories	(560,418)
Increase (decrease) in liabilities:	
Accounts payable	(155,680)
Accrued liabilities	43,130
Deposits	(8,063)
Advance assessments	273,119
Total adjustments	791,743
Rounding	-
Net cash used in operating activities	**(3,058,542)**
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITES:	
Adjustment to Investment in Joint Venture	(172,578)
Net cash used in operating activities	**(3,231,120)**

- - - The accompanying notes should be read with these financial statements - - -

These notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Quincy-Columbia Basin Irrigation District (the District) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (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 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*. In June, 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. In November, 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In March, 2015, GASB issue Statement No. 72, *Fair Value Measurement and Application*. In December, 2015, GASB issue Statement No. 79, *Certain External Investment Pools and Pool Participants*. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies.

a. Reporting Entity

Quincy-Columbia Basin Irrigation District is a quasi-municipal corporation governed by an elected seven-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Quincy-Columbia Basin Irrigation District has no component units. These financial statements present Quincy-Columbia Basin Irrigation District, the primary government.

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.

The District uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the Operations and Maintenance Fund.

The District's use of the term "funds" refers to categories of cash and their corresponding general ledger accounts. Funds are created by Board resolution.

Operating revenues and expenses are those directly related to the operation of the District. Non-operating revenues and expenses are those not directly related to the operation of the District. Examples of non-operating revenues include interest, power and grant revenue.

c. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

d. Inventories:

Inventories values are $950,915 for 2016, which approximates the average cost of the inventories. Inventory items are used for operations and maintenance and are not held for resale. Inventory values were due to canal liner, chemicals and pipe being purchased in 2016 and not used until 2017.

e. Capital Assets

See Note 4.

f. Restricted Funds

The Contract Reserve Fund ("Fund") was established as a requirement of Article 35 of the 1968 Repayment Contract ("Contract") with the U.S. Bureau of Reclamation ("USBR"). The Contract requires the Fund's balance be equal to at least 30% of the average previous five years' O & M expense. Annually, the 5-year, 30% average O&M expense is calculated, and a transfer is made into the Fund to true-up the balance, as set forth by the Contract. Due to the externally imposed restriction stated in the USBR Contract, the District classifies the Fund monies as restricted.

Additionally, the Contract states funds are to be used "…for the purpose of meeting major, extraordinary, or unforeseen costs of operation and maintenance, repair and replacements of the transferred works, and the District's share of such costs relating to the project reserved works and special reserved works." The Contract further states, payments shall be made into this Fund until 30% of the District's average annual O&M costs of the proceeding 5 years are met. If funds are used for an extraordinary repair and maintenance event, they must be returned to the Fund by annual assessments of not less than 3% of the 5-year average (within 10 years).

The District's annual transfers for 2016 were $1,342,355. This represents a substantial increase over previous years. The District transferred excess water sales and power generation revenue to the Contract Reserve Fund. This reimbursed the Contract Reserve Fund for emergency infrastructure repairs made in previous years and significantly decreased the required annual transfer in subsequent years. As of December 31, 2016, the Fund had a balance of $4,936,591.

g. Receivables

Assessments Receivable is a lien on the land under Title 87 of the Revised Code of Washington. The majority of Accounts Receivable consists of billings to the U.S. Department of Reclamation. These receivables are fully collectable.

h. Investments

See Note 3.

i. 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, is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. Upon resignation, any outstanding sick leave is lost. At retirement or death, sick leave is paid out at 25% of the accumulated balance.

j. Pensions

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In fiscal year 2016, the District had no violations of finance-related legal or contractual provisions pending.

NOTE 3 – 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, Certificates of Deposits, or deposits with Washington State banks as 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).

b. As of year-end 2016, the District had the following investments:

Investments	2016 Book Value
US Treasury Bills	11,460,275
Local Gov't Investment Pool	3,564,870
Total	15,025,145

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 $15,025,145, no investments were exposed to custodial credit risk.

c. Fair Market Value: The District categories its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

At December 31, 2016, the District held the following investments measured at fair value:

		Fair Value Measurements Using		
	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
US Treasury Bills	11,460,275	11,460,275		
Total investments by fair value level	**11,460,275**	**11,460,275**		

d: Amortized Cost: The District measures its investments in the Local Government Investment Pool (LGIP) at amortized cost. The LGIP is managed and operated by the Office of the State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP. The LGIP is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP has no limitations or restrictions on withdrawals.

