Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Yakima-Tieton Irrigation District

For the period January 1, 2018 through December 31, 2019

Published January 19, 2021

Report No. 1027655

Office of the Washington State Auditor
Pat McCarthy

January 19, 2021

Board of Directors
Yakima-Tieton Irrigation District
Yakima, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Americans with Disabilities

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Yakima-Tieton Irrigation District
January 1, 2018 through December 31, 2019

Board of Directors
Yakima-Tieton Irrigation District
Yakima, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Yakima-Tieton Irrigation District, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2021.

As discussed in Note 1 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative effect on the District.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described 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

January 11, 2021

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Yakima-Tieton Irrigation District
January 1, 2018 through December 31, 2019

Board of Directors
Yakima-Tieton Irrigation District
Yakima, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Yakima-Tieton Irrigation District, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on page 9.

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 opinions on these financial statements based on our audits. We conducted our audits 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.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Yakima-Tieton Irrigation District, as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed on Note 1 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the District. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 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 January 11, 2021 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

January 11, 2021

FINANCIAL SECTION

Yakima-Tieton Irrigation District
January 1, 2018 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

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Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019
Statement of Net Position – 2018
Statement of Revenues, Expenses and Changes in Net Position – 2019
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 and PERS 2/3 – 2019 and 2018
Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2019 and 2018
Schedule of Employer Contributions – OPEB Plan – 2019 and 2018

The following discussion and analysis provides an overview of the financial position and activities of the Yakima-Tieton Irrigation District (the District), for the fiscal year ended December 31, 2019. Please read it in conjunction with the District's financial statements.

Financial Highlights

The total liabilities for the District were reduced $1,164,086 or 56.7% at the close of 2019.

During the year, the District's total operating revenues decreased from $4,536,982 in 2018, to $4,482,379 in 2019, or 5.5%. The total operating expenses for the same period increased from $5,294,526 to $5,356,182 or 1.2%.

Financial Statements

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

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

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

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

Notes to the Financial Statements

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

The condensed statement of net position below shows that as of December 31, 2019, the total assets are $25,340,092 and total deferred outflows of resources are $122,861. The total liabilities are $888,391 total deferred inflows of resources are $250,608 and the total ending net position is $24,323,954. There is a reduction in long-term liabilities from $532,908 in 2018, to $414,869 in 2019, which is 22%.

	2019	2018
ASSETS		
Unrestricted Current Assets	$ 5,550,908	$ 2,167,573
Restricted Assets	-	8,061,717
Investments and Other Assets	4,020,480	9,900
Capital Assets, Net Accumulated Depreciation	15,766,437	17,032,941
Total Assets	25,337,825	27,272,131
DEFERRED OUTFLOWS OF RESOURCES	122,861	192,034
Total Assets and Deferred Outflows of Resources	$ 25,460,686	$ 27,464,165
LIABILITIES		
Total Current Liabilities	$ 473,522	$ 182,315
Payables from Restricted Assets	-	1,337,254
Long-Term Liabilities	414,869	532,908
Total Liabilities	888,391	2,052,477
DEFERRED INFLOWS OF RESOURCES	250,608	223,329
NET POSITION		
Net Investment in Capital Assets	15,766,437	15,789,395
Restricted per Bond Agreement	-	8,059,463
Unrestricted	8,555,250	1,339,501
Total Net Position	24,321,687	25,188,359
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 25,460,686	$ 27,464,165

The District has two major sources of operating revenue. They are the irrigation assessments and power sales. These sources pay for the operation and maintenance activities of the District and any debt service. A power purchase agreement was executed in 2018 between the District and PacifiCorp with a term of two years beginning in 2019 for Cowiche Hydropower Plant. The agreement for Orchard Ave Hydropower Plant also runs through 2020. For 2018 through 2020 the District should average between three and four cents per kwh for the power generated by these two plants.

In 2019 a balanced budget was adopted, however at year-end the operating expenses exceeded revenue collected, which resulted in the use of reserves. The District received $240,182 and $144,551 in revenue from the Tieton Hydropower Project in 2018 and 2019, respectively. The amount of the revenue will vary from year to year based upon the power production generated by the new plant. The plant came online in September of 2006.

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

The basic irrigation assessments increased on average $2.35 per share and the amount of total assessments received increased by 1.7% or approximately $68,000 from 2018 to 2019. Power sales decreased by 27.9% or $136,768. Power sales are directly related to water use which varies from year to year.

Total operating expenses increased from $5,294,526 in 2018, to $5,356,182 in 2019. Operating expenses exclusive of depreciation increased 1.7%. Total ending net position reduced from $25,188,359 in 2018, to $24,323,934 in 2019. This is a decrease of $864,405 compared to a decrease in 2018 of $634,062.

	2019	2018
OPERATING REVENUES		
Irrigation Assessments	$ 4,014,635	$ 3,946,180
Power Sales	353,217	489,985
Other	114,527	100,817
Total Operating Revenues	4,482,379	4,536,982
OPERATING EXPENSES	5,356,198	5,294,526
NET OPERATING LOSS	(873,819)	(757,544)
NONOPERATING REVENUE (EXPENSE)	7,147	111,458
LOSS BEFORE CAPITAL CONTRIBUTIONS	(866,672)	(646,086)
Capital Contributions	-	12,024
CHANGE IN NET POSITION	(866,672)	(634,062)
Total Net Position - Beginning of Year	25,188,359	25,822,421
TOTAL NET POSITION - END OF YEAR	$ 24,321,687	$ 25,188,359

Economic Factors and Next Year's Budget

In 2018 and 2019, the District adopted balanced budgets, but sometimes expenses exceed actual revenue received. It was anticipated that any budget shortfall would be supplemented by the reserve fund. In future budgets the revenue will need to be increased to offset the anticipated increases in operation expenses. The 2013 bond refinance reduced debt service payments starting in 2014 and continued through 2019 when the bond issue was paid off. The retirement of the 30 year debt service payment was the third time in the history of YTID that the Waterusers of the District were able to retire an outstanding debt to improve water delivery infrastructure. The bond reserve funds were then made available to the District for future needs. Reserve funds will continue to be used to balance budgets as needed over the next few years. The future revenue from the Tieton Hydropower project may be available to help offset increased operating costs in the short-term, but it cannot be assumed that it will produce revenue to the District every year, and the amount will also vary depending on the water forecast. The 2017 Budget was the last year the District assessed for the 2013 bond issue debt service. The final payment was made from existing bond reserve funds in 2019. The Board of Directors works with the management staff to prepare, review, and adopt each year's budget and set the assessment rates in accordance with RCW Title 87. The District is also planning by evaluating and prioritizing infrastructure and other operational needs to continue to provide service to the water users. This will require future budgets to be increased to reflect these needs.