At December 31, 2016, the District held the following investments measured at amortized cost.

Investments held at amortized cost	
	12/31/2016
Washington State Local Government Investment Pool	3,564,870
Total	**3,564,870**

NOTE 4 – CAPITAL ASSETS

Major expenses for capital assets are capitalized. The District defines a capital asset as having a useful life greater than one year and a value of $5,000 or more. Depreciation is computed on the straight-line method with useful lives of 5 to 50 years. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. The District had no capital leases in 2016. The hydropower capital assets included in the table below represents the District's one-third ownership in its joint venture capital assets. In addition, $750,000 in intangible assets consisting of Federal Energy Regulatory Commission licenses are included in the Hydropower Structures and Improvements capital assets total. The Columbia Basin Hydropower joint venture was created to operate and maintain hydropower assets. See Note 8 for information on Columbia Basin Hydropower.

Capital Asset activity for the year ended December 31, 2016 was as follows :				
	Beginning Balance	**Increase**	**Decrease**	**Ending Balance**
Capital asset not being depreciated:				
Land	14,104	-	-	14,104
Construction in Progress	976,221	408,960	720,905	664,276
Total capital asset not being depreciated	990,325	408,960	720,905	678,380
Capital assets being depreciated:				
Structures & Improvements (Hydropower)	42,843,292	749,462	-	43,592,754
Minor Equipment	1,480,080	64,839	-	1,544,919
Major Equipment & Vehicles	9,110,285	747,194	479,722	9,377,757
Office Equipment & Furnishings	130,510	9,726	-	140,236
Total capital assets being depreciated	53,564,167	1,571,221	479,722	54,655,666
Less accumulated depreciation for:				
Structures &Improvements (Hydropower)	25,341,075	864,958	-	26,206,033
All Equipment, Vehicles & Office	7,690,123	605,971	478,319	7,817,774
Total accumulated depreciation	33,031,198	1,470,929	478,319	34,023,807
Total capital assets being depreciated, net	20,532,969	100,292	1,403	20,631,859
TOTAL CAPITAL ASSETS, NET	**21,523,294**	**509,252**	**722,308**	**21,310,239**

NOTE 5 – LONG-TERM DEBT AND LIABILITIES

The only long-term debt obligation of the District is the construction repayment to the United States of America, held by the U.S. Bureau of Reclamation for construction of the irrigation facility. The contract was entered into in 1968 and the repayment is approximately 15% of the original cost to be repaid by the land served over 60 years at 0% interest.

The following tabulation shows the changes in the account since its inception, with balances as of December 31, 2016:

2016 USBR Contract Repayment				
	Construction Charge Obligation	**Accrued Annual Installments Paid**	**Balance 12/31/2016**	**Balance 12/31/2015**
Block 70	746,419	746,419	0	0
Block 71	1,454,549	1,454,549	0	0
Block 72	2,775,001	2,775,000	0	0
Block 73	2,898,577	2,898,577	0	0
Block 74	1,801,761	1,801,761	0	0
Block 75	1,757,825	1,757,825	0	0
Block 76	816,332	816,323	0	12,460
Block 77	1,123,409	1,044,966	78,443	108,098
Block 78	925,916	925,916	0	14,086
Block 79	1,100,394	1,023,501	76,893	105,943
Block 80	1,493,438	1,236,204	257,234	296,653
Block 81	1,945,454	1,430,443	515,011	566,353
Block 82	1,397,606	1,213,567	184,039	220,934
Block 83	872,917	740,276	132,641	155,684
Block 85	1,392,210	1,258,132	134,078	170,831
Block 86	1,019,639	1,001,744	17,895	44,807
Block 87	2,454,588	2,411,516	43,072	107,857
Block 88	740,191	627,626	112,565	132,095
Block 89	2,267,117	2,169,634	97,483	157,363
Block 701	190,929	190,929	0	0
Block 741	108,876	80,051	28,825	31,701
Block 881	193,733	169,696	24,037	29,153
TOTAL	**29,476,879**	**27,744,663**	**1,702,216**	**2,154,019**

The annual requirements of the Construction repayment outstanding as of December 31, 2016, are as follows:

Construction Obligation **

2017	$ 318,665	2021-2025	$ 507,552*
2018	$ 333,498*	2026 & after	$ 58,181*
2019	$ 270,941*	Total	$ 1,702,216
2020	$ 213,378*		

*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.