Conclusion

We believe the overall financial status of the District is good. The operation and maintenance programs used by the District are expected to keep the delivery system and infrastructure in good service for the near future. A cautionary comment is in order here as 2019 was the 33rd year of service under the pressurized system. The main canal has been in service since 1910. Costs to operate and maintain will continue to increase as the system gets older even with a good maintenance program. Power revenues from the two hydropower plants will remain level in 2018 through 2020 based upon the power purchase agreement with PacifiCorp. The reduction in debt service improved the financial status from 2012 through 2016 and retirement of other long term debt in 2019 increased the District reserve funds for uses other than the bond issue requirements. The need to increase assessments for operation and maintenance costs and facility improvements is an important issue for the District. In 2013 the District also began the planning process for replacement or upgrade of the 12-mile-long main canal. Outside funding from the federal and state government to start this process has been obtained, but the district must also fund this effort. Therefore a plan to increase assessments for capital improvements and other operational needs will be necessary for the long-term delivery of water. The District Board of Directors and the management staff will continue to make prudent decisions to balance the economic realities facing the patrons of the District, the changing and difficult challenges facing irrigation districts, and the rising operation and maintenance costs.

Contacting the District's Financial Management

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

Yakima-Tieton Irrigation District
Attn: Sandra Hull
470 Camp 4 Road
Yakima, WA 98908

The following discussion and analysis provides an overview of the financial position and activities of the Yakima-Tieton Irrigation District (the District), for the fiscal years ended December 31, 2018 and 2017. Please read it in conjunction with the District's financial statements, which begin on page 6.

Financial Highlights

The total liabilities for the District were reduced $1,473,043 or 41.8% at the close of 2018.

During the year, the District's total operating revenues decreased from $4,601,841 in 2017 to $4,536,982 in 2018 or 1.4%. The total operating expenses for the same period increased from $4,813,232 to $5,294,526 or 10.0%.

Financial Statements

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

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

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

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

The financial statements can be found beginning on page 6 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 11 of this report.

The condensed statement of net position below shows that as of December 31, 2018 the total assets are $27,272,131 and total deferred outflows of resources are $192,034. The total liabilities are $2,052,477, total deferred inflows of resources are $223,329 and the total ending net position is $25,188,359. There is a reduction in long-term liabilities from $2,069,719 in 2017 to $532,908 in 2018 which is 74%. The reduction of the debt service for the bond issue continues to decline each year as the District nears the 2019 scheduled final payment.

	2018	2017
ASSETS		
Unrestricted Current Assets	$ 2,167,573	$ 2,737,030
Restricted Assets	8,061,717	7,871,780
Capital Assets, Net Accumulated Depreciation	17,032,941	18,581,845
Other Assets	9,900	9,900
Total Assets	27,272,131	29,200,555
DEFERRED OUTFLOWS OF RESOURCES	192,034	296,124
Total Assets and Deferred Outflows of Resources	$ 27,464,165	$ 29,496,679
LIABILITIES		
Total Current Liabilities	$ 182,315	$ 116,192
Payables from Restricted Assets	$ 1,337,254	$ 1,339,609
Long-Term Liabilities	$ 532,908	$ 2,069,719
Total Liabilities	2,052,477	3,525,520
DEFERRED INFLOWS OF RESOURCES	223,329	148,738
NET POSITION		
Net Investment in Capital Assets	15,789,395	15,931,845
Restricted per Bond Agreement	8,059,463	7,847,171
Unrestricted	1,339,501	2,043,405
Total Net Position	25,188,359	25,822,421
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 27,464,165	$ 29,496,679

The District has two major sources of operating revenue. They are the irrigation assessments and power sales. These sources pay for the operation and maintenance activities of the District and the bond issue debt service. A new power purchase agreement between the District and PacifiCorp with a term of two years begins in 2019 for Cowiche Hydropower Plant. The agreement for Orchard Ave Hydropower Plant also runs through 2020. For 2018 through 2020 the District should average between 3.5 and 4 cents per kwh for the power generated by these two plants.

In 2018 a balanced budget was adopted, however at year-end the operating expenses exceeded revenue collected, which resulted in the use of reserves. The District received $300,175 and $240,182 in revenue from the Tieton Hydropower Project in 2017 and 2018, respectively. The amount of the revenue will vary from year to year based upon the power production generated by the new plant. The plant came on line in September of 2006.

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

The basic irrigation assessments remained unchanged in 2018, but the amount of total assessments received decreased by 1% or approximately $39,000 from 2017 to 2018. Power sales decreased by 7.9% or $41,900. Power sales are directly related to water use which varies from year to year.

Total operating expenses increased from $4,813,232 in 2017 to $5,294,526 in 2018. Operating expenses exclusive of depreciation increased 17.4%. Total ending net position reduced from $25,822,421 in 2017 to $25,188,359 in 2018. This is a decrease of $634,062 compared to a decrease in 2017 of $96,751.

	2018	2017
OPERATING REVENUES		
Irrigation Assessments	$ 3,946,180	$ 3,984,937
Power Sales	489,985	531,933
Other	100,817	84,971
Total Operating Revenues	4,536,982	4,601,841
OPERATING EXPENSES	5,294,526	4,813,232
NET OPERATING LOSS	(757,544)	(211,391)
NONOPERATING REVENUE (EXPENSE)	111,458	(26,049)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(646,086)	(237,440)
Capital Contributions	12,024	140,689
CHANGE IN NET POSITION	(634,062)	(96,751)
Total Net Position - Beginning of Year	25,822,421	25,919,172
TOTAL NET POSITION - END OF YEAR	$ 25,188,359	$ 25,822,421

Capital grants reported as operating revenues in 2017 have been reclassified as capital contributions in 2018 for presentation purposes.