The current year construction repayment is assessed yearly to each landowner. Funds collected are placed in the Construction Fund.

Note 6 – Pension Plans

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 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$(6,364,479)
Pension assets	$ -
Deferred outflows of resources	$1,111,994
Deferred inflows of resources	$(145,443)
Pension expense/expenditures	$667,057

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as 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.

<u>Contributions</u>

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 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**

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

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 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**

* For employees participating in JBM, the contribution rate was 15.30%.

The District's_actual PERS plan contributions were $301,391 to PERS Plan 1 and $393,653 to PERS Plan 2/3 for the year ended December 31, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation

- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.
There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.

- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3 employers, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 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	$3,501,966	$2,904,028	$2,389,466
PERS 2/3	6,371,312	3,460,451	(1,801,364)

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, 2016, the District reported a total pension liability of $6,364,479 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$2,904,028
PERS 2/3	3,460,451

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.053516%	0.054074%	0.000558%
PERS 2/3	0.067157	0.068729	0.001572

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the District recognized pension expense as follows:

	Pension Expense
PERS 1	$186,315
PERS 2/3	480,742
TOTAL	693,063

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, 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	$73,119	$
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$149,944	$
TOTAL	$223,063	$0

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$184,267	$(114,235)
Net difference between projected and actual investment earnings on pension plan investments	$423,459	$
Changes of assumptions	$35,767	$
Changes in proportion and differences between contributions and proportionate share of contributions	$49,601	$(31,208)
Contributions subsequent to the measurement date	$195,838	$
TOTAL	$888,932	$(145,443)
Total All Plans	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$184,267	$(114,235)
Net difference between projected and actual investment earnings on pension plan investments	$496,578	$
Changes of assumptions	$35,767	$
Changes in proportion and differences between contributions and proportionate share of contributions	$49,601	$(31,208)
Contributions subsequent to the measurement date	$345,782	$
TOTAL	$1,111,995	$(145,443)

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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	**PERS 1**
2017	$(18,003)
2018	$(18,003)
2019	$67,152
2020	$41,974
2021	$0
Thereafter	$0
Total	73,119

Year ended December 31:	**PERS 2/3**
2017	$4,888
2018	$4,888
2019	$334,081
2020	$203,794
2021	$0
Thereafter	$0
Total	547,651

NOTE 7 – SEGMENT INFORMATION

The District directly operates only one enterprise fund, which provides irrigation water to land within the District. The financial reports reflect this activity.

Indirectly the District has entered into low-head power generating projects with the East and South Columbia Basin Irrigation Districts. All costs and revenues pertaining to the power generating facilities are handled through the Columbia Basin Hydropower, which is an agency of the three Columbia Basin Irrigation Districts. See Note 8.

NOTE 8– JOINT VENTURES

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

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

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 payment to the Districts which 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, 1988, 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 Headwork's Hydroelectric Project, in which South District is the lead agency, whereby Grant County Public Utilities 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 40 years after the date of commercial operation of the project, or October 1, 2032, whichever event first occurs.

The proceeds from the sale of electricity to the three Districts are net of expenses. The Authority is audited as a separate entity. Separate financial statements can be obtained by contacting the Columbia Basin Hydropower, PO Box 219, Ephrata, Washington 98823; South Columbia Basin Irrigation District, PO Box 1006, Pasco, WA 99301; and East Columbia Basin Irrigation District, PO Box E, Othello, WA 99344.

NOTE 9 - RISK MANAGEMENT

The District has elected to go under the account reimbursable method for unemployment insurance. Unemployment claims for 2016 were $12,334. Using this method provides a substantial savings to the District in lieu of paying the standard unemployment percentages.

The District has also elected partial self-insurance for general liabilities through increasing the amount of deductible threshold. The deductible for general liabilities is $10,000 per incident.

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

Deductible payments, if any, are considered an operational expense payable from the general operations and maintenance fund. In recognition of potential risks to the District, the Board of Directors has purchased various insurance policies to minimize areas of such risks. The policies include a bond for each director, manager and treasurer, coverage for Fidelity and Crime, Group Travel, Public Officials & Employee Liability, two (2) property policies that cover buildings, siphons, pumping plants, valuable papers, etc., Inland Marine coverage for Heavy Equipment, Pollution Liability, Electronic Data Equipment coverage. A package policy that includes General Liability, Property, Inland Marine, Mobile Equipment & Vehicles and finally an Umbrella policy to add extended limits to some unseen event or claim. In 2012, the District also added Professional Engineers liability insurance which insures the District's professional engineers.

The Columbia Basin Project irrigation facilities are owned by the United States which is self-insured. The District is required by the federal repayment contract to accumulate and maintain an emergency reserve operations and maintenance fund equal in amount to 30% of the average annual operations 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 operations 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 Quincy-Columbia Basin Irrigation District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2016, there are 205 members in the program.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000. The standard member deductible is $1,000 for each claim (deductible may 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 $1,718,302.

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 $10,000. Members are responsible for the deductible amount of each claim. There is no program self-insured retention on this coverage, with the exception of Pumps & Motors which is $15,000 and is covered by 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 loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 31, 2016 were $1,484,482.16.

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 quarterly District-wide safety meetings; and
    c. The District has monthly water section safety meetings; and
    d. The Bureau of Reclamation conducts a bi-annual review of operations and maintenance to insure safety standards are practiced and in place; and
    e. The District had a Water Conservation Plan developed which identified facilities that are in need of improvement. This 5-year plan prioritizes maintenance on the District's canal and laterals.

2. Risk Transfer

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

NOTE 10 – POST-RETIREMENT BENEFITS OTHER THAN PENSION BENEFITS

The District provided no additional post-retirement benefits in 2016.

NOTE 11 – GRANTS / INCENTIVE FUNDED CAPITAL IMPROVEMENTS

In 2016, State grants for $500,000, were received from the Department of Ecology (DOE) for Coordinated Conversation Canal Piping Projects. This grant covers piping improvements identified through the Coordinated Water Conservation Plan funded by the Office of Columbia River. Net water savings resulting from the piping projects will be used to supply groundwater to the Odessa subarea.

In 2016, Federal grants for $300,000, were received from the United States Department of the Interior (Bureau of Reclamation) for system improvement projects. This grant covers water saving system improvements identified through the Bureau of Reclamation WaterSMART program. The goal of the program is to improve canal infrastructure in order to reduce water usage by the irrigation system. The District used the WaterSMART grant funds in 2016 to concrete line a section of canal, which significantly reduced water usage.

The District was also provided with an energy incentive contract from Bonneville Power Administration, to be used for electrical conservation projects. The BPA cost shares approved projects, and the share amount is dependent upon the estimated energy savings association with the project. In 2016, the District received $600,745, in incentive contract revenue.

QUINCY-COLUMBIA BASIN IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2016

PERS Plan 1	**2016**	**2015**
Employer's proportion of the net pension liability (asset)	.054074%	.053516%
Employer's proportionate share of the net pension liability	$2,904,028	$2,799,384
Employer's covered employee payroll	$6,204,885	$6,250,257
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	46.80%	44.79%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%
PERS Plan 2/3		
Employer's proportion of the net pension liability (asset)	.068729%	.067157%
Employer's proportionate share of the net pension liability	$3,460,451	$2,399,558
Employer's covered employee payroll	$6,180,719	$6,206,335
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	55.99%	38.66%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%

NOTE: Information is required to be presented for ten years. However, until a full ten-year trend is compiled, QCBID will present information for only those years for which information is available.

QUINCY-COLUMBIA BASIN IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

As of December 31, 2016

PERS Plan 1	**2016**	**2015**
Statutorily or contractually required contributions	$301,391	$271,173
Contributions in relation to the statutorily or contractually required contributions	$301,391	$271,173
Contribution deficiency (excess)	$-	$ -
Covered employee payroll	$6,319,057	$6,067,046
Contributions as a percentage of covered employee payroll	4.77%	4.45%
PERS Plan 2/3		
Statutorily or contractually required contributions	$393,653	$340,676
Contributions in relation to the statutorily or contractually required contributions	$393,653	$340,676
Contribution deficiency (excess)	$-	$ -
Covered employee payroll	$6,319,057	$6.067,046
Contributions as a percentage of covered employee payroll	6.23%	5.62%

NOTE: Information is required to be presented for ten years. However, until a full ten-year trend is compiled, QCBID will present information for only those years for which information is available.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the 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
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