Economic Factors and Next Year's Budget

In 2017 and 2018, the District adopted balanced budgets, but sometimes expenses exceed actual revenue received. It was anticipated that any budget shortfall would be supplemented by the reserve fund. In future budgets the revenue will need to be increased to offset the anticipated increases in operation expenses. The 2013 bond refinance reduced debt service payments starting in 2014 and will continue until the bond issue is paid off in 2019. Reserve funds will continue to be used to balance budgets as needed over the next few years. The future revenue from the Tieton Hydropower project may be available to help offset increased operating costs in the short-term, but it cannot be assumed that it will produce revenue to the District every year, and the amount will also vary depending on the water forecast. The 2017 Budget was the last year the District assessed for the 2013 bond issue debt service. The final payment will be made from existing bond reserve funds. The board of directors works with the management staff to prepare, review, and adopt each year's budget and set the assessment rates in accordance with RCW Title 87. The District is also planning for the future by evaluating and prioritizing infrastructure and other operational needs to continue to provide service to the water users. This will require future budgets to be increased to reflect these needs.

Conclusion

We believe the overall financial status of the District is good. The operation and maintenance programs used by the District are expected to keep the delivery system and infrastructure in good service for the near future. A cautionary comment is in order here as 2018 was the 32nd year of service under the pressurized system. The main canal has been in service since 1910. Costs to operate and maintain will continue to increase as the system gets older even with a good maintenance program. Power revenues from the two hydropower plants will remain level in 2018 through 2020 based upon the power purchase agreement with PacifiCorp. The reduction in debt service improved the financial status from 2012 through 2016, but the need to increase assessments for operation and maintenance costs may offset these savings. In 2013 the District also began the planning process for replacement or upgrade of the 12-mile-long main canal. Outside funding from the federal and state government to start this process has been obtained, but the district must also fund this effort. Therefore a plan to increase assessments for capital improvements and other operational needs will be necessary for the long-term delivery of water. The District Board of Directors and the management staff will continue to make prudent decisions to balance the economic realities facing the patrons of the District, the changing and difficult challenges facing irrigation districts, and the rising operation and maintenance costs.

Contacting the District's Financial Management

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

Yakima-Tieton Irrigation District
Attn: Sandra Hull
470 Camp 4 Road
Yakima, WA 98908

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Cash and Cash Equivalents	$ 2,957,566
Assessments Receivable	128,096
Inventories	240,703
Prepaid Expenses	251,479
Investments	1,973,064
Total Current Assets	5,550,908
NONCURRENT ASSETS	
Water Shares	9,900
Investments	4,010,580
Capital Assets not Being Depreciated:	
Land	99,770
Work in Progress	1,859,590
Capital Assets Being Depreciated:	
Canals, Laterals, and Bridges	80,893,074
Buildings and Homes	411,819
Equipment	1,763,986
Total	85,028,239
Less: Accumulated Depreciation	69,261,802
Total Capital Assets	15,766,437
Total Noncurrent Assets	19,786,917
Total Assets	25,337,825
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	122,861
Total Assets and Deferred Outflows of Resources	$ 25,460,686

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Trade Payables	$ 335,537
Payroll, Taxes, and Retirement	137,985
Total Current Liabilities	473,522
NONCURRENT LIABILITIES	
Net Pension Liability	414,869
Total Liabilities	888,391
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	250,608
NET POSITION	
Net Investment in Capital Assets	15,766,437
Unrestricted	8,555,250
Total Net Position	24,321,687
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 25,460,686

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS	
Unrestricted Current Assets:	
Cash and Cash Equivalents	$ 1,492,706
Assessments Receivable	180,213
Inventories	238,460
Prepaid Expenses	256,194
Total Unrestricted Current Assets	2,167,573
Restricted Assets:	
Cash and Cash Equivalents	2,597,949
Total Restricted Current Assets	2,597,949
Total Current Assets	4,765,522
NONCURRENT ASSETS	
Unrestricted Noncurrent Assets:	
Water Shares	9,900
Restricted Noncurrent Assets:	
Investments	5,463,768
Total Restricted Noncurrent Assets	5,463,768
Capital Assets not Being Depreciated:	
Land	99,770
Work in Progress	1,177,974
Capital Assets Being Depreciated:	
Canals, Laterals, and Bridges	80,816,268
Buildings and Homes	411,819
Equipment	1,687,343
Total	84,193,174
Less: Accumulated Depreciation	67,160,233
Total Capital Assets	17,032,941
Total Noncurrent Assets	22,506,609
Total Assets	27,272,131
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	100,580
Deferred Loss on Refunding of Debt	91,454
Total Deferred Outflow of Resources	192,034
Total Assets and Deferred Outflows of Resources	$ 27,464,165

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES	
Unrestricted Current Liabilities:	
Trade Payables	$ 72,734
Payroll, Taxes, and Retirement	109,581
Total Unrestricted Current Liabilities	182,315
Current Liabilities from Restricted Assets:	
Bonds Payable Principal	1,335,000
Bonds Payable Interest	2,254
Total Current Liabilities from Restricted Assets	1,337,254
Total Current Liabilities	1,519,569
NONCURRENT LIABILITIES	
Unrestricted Noncurrent Liabilities:	
Net Pension Liability	532,908
Total Liabilities	2,052,477
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	223,329
NET POSITION	
Net Investment in Capital Assets	15,789,395
Restricted for Operations and Debt Service	8,059,463
Unrestricted	1,339,501
Total Net Position	25,188,359
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 27,464,165

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES	
Irrigation Assessments	$ 4,014,635
Power Sales	353,217
Other	114,527
Total Operating Revenues	4,482,379
OPERATING EXPENSES	
U.S. Bureau of Reclamation Storage Assessments	158,951
Labor	907,994
Employee Benefits and Payroll Taxes	322,101
Materials and Supplies	94,313
Repairs	509,699
Utilities	290,548
Communications	31,449
Insurance	189,375
Depreciation and Amortization	2,121,375
General and Administrative	730,393
Total Operating Expenses	5,356,198
LOSS FROM OPERATIONS	(873,819)
NONOPERATING REVENUE (EXPENSE)	
Interest Earned	50,477
Interest Expense	(102,723)
Realized Gain on Investments	106,718
Unrealized Loss on Investments	(55,396)
Gain on Disposal of Capital Assets	8,071
Total Nonoperating Revenue (Expense)	7,147
CHANGE IN NET POSITION	(866,672)
Total Net Position - Beginning of Year	25,188,359
TOTAL NET POSITION - END OF YEAR	$ 24,321,687

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUES	
Irrigation Assessments	$ 3,946,180
Power Sales	489,985
Other	100,817
Total Operating Revenues	4,536,982
OPERATING EXPENSES	
U.S. Bureau of Reclamation Storage Assessments	197,095
Labor	872,516
Employee Benefits and Payroll Taxes	302,941
Materials and Supplies	95,481
Repairs	426,526
Utilities	380,244
Communications	40,461
Insurance	172,142
Depreciation and Amortization	2,114,928
General and Administrative	692,192
Total Operating Expenses	5,294,526
LOSS FROM OPERATIONS	(757,544)
NONOPERATING REVENUE (EXPENSE)	
Interest Earned	37,669
Interest Expense	(107,233)
Realized Gain on Investments	199,371
Unrealized Loss on Investments	(18,349)
Total Nonoperating Revenue (Expense)	111,458
LOSS BEFORE CAPITAL CONTRIBUTIONS	(646,086)
Capital Contributions	12,024
CHANGE IN NET POSITION	(634,062)
Total Net Position - Beginning of Year	25,822,421
TOTAL NET POSITION - END OF YEAR	$ 25,188,359

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Water Users	$ 4,534,496
Cash Paid to Suppliers	(1,739,453)
Cash Paid to Employees	(1,314,732)
Interest Paid	(4,494)
Net Cash Provided by Operating Activities	1,475,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(854,871)
Proceeds from Sale of Capital Assets	8,071
Interest Paid on Revenue Bonds	(13,523)
Revenue Bond Maturities	(1,335,000)
Net Cash Used by Capital and Related Financial Activities	(2,195,323)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	156,841
Proceeds from Sale of Investments	9,020,989
Investment Purchases	(6,993,464)
Net Cash Provided by Investing Activities	2,184,366
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,464,860
Cash and Cash Equivalents - Beginning of Year	1,492,706
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,957,566

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Net Operating Loss	$ (873,819)
Adjustments to Reconcile Net Operating Loss to Net Cash from Operating Activities:	
Depreciation and Amortization	2,121,375
Bond Discount Amortization	(4,494)
Effects of Changes in Assets and Liabilities:	
Assessments Receivable	52,117
Inventories	(2,243)
Prepaid Expenses	4,715
Deferred Outflows of Resources Related to Pensions	(22,281)
Trade Payables	262,803
Payroll, Taxes, and Retirement	28,404
Net Pension Liability	(118,039)
Deferred Inflows of Resources Related to Pensions	27,279
Total Adjustments	2,349,636
Net Cash Provided by Operating Activities	$ 1,475,817

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Amortization of 2003 Bond Refunding Loss	$ 91,454

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Water Users	$ 4,514,981
Cash Paid to Suppliers	(2,035,685)
Cash Paid to Employees	(1,256,752)
Net Cash Provided by Operating Activities	1,222,544
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(566,024)
Interest Paid on Revenue Bonds	(38,132)
Revenue Bond Maturities	(1,315,000)
Proceeds from Capital Grants	12,024
Net Cash Used by Capital and Related Financial Activities	(1,907,132)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	37,669
Proceeds from Sale of Investments	10,378,594
Investment Purchases	(10,387,509)
Net Cash Provided by Investing Activities	28,754
NET DECREASE IN CASH AND CASH EQUIVALENTS	(655,834)
Cash and Cash Equivalents - Beginning of Year	2,148,540
CASH EQUIVALENTS - END OF YEAR	$ 1,492,706

See accompanying Notes to Financial Statements.

YAKIMA-TIETON IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Net Operating Loss	$ (757,544)
Adjustments to Reconcile Net Operating Loss to Net Cash from Operating Activities:	
Depreciation and Amortization	2,114,928
Effects of Changes in Assets and Liabilities:	
Assessments Receivable	(22,001)
Inventories	(39,186)
Prepaid Expenses	(25,190)
Deferred Outflows of Resources Related to Pensions	12,634
Trade Payables	32,832
Payroll, Taxes, and Retirement	33,291
Net Pension Liability	(201,811)
Deferred Inflows of Resources Related to Pensions	74,591
Total Adjustments	1,980,088
Net Cash Provided by Operating Activities	$ 1,222,544
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Decrease in Fair Value of Investment	$ (18,349)
Amortization of 2003 Bond Refunding Loss	$ 91,456

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Receivables

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Investments

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

Capital Assets

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

Depreciation is computed as follows:

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

Net Position

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consisted of losses on refunding of debt, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. The deferred loss on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Losses on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

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

Long-Term Debt

Long-term debt is reported net of premiums and discounts. Premiums and discounts on long-term debt are amortized by the interest method over the period the related debt is outstanding.

Operating Revenues and Expenses

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Pensions

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

Financial Statement Estimates

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

Subsequent Events

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

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The District is considered an essential service and therefore has continued to operate during the emergency declaration.

The length of time these measures will be in place, and the full extent of the financial impact on the District is unknown at this time, however the management does not believe the impact will be significant.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The District's bank balances as of December 31, 2019, were $312,970.

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

Investments

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

Investments Measured at Amortized Cost

Washington State Local Government Investment Pool (LGIP)	$ 2,644,596

Investments in Local Government Investment Pool

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

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

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at Fair Value

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

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

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

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

At December 31, 2019, the District had the following investments measured at fair value:

Types of Investments	(Level 1)	(Level 2)	(Level 3)	Total	Concentration
Fannie Mae	$ -	$ 1,989,028	$ -	$ 1,989,028	33 %
Federal Home Loan Banks	-	2,021,552	-	2,021,552	34
Resolution Funding Corporation Bond	-	1,973,064	-	1,973,064	33
Total	$ -	$ 5,983,644	$ -	$ 5,983,644	100 %

Investments are subject to the following risks.

Interest Rate Risk

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Amortized Cost	Fair Value	Maturities (in Years) 1-5 Years	Maturities (in Years) Less than 1
Deposits				
Demand Deposits	$ 74,739	$ -	$ -	$ 74,739
Unrestricted Money Market Accounts	238,231	-	-	238,231
Total Deposits	312,970	-	-	312,970
Investments				
U.S. Government Agencies	-	5,983,644	4,010,580	1,973,064
Washington State LGIP	2,644,596	-	-	2,644,596
Total Investments	2,644,596	5,983,644	4,010,580	4,617,660
Total Deposits and Investments	2,957,566	5,983,644	$ 4,010,580	$ 4,930,630
Add Cash on Hand	300	-		
Total Cash and Investments	$ 2,957,866	$ 5,983,644		

Credit Risk

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

At December 31, 2019, the District's investments had the following credit quality distribution for securities with credit exposure based on the Standard and Poor's Rating Services:

Agency	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and Below	Unrated
Fannie Mae	$ 1,989,028	$ -	$ 1,989,028	$ -	$ -	$ -	$ -
Federal Home Loan Banks	2,021,552	-	2,021,552	-	-	-	-
Resolution Funding Corporation Bond	1,973,064	-	1,973,064	-	-	-	-
	$ 5,983,644	$ -	$ 5,983,644	$ -	$ -	$ -	$ -

NOTE 3 CAPITAL ASSETS

The District's capital assets and the related accumulated depreciation for the year ended December 31, 2019, was as follows:

	Balance December 31, 2018	Additions	Transfers and/or Retirements	Balance December 31, 2019
Capital Assets - Nondepreciable:				
Land	$ 99,770	$ -	$ -	$ 99,770
Work in Progress	1,177,974	681,616	-	1,859,590
Total Capital Assets not Being Depreciated	1,277,744	681,616	-	1,959,360
Capital Assets - Depreciable:				
Canals, Laterals, and Bridges	80,816,268	76,806	-	80,893,074
Buildings and Homes	411,819	-	-	411,819
Equipment	1,687,343	96,449	(19,806)	1,763,986
Total Capital Assets Being Depreciated	82,915,430	173,255	(19,806)	83,068,879
Less Accumulated Depreciation:				
Canals, Laterals, and Bridges	(65,494,385)	(2,024,573)	-	(67,518,958)
Buildings and Homes	(330,466)	(8,759)	-	(339,225)
Equipment	(1,335,382)	(88,043)	19,806	(1,403,619)
Less Accumulated Depreciation	(67,160,233)	(2,121,375)	19,806	(69,261,802)
Total Capital Assets Being Depreciated, Net	15,755,197	(1,948,120)	-	13,807,077
Total Capital Assets, Net	$ 17,032,941	$ (1,266,504)	$ -	$ 15,766,437

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	$ 414,869
Deferred Outflows of Resources	122,861
Deferred Inflows of Resources	250,608
Pension Expense	41,802

NOTE 4 PENSION PLANS (CONTINUED)

State Sponsored Pension Plans

Substantially all of 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 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and 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.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1 Actual Contribution Rates	Employer	Employee*
January - June 2019		
PERS Plan 1	7.52 %	6.00%
PERS Plan 1 UAAL	5.13	
Administrative Fee	0.18	
Total	12.83 %	6.00%
July - December 2019		
PERS Plan 1	7.92 %	6.00%
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Total	12.86 %	6.00%

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

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

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one- time duty related death benefit, if found eligible by the Department of Labor and Industries.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3

Actual Contribution Rates	Employer 2/3	Employee 2*
January - June 2019		
PERS Plan 2/3	7.52 %	7.41 %
PERS Plan 1 UAAL	5.13	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	12.83 %	7.41 %
July - December 2019		
PERS Plan 2/3	7.92 %	7.90 %
PERS Plan 1 UAAL	4.76	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	12.86 %	7.90 %

The District's actual PERS plan contributions were $60,306 to PERS Plan 1 and $94,536 to PERS Plan 2/3 for the year ended December 31, 2019.

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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* and the *2017 Economic Experience Study.*

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.5% salary inflation

Salary increases: In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

Investment rate of return: 7.4%

Mortality rates were 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% 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 changes in methods and assumptions since the last valuation.

OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.

OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4% 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 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 7.4% was used to determine the total liability.

NOTE 4 PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return

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

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, 2019, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

Sensitivity of NPL

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

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 391,702	$ 312,781	$ 244,307
PERS 2/3	782,973	102,088	(456,624)

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.

NOTE 4 PENSION PLANS (CONTINUED)

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

At June 30, 2019, the District reported a total pension liability for its proportionate share of the net pension liabilities as follows:

Plan		Liability
PERS 1	$	(312,781)
PERS 2/3		(102,088)
Total	$	(414,869)

At June 30, 2019, the District's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.008018%	0.008134%	0.000116%
PERS 2/3	0.010239%	0.010510%	0.000271%

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

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the District recognized pension expense as follows:

Plan		Pension Expense
PERS 1	$	20,017
PERS 2/3		21,785
Total	$	41,802

NOTE 4 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, 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	-	(20,896)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	30,984	-
Total	$ 30,984	$ (20,896)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 29,248	$ (21,948)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(148,598)
Changes of Assumptions	2,614	(42,833)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	8,461	(16,333)
Contributions Subsequent to the Measurement Date	51,554	-
Total	$ 91,877	$ (229,712)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 29,248	$ (21,948)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(169,494)
Changes of Assumptions	2,614	(42,833)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	8,461	(16,333)
Contributions Subsequent to the Measurement Date	82,538	-
Total	$ 122,861	$ (250,608)

NOTE 4 PENSION PLANS (CONTINUED)

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

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

Year Ending December 31,	PERS 1
2020	$ (4,613)
2021	(10,927)
2022	(3,899)
2023	(1,457)
2024	-
Thereafter	-
Total	$ (20,896)

Year Ending December 31,	PERS 2/3
2020	$ (47,345)
2021	(78,788)
2021	(36,345)
2022	(20,624)
2022	(8,346)
Thereafter	2,061
Total	$ (189,387)

NOTE 5 OTHER POST-RETIREMENT BENEFIT EXPENSES (OPEB)

General Information about the OPEB Plan

Plan Description

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

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

Benefits Provided

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

NOTE 5 OTHER POST-RETIREMENT BENEFIT EXPENSES (OPEB) (CONTINUED)

General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	18

Contributions

Contributions paid into the Plan to obtain benefits are received and held in a trust by the Board of Trustees pending payment of benefits, administrative expenses, and premiums. The Board of Trustees pays benefits directly from the Trust Fund. The cost of the postretirement benefit obligation is implicitly shared by the Plan's participating employers and retirees. Retirees, on average, contributed 38% of the estimated postretirement welfare benefit cost for the plan year ended March 31, 2019.

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

NOTE 6 LONG-TERM DEBT

Revenue Bonds

In June 2013, the District issued 2013 Refunding Revenue Bonds in the amount of $7,745,000. The 2013 bonds included term bonds maturing from 2014 to 2019. All bonds matured during the year ending December 31, 2019.

Changes in Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
2013 Refunding Bonds	$ 1,335,000	$ -	$ (1,335,000)	$ -	$ -
Net Pension Liability	532,908	-	(118,039)	414,869	-
Total Noncurrent Liabilities	$ 1,867,908	$ -	$ (1,453,039)	$ 414,869	$ -

NOTE 7 RISK MANAGEMENT

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2019, there are 191 members in the program.

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

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000. Members are responsible for a $1,000 to $10,000 deductible for each claim, while the program is responsible for the $100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the $100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $1,910,871.

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

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

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

NOTE 7 RISK MANAGEMENT (CONTINUED)

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2019, were $2,687,105.

NOTE 8 POWER PURCHASE AGREEMENT

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

Year	Capacity Payment Dollars/kW - Month	Energy Payment Dollars/MWH
2019	13.71	15.33
2020	14.07	15.26

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

Year	Capacity Payment Dollars/kW - Month	Energy Payment Dollars/MWH
2019	2.66	40.22
2020	2.71	43.28

NOTE 9 TRANSFER OF FEDERAL ENERGY REGULATORY COMMISSION LICENSE

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

NOTE 10 COLLECTIVE BARGAINING AGREEMENT

At December 31, 2019, approximately 75% of the District's employees worked under a collective bargaining agreement. The current agreement is effective June 1, 2019, through May 31, 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

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

Inventories

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

Investments

Investments are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year. Restricted investments consist primarily of U.S. government securities designated for specific projects which are required to be segregated pursuant to debt covenants.

Capital Assets

The District defines capital assets as assets with an initial, individual cost of more than $7,000 and an estimated useful life in excess of one year. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The District did not capitalize interest during the fiscal year 2018. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses, and changes in fund net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation is computed as follows:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

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

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

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of losses on refunding of debt, contributions to pension plans subsequent to the June 30 measurement date and the District's proportionate share of deferred outflows related to those plans. The deferred loss on refunding of debt results from a difference in the carrying value of refunded debt and its reacquisition price. Losses on refunding of debt are amortized by the interest method over the life of the refunded or refunding debt, whichever is shorter. Pension plan contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year. Deferred outflows of resources for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

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

Long-Term Debt

Long-term debt is reported net of premiums and discounts. Premiums and discounts on long-term debt are amortized by the interest method over the period the related debt is outstanding.

Operating Revenues and Expenses

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

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

Compensated Absences

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Financial Statement Estimates

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

Subsequent Events

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

The District has evaluated subsequent events through May 24, 2019, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that need to be disclosed.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

The District's bank balances as of December 31, 2018 were $2,696,684.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. As of December 31, 2018 $348,735 of the District's deposits were covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). $2,347,949 was uninsured and uncollateralized.

Investments

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

As of December 31, 2018 the District had the following investments, which are measured at amortized cost:

Washington State Local Government Investment Pool (LGIP)	$ 1,393,671

Investments in Local Government Investment Pool

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

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

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at Fair Value

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

Level 1 – Quoted Prices in active markets for identical assets or liabilities;

Level 2 – These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

Level 3 – Unobservable inputs for an asset or liability

At December 31, 2018, the District had the following investments measured at fair value:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Concentration
Types of Investments					
Freddie Mac	$ -	$ 4,464,269	$ -	$ 4,464,269	82 %
Federal Home Loan Banks	-	999,500	-	999,500	18
Total	$ -	$ 5,463,769	$ -	$ 5,463,769	100 %

Investments are subject to the following risks.

Interest Rate Risk

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Amortized Cost	Fair Value	Maturities (in Years) Other	Less than 1
Deposits				
Demand Deposits	$ -	$ 36,788	$ -	$ 36,788
Unrestricted Money Market Accounts	-	61,947	-	61,947
Restricted Deposits	-	2,597,949	-	2,597,949
Total Deposits	-	2,696,684	-	2,696,684
		Fair Value		
Investments				
Restricted - U.S. Government Agencies	-	5,463,768	-	5,463,768
Unrestricted - Washington State LGIP	1,393,671	-	-	1,393,671
Total Investments	1,393,671	5,463,768	-	6,857,439
Total Deposits and Investments	1,393,671	8,160,452	$ -	$ 9,554,123
Add Cash on Hand	-	300		
Total Cash and Investments	$ 1,393,671	$ 8,160,752		

Credit Risk

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

At December 31, 2018, the District's investments had the following credit quality distribution for securities with credit exposure based on the Standard and Poor's Rating Services:

Agency	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and Below	Unrated
Freddie Mac	$ 4,464,269	$ -	$ 4,464,269	$ -	$ -	$ -	$ -
Federal Home Loan Banks	999,500	-	999,500	-	-	-	-
	$ 5,463,769	$ -	$ 5,463,769	$ -	$ -	$ -	$ -

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Restricted cash and investment at December 31, 2018 consisted of the following:

Surplus Fund - The Bank of New York Mellon Trust Company, N.A., Trustee. Funds must be maintained in an amount which, when combined with the amount in the Emergency Fund, equals two times maximum annual debt service for the 2013 bonds. These funds are to be used to fund any unforeseen contingencies not covered by proceeds from normal assessments.	$ 1,113,802
Emergency Fund - The Bank of New York Mellon Trust Company, N.A., Trustee. Reserve required by the United States of America until otherwise directed to transfer to surplus fund.	170,041
Bond Fund - The Bank of New York Mellon Trust Company N.A., Trustee.	6,777,874
Total Restricted Cash and Investments	8,061,717
Accrued Interest	-
Total	$ 8,061,717

At December 31, 2018, the restricted cash and investment accounts were in compliance with the 2013 Refunding Revenue Bond restriction requirements.

NOTE 3 CAPITAL ASSETS

The District's capital assets and the related accumulated depreciation for the year ended December 31, 2018 was as follows:

	Balance December 31, 2017	Additions	Transfers and/or Retirements	Balance December 31, 2018
Capital Assets - Nondepreciable:				
Land	$ 99,770	$ -	$ -	$ 99,770
Work in Progress	756,930	421,044	-	1,177,974
Total Capital Assets not Being Depreciated	856,700	421,044	-	1,277,744
Capital Assets - Depreciable:				
Canals, Laterals, and Bridges	80,795,408	20,860	-	80,816,268
Buildings and Homes	404,229	7,590	-	411,819
Equipment	1,584,680	116,530	(13,867)	1,687,343
Total Capital Assets Being Depreciated	82,784,317	144,980	(13,867)	82,915,430
Less Accumulated Depreciation:				
Canals, Laterals, and Bridges	(63,470,013)	(2,024,372)	-	(65,494,385)
Buildings and Homes	(321,833)	(8,633)	-	(330,466)
Equipment	(1,267,326)	(81,923)	13,867	(1,335,382)
Less Accumulated Depreciation	(65,059,172)	(2,114,928)	13,867	(67,160,233)
Total Capital Assets Being Depreciated, Net	17,725,145	(1,969,948)	-	15,755,197
Total Capital Assets, Net	$ 18,581,845	$ (1,548,904)	$ -	$ 17,032,941

NOTE 4 PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2018:

Aggregate Pension Amounts - All Plans	
Pension Liabilities	$ (532,908)
Deferred Outflows of Resources	100,580
Deferred Inflows of Resources	(223,329)
Pension Expense	27,267

NOTE 4 PENSION PLANS (CONTINUED)

State Sponsored Pension Plans

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

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Contributions – The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 1

Actual Contribution Rates	Employer	Employee*
January - August 2018		
PERS Plan 1	7.49 %	6.00%
PERS Plan 1 UAAL	5.03	
Administrative Fee	0.18	
Total	12.70 %	6.00%
September - December 2018		
PERS Plan 1	7.52 %	6.00%
PERS Plan 1 UAAL	5.13	
Administrative Fee	0.18	
Total	12.83 %	6.00%

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries.

NOTE 4 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

Contributions – The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS Plan 2/3

Actual Contribution Rates	Employer 2/3	Employee 2*
January - August 2018		
PERS Plan 2/3	7.49 %	7.38 %
PERS Plan 1 UAAL	5.03	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	12.70 %	7.38 %
September - December 2018		
PERS Plan 2/3	7.52 %	7.41 %
PERS Plan 1 UAAL	5.13	
Administrative Fee	0.18	
Employee PERS Plan 3		Varies
Total	12.83 %	7.41 %

The District's actual PERS plan contributions were $57,168 to PERS Plan 1 and $84,685 to PERS Plan 2/3 for the year ended December 31, 2018.

NOTE 4 PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2017. 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* and the *2015 Economic Experience Study.*

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

Inflation: 2.75% total economic inflation; 3.50% salary inflation
Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return: 7.4%

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% 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 changes in methods and assumptions since the last valuation.

Lowered the valuation interest rate from 7.70% to 7.50%.
Lowered the assumed general salary growth from 3.75% to 3.50%.
Lowered assumed inflation from 3.00% to 2.75%.

Discount Rate

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

To determine that rate, an asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4% 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 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 7.4% was used to determine the total liability.

NOTE 4 PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return

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

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, 2018, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.00 %	1.70 %
Tangible Assets	7.00	4.90 %
Real Estate	18.00	5.80 %
Global Equity	32.00	6.30 %
Private Equity	23.00	9.30 %
Total	100.00 %	

Sensitivity of NPL

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

Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 440,066	$ 358,086	$ 287,076
PERS 2/3	799,639	174,822	(337,459)

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.

NOTE 4 PENSION PLANS (CONTINUED)

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

At June 30, 2018, the District reported a total pension liability of $532,908 for its proportionate share of the net pension liabilities as follows:

Plan	Liability
PERS 1	$ (358,086)
PERS 2/3	(174,822)
Total	$ (532,908)

At June 30, 2018, the District's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 6/30/2017	Proportionate Share 6/30/2018	Change in Proportion
PERS 1	0.007974%	0.008018%	0.000044%
PERS 2/3	0.010256%	0.010239%	-0.000017%

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

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the District recognized pension expense as follows:

Plan	Pension Expense
PERS 1	$ 33,787
PERS 2/3	(6,520)
Total	$ 27,267

NOTE 4 PENSION PLANS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, 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		(14,230)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	29,334	-
Total	$ 29,334	$ (14,230)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 21,429	$ (30,608)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(107,279)
Changes of Assumptions	2,045	(49,753)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	4,520	(21,459)
Contributions Subsequent to the Measurement Date	43,252	-
Total	$ 71,246	$ (209,099)

All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 21,429	$ (30,608)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(121,509)
Changes of Assumptions	2,045	(49,753)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	4,520	(21,459)
Contributions Subsequent to the Measurement Date	72,586	-
Total	$ 100,580	$ (223,329)

NOTE 4 PENSION PLANS (CONTINUED)

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

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

Year Ending December 31,	PERS 1
2019	$ 623
2020	(3,111)
2021	(9,335)
2022	(2,407)
2023	-
Thereafter	-
Total	$ (14,230)

Year Ending December 31,	PERS 2/3
2019	$ (18,514)
2020	(38,518)
2021	(69,169)
2022	(27,821)
2023	(12,505)
Thereafter	(14,578)
Total	$ (181,105)

NOTE 5 OTHER POST-RETIREMENT BENEFIT EXPENSES (OPEB)

General Information about the OPEB Plan

Plan Description

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

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

Benefits Provided

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

NOTE 5 OTHER POST-RETIREMENT BENEFIT EXPENSES (OPEB) (CONTINUED)

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	15

Contributions.

Contributions paid into the Plan to obtain benefits are received and held in a trust by the Board of Trustees pending payment of benefits, administrative expenses, and premiums. The Board of Trustees pays benefits directly from the Trust Fund. The cost of the postretirement benefit obligation is implicitly shared by the Plan's participating employers and retirees. Retirees, on average, contributed 42% of the estimated postretirement welfare benefit cost for the plan year ended March 31, 2017.

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

NOTE 6 FORWARD DELIVERY AGREEMENT

In 2003, the District entered into a Forward Delivery Agreement with J.P. Morgan Trust Company, N.A., the bank serving as bond trustee, and Bank of America. The basic purpose of the Forward Delivery Agreement is to provide a means by which the trustee, on behalf of the District, would be able to invest the amounts held by the trustee in the reserve fund, surplus fund, and emergency fund in eligible securities that are legal investments for the District under Washington State Law provided by the Bank for purchase by the trustee on a cash versus delivery basis. Under the Forward Delivery Agreement, the Bank agreed to provide the eligible securities for purchase by the trustee at prices such that the District would receive a guaranteed return of 4.178% on the funds held by the trustee in the accounts referenced above.

In 2013, the District issued its refunding Revenue Bonds, 2013 (Taxable) to refinance and refund the outstanding 2003 Bonds in order to realize a cost savings, The Forward Delivery Agreement remained in place. The Bank of New York Mellon Trust Company N.A. had succeeded J.P. Morgan prior to the Bond Issue. As of December 31, 2018, $2,597,949 was included in restricted cash and $5,463,768 was included in restricted investments.

NOTE 7 LONG-TERM DEBT

Revenue Bonds

In June 2013, the District issued 2013 Refunding Revenue Bonds in the amount of $7,745,000. The 2013 bonds include term bonds maturing from 2014 to 2019. The 2013 bonds bear interest, payable semi• annually, at rates from 0.70% to 2.03%. The proceeds of the bonds were used to refund the outstanding 2003 Refunding Revenue Bonds.

Bonds payable mature as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 1,335,000	$ 13,524	$ 1,348,524
Total	$ 1,335,000	$ 13,524	$ 1,348,524

Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
2013 Refunding Bonds	$ 2,650,000	$ -	$ (1,315,000)	$ 1,335,000	$ 1,335,000
Net Pension Liability	734,719	-	(201,811)	532,908	-
Total Noncurrent Liabilities	$ 3,384,719	$ -	$ (1,516,811)	$ 1,867,908	$ 1,335,000

NOTE 8 RISK MANAGEMENT

The District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 1, 2018, there are 207 members in the program.

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

NOTE 8 RISK MANAGEMENT (CONTINUED)

The program acquires liability insurance through their administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention (SIR) of $100,000, with the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000. Members are responsible for a $1,000 to $10,000 deductible for each claim, while the program is responsible for the $100,000 retention. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the $100,000 of the self-insured retention, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $1,922,394.

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ending December 1, 2018, were $2,809,430.40.

NOTE 9 POWER PURCHASE AGREEMENT

In 1985, the District entered into a contract with Pacific Power & Light Co. to sell the "net metered output" generated by the Cowiche Hydroelectric Station and the Orchard Avenue Hydroelectric Station. This contract originally ended in 2005 but was extended through the year ended 2012. The District was to provide a minimum of 7,000,000 kWh (kilowatt hours) and Pacific Power purchased all net metered output in excess of 7,000,000 kWh. The parties renegotiated a new contract for power sales in December 2012. The new contract became effective January 1, 2013 and shall terminate December 31, 2018.

NOTE 9 POWER PURCHASE AGREEMENT (CONTINUED)

During 2016, the District entered into a new power purchase agreement for both the Cowiche and Orchard Avenue Hydropower Plants. The term for the Cowiche Plant is three years from 2016-2018. The term for the Orchard Avenue Plant is five years from 2016-2020.

Year	Capacity Payment Dollars/kW - Month	Energy Payment Dollars/MWH
2018	2.61	37.44

NOTE 10 TRANSFER OF FEDERAL ENERGY REGULATORY COMMISSION LICENSE

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

NOTE 11 COLLECTIVE BARGAINING AGREEMENT

At December 31, 2018, approximately 75% of the District's employees worked under a collective bargaining agreement. The current agreement is effective June 1, 2016 through May 31, 2019.

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PENSION PLANS, PERS 1 AND PERS 2/3
AS OF JUNE 30
LAST 5 FISCAL YEARS

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

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

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS, PERS 1 AND PERS 2/3
YEAR ENDED DECEMBER 31
LAST 5 FISCAL YEARS*

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

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

YAKIMA-TIETON IRRIGATION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB PLAN
YEAR ENDED DECEMBER 31
LAST 2 FISCAL YEARS*

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

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the 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	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov