



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Roza Irrigation District

For the period January 1, 2019 through December 31, 2020

*Published March 17, 2022*

Report No. 1030066



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**Office of the Washington State Auditor  
Pat McCarthy**

March 17, 2022

Board of Directors  
Roza Irrigation District  
Sunnyside, Washington

**Report on Financial Statements**

Please find attached our report on the Roza 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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## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Roza Irrigation District January 1, 2019 through December 31, 2020**

Board of Directors  
Roza Irrigation District  
Sunnyside, 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 Roza Irrigation District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 2022.

As discussed in Note 10 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct and indirect financial impact on the District is unknown.

### 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.

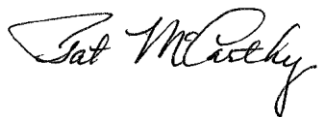
## COMPLIANCE AND OTHER MATTERS

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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 10, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Roza Irrigation District January 1, 2019 through December 31, 2020**

Board of Directors  
Roza Irrigation District  
Sunnyside, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Roza Irrigation District, as of and for the years ended December 31, 2020, and 2019, 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 Roza Irrigation District, as of December 31, 2020, and 2019, 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 in Note 10 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. 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 March 10, 2022 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 10, 2022



## **FINANCIAL SECTION**

### **Roza Irrigation District January 1, 2019 through December 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020 and 2019

#### **BASIC FINANCIAL STATEMENTS**

Comparative Statement of Net Position – 2020 and 2019

Comparative Statement of Revenues, Expenses and Changes in Fund Net Position – 2020 and 2019

Comparative Statement of Cash Flows – 2020 and 2019

Notes to Financial Statements – 2020 and 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2020 and 2019

Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2020 and 2019

Schedule of Employer Contributions – PERS 1 – 2020 and 2019

Schedule of Employer Contributions – PERS 2/3 – 2020 and 2019

## ROZA IRRIGATION DISTRICT

### Management's Discussion and Analysis

Roza Irrigation District's management's discussion and analysis is to assist readers on significant financial issues, their financial activity and any changes in their financial position. Readers should also review the notes to the financial statements to enhance their understanding of Roza's financial performance.

#### Financial Highlights

2020 Net Position increased by \$ 2,337,121.28

2019 Net Position increased by \$ 1,430,514.50

2018 Net Position increased by \$ 2,828,175.20

2020 Operating Revenues increased by \$ 526,090.73

2019 Operating Revenues decreased by \$ 130,051.65

2018 Operating Revenues increased by \$ 202,597.84

2020 Total Operating Expenses decreased by \$ 166,982.65

2019 Total Operating Expenses increased by \$ 1,271,529.45

2018 Total Operating Expenses increased by \$ 373,081.67

Roza's cash accounts show healthy balances at year end for 2020, 2019 and 2018. The overall financial condition remains strong.

In 2020 Roza Irrigation District purchased construction and maintenance equipment for \$472,299.49, miscellaneous equipment for \$94,214.67 and capitalized the enclosed conduit system and pump upgrades for \$1,847,377.83.

In 2019 Roza Irrigation District purchased construction and maintenance equipment for \$232,158.03, miscellaneous equipment for \$108,416.85, computer software for \$10,999.71 and capitalized the enclosed conduit system and pump upgrades for \$2,488,377.81.

In 2018 Roza Irrigation District purchased construction and maintenance equipment for \$1,014,901.14, miscellaneous equipment for \$226,396.76, computer software for \$33,813.70 and capitalized the enclosed conduit system, WW5 and WW7 regulation reservoirs for \$2,951,959.09.

## Basic Financial Statements

Roza Irrigation District's basic financial statements include a Comparative Statement of Net Position. The statement reports all financial and capital resources for Roza Irrigation District and is presented where assets, minus liabilities, equals Net Position. Assets and Liabilities are classified as Current (convertible into cash within 1 year) and Noncurrent.

The Net Position is reported in three categories:

### Net Investment in Capital Assets

This category consists of net capital assets, reduced by accumulated depreciation.

### Restricted

This category consists of restricted assets to the USBR in accordance to the contract and special construction related to the construction of Interstate 82 and the offset to the water users impacted annually against the water users construction assessment.

### Unrestricted

This category consists of Net Assets that do not meet the definition of Net Position, Net Invested in Capital Assets or Restricted Net Assets.

Roza Irrigation District's financial statements also include a Comparative Statement of Revenues, Expenses and Changes in Fund Net Position. This statement shows operations for the year and includes Operating Revenues, such as irrigation assessment income. Operating Expenses such as operation & maintenance, depreciation, utilities and administrative. Non Operating Revenues such as grants, interest and gains (losses) on Capital Asset disposition.

Condensed versions of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are included as part of the M D & A.

(Condensed) Comparative Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Unrestricted Current and Other Assets	\$ 13,089,439.15	\$ 11,790,934.72	\$ 11,789,541.73
Restricted Assets	480,870.86	550,142.41	630,491.19
Capital Assets, Net	<u>59,550,256.92</u>	<u>58,966,302.32</u>	<u>57,935,033.98</u>
<b>TOTAL ASSETS</b>	<b>\$ 73,120,566.93</b>	<b>\$ 71,307,379.45</b>	<b>\$ 70,355,066.90</b>
Total Deferred Outflows of Resources	452,783.02	423,343.02	406,918.02
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS</b>	<b>\$ 73,573,349.95</b>	<b>\$ 71,730,722.47</b>	<b>\$ 70,761,984.92</b>
Current Liabilities	\$ 2,805,682.08	\$ 2,819,234.33	\$ 2,781,494.50
Noncurrent Liabilities	<u>1,523,266.86</u>	<u>1,625,843.41</u>	<u>2,218,062.19</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 4,328,948.94</b>	<b>\$ 4,445,077.74</b>	<b>\$ 4,999,556.69</b>
Total Deferred Inflows of Resources	436,633.00	814,998.00	722,296.00
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	59,550,256.92	58,966,302.32	57,935,033.98
Restricted	288,000.00	288,000.00	288,000.00
Unrestricted	<u>8,969,511.09</u>	<u>7,216,344.41</u>	<u>6,817,098.25</u>
<b>TOTAL NET POSITION</b>	<b><u>68,807,768.01</u></b>	<b><u>66,470,646.73</u></b>	<b><u>65,040,132.23</u></b>
<b>TOTAL NET POSITION, LIABILITIES &amp; DEFERRED INFLOWS</b>	<b>\$ 73,573,349.95</b>	<b>\$ 71,730,722.47</b>	<b>\$ 70,761,984.92</b>

For more detailed information see the Comparative Statement of Net Position.

Major factors affecting the Statement of Net Position:

The largest portion of Roza's total assets is in capital assets. Roza uses these capital assets to provide operation and maintenance for the District. The unrestricted net assets are available for future use to provide operation and maintenance.

The largest portion of Roza's total liabilities (65%) in 2020, (63%) in 2019 and (56%) in 2018 is current liabilities which consist of payables, accrued expenses, annual leave, sick leave and pre-paid assessments. Any significant increase or decrease in total assets or total liabilities will have a correlating effect on the statement of net position.

(Condensed) Comparative Statement of Revenues and Changes in Fund Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues	\$13,881,520.12	\$13,355,429.39	\$13,485,481.04
Irrigation Assessments and Other			
Non-Operating Revenues:			
Interest Income	111,336.05	318,211.04	240,305.47
Grants, Capital & Other	<u>993,426.15</u>	<u>573,017.76</u>	<u>647,002.93</u>
TOTAL NON-OPERATING REVENUES	1,104,762.20	891,228.80	887,308.40
TOTAL REVENUES	\$14,986,282.32	\$14,246,658.19	\$14,372,789.44
Operating Expenses			
O & M	8,525,056.44	8,444,742.92	7,807,702.06
Administration, Utilities, General	2,269,080.26	2,449,901.71	2,397,858.48
Depreciation & Other	<u>1,855,024.34</u>	<u>1,921,499.06</u>	<u>1,339,053.70</u>
TOTAL OPERATING EXPENSE	<u>12,649,161.04</u>	<u>12,816,143.69</u>	<u>11,544,614.24</u>
Change in Net Position	\$2,337,121.28	\$1,430,514.50	\$2,828,175.20
NET POSITION, BEGINNING OF YEAR	<u>66,470,646.73</u>	<u>65,040,132.23</u>	<u>62,211,957.03</u>
RESTATED/PENSIONS GASB 68	0.00	0.00	0.00
NET POSITION, END OF YEAR	<u>\$68,807,768.01</u>	<u>\$66,470,646.73</u>	<u>\$65,040,132.23</u>

For more detailed information see the Comparative Statement of Revenues, Expenses and changes in Fund Net Position.

The majority of revenue received by Roza (93%) in 2020, (94%) in 2019 and (94%) in 2018 was collected from irrigation assessments levied annually by Roza's board of directors. Other revenue consists of interest income and grants received.

Expenses are affected by numerous factors, Such as variations in fuel costs, medical insurance, utility rates and building materials impact the total expenses of Roza Irrigation.

#### Capital Assets

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 467,633.44	\$ 467,633.44	\$ 467,633.44
Buildings	90,689.05	90,689.05	90,689.05
Rereg Facilities	31,767,891.54	31,767,891.54	31,767,891.54
Construction & Maintenance Equipment	7,329,984.91	6,936,952.13	6,796,289.48
Miscellaneous Equipment	1,004,348.00	910,133.33	801,716.48
Office Equipment & Software	154,543.14	154,543.14	144,205.35
Pump Upgrades	70,256.95	7,008.63	0.00
Enclosed Conduit System	<u>35,108,131.01</u>	<u>33,324,001.50</u>	<u>30,842,632.32</u>
Accumulated Depreciation	<u>(16,443,221.12)</u>	<u>(14,692,550.44)</u>	<u>(12,976,023.68)</u>
 TOTAL	 <u>\$ 59,550,256.92</u>	 <u>\$58,966,302.32</u>	 <u>\$57,935,033.98</u>

The following reconciliation summarizes the changes in capital assets. For more detailed information see Note 2 – Capital Assets and Depreciation

#### Change in Capital Assets

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning Balance, January 1	\$ 73,658,852.76	\$ 70,911,057.66	\$ 66,918,255.58
Net change	2,334,625.28	2,747,795.10	3,992,802.08
Depreciation and Amortization	<u>( 16,443,221.12)</u>	<u>(14,692,550.44)</u>	<u>(12,976,023.68)</u>
 TOTAL	 <u>\$ 59,550,256.92</u>	 <u>\$ 58,966,302.32</u>	 <u>\$ 57,935,033.98</u>

The following is a summary of long term debt activity. For more detailed information see Note 4 – Debt Service Requirements.

#### Changes in Long Term Debt

	<u>Beginning Balance 1/1/20</u>	<u>Payments Made</u>	<u>Ending Balance 12/31/20</u>
USBR – Contract	\$ 262,142.41	\$ 69,271.55	\$ 192,870.86

	<u>Beginning Balance 1/1/19</u>	<u>Payments Made</u>	<u>Ending Balance 12/31/19</u>
USBR – Contract	\$ 342,491.19	\$ 80,348.78	\$ 262,142.41

	<u>Beginning Balance 1/1/18</u>	<u>Payments Made</u>	<u>Ending Balance 12/31/18</u>
USBR – Contract	\$ 490,158.21	\$ 147,667.02	\$ 342,491.19

**ROZA IRRIGATION DISTRICT**  
Comparative Statement of Net Position  
As of December 31, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 10,345,092.68	\$ 8,567,632.55
Receivables (Net):		
Assessments Receivable	181,288.60	139,751.66
Grants Receivable	77,566.70	294,849.38
Accounts Receivable	73,742.21	54,695.71
Inventory	506,206.02	415,470.99
Prepaid Expenses	856,073.29	804,189.94
USBR Prepaids	1,049,469.65	1,514,344.49
<b>TOTAL CURRENT ASSETS</b>	<b><u>13,089,439.15</u></b>	<b><u>11,790,934.72</u></b>
Current Assets - Restricted		
Cash USBR Contract	288,000.00	288,000.00
USBR Contract Receivable	69,271.53	69,271.53
<b>TOTAL CURRENT RESTRICTED ASSETS</b>	<b><u>357,271.53</u></b>	<b><u>357,271.53</u></b>
<b>TOTAL CURRENT ASSETS</b>	<b><u>13,446,710.68</u></b>	<b><u>12,148,206.25</u></b>
Noncurrent Assets - Restricted:		
USBR Contract Receivable	123,599.33	192,870.88
<b>TOTAL NONCURRENT RESTRICTED ASSETS</b>	<b><u>123,599.33</u></b>	<b><u>192,870.88</u></b>
Capital Assets		
Land	467,633.44	467,633.44
WW5 Rereg	30,891,678.06	30,891,678.06
Buildings	90,689.05	90,689.05
Rereg Facilities	876,213.48	876,213.48
Construction and Maintenance Equipment	7,329,984.91	6,936,952.13
Miscellaneous Equipment	1,004,348.00	910,133.33
Office Equipment	109,729.73	109,729.73
Computer Software	44,813.41	44,813.41
Enclosed Conduit System - Construction in Progress	1,539,023.77	2,005,723.77
Enclosed Conduit System	33,569,107.24	31,318,277.73
Pump Upgrades - Construction in Progress	70,256.95	7,008.63
	<u>75,993,478.04</u>	<u>73,658,852.76</u>
Less Accumulated Depreciation	<u>(16,443,221.12)</u>	<u>(14,692,550.44)</u>
<b>TOTAL CAPITAL ASSETS (NET)</b>	<b><u>59,550,256.92</u></b>	<b><u>58,966,302.32</u></b>
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>59,673,856.25</u></b>	<b><u>59,159,173.20</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 73,120,566.93</u></b>	<b><u>\$ 71,307,379.45</u></b>
Deferred Outflows of Resources		
Deferred Outflows/Pensions	452,783.02	423,343.02
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>452,783.02</u></b>	<b><u>423,343.02</u></b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 73,573,349.95</b>	<b>\$ 71,730,722.47</b>



**ROZA IRRIGATION DISTRICT**  
Comparative Statement of Net Position  
As of December 31, 2020 and 2019

<u>LIABILITIES</u>	<u>2020</u>	<u>2019</u>
Current Liabilities		
Vouchers Payable	\$ 1,275,861.01	\$ 768,327.78
Accrued Expenses	294,635.33	254,683.48
Accrued Annual Leave	447,753.76	409,866.65
Accrued Sick Leave	649,897.44	595,483.41
Pre-paid Assessments	<u>137,534.54</u>	<u>790,873.01</u>
 TOTAL CURRENT LIABILITIES	 <u>2,805,682.08</u>	 <u>2,819,234.33</u>
Payables from Restricted Assets:		
Contract Payable-USBR	192,870.86	262,142.41
 Total Payables from Restricted Assets	 <u>192,870.86</u>	 <u>262,142.41</u>
Non-Current Liabilities		
Net Pension Liability	<u>1,330,396.00</u>	<u>1,363,701.00</u>
 TOTAL NONCURRENT LIABILITIES	 <u>1,523,266.86</u>	 <u>1,625,843.41</u>
 TOTAL LIABILITIES	 <u>4,328,948.94</u>	 <u>4,445,077.74</u>
Deferred Inflows of Resources		
Deferred Inflows/Pensions	436,633.00	814,998.00
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>436,633.00</u>	 <u>814,998.00</u>
NET POSITION		
Net Investment in Capital Assets	59,550,256.92	58,966,302.32
Restricted for USBR	288,000.00	288,000.00
Unrestricted	<u>8,969,511.09</u>	<u>7,216,344.41</u>
 TOTAL NET POSITION	 <u>\$ 68,807,768.01</u>	 <u>\$ 66,470,646.73</u>
 TOTAL NET POSITION, LIABILITIES, & DEFERRED INFLOWS	 73,573,349.95	 71,730,722.47

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**ROZA IRRIGATION DISTRICT**Comparative Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Years Ended December 31, 2020 and 2019

OPERATING REVENUES:	<u>2020</u>	<u>2019</u>
Charges for Services, etc.	\$ 13,881,520.12	\$ 13,355,429.39
TOTAL OPERATING REVENUE:	<u>13,881,520.12</u>	<u>13,355,429.39</u>
Operating Expenses:		
O & M	8,525,056.44	8,444,742.92
General	2,269,080.26	2,449,901.71
Amortization and Depreciation	1,814,084.04	1,775,846.59
Contract Work	<u>40,940.30</u>	<u>145,652.47</u>
TOTAL OPERATING EXPENSES:	<u>12,649,161.04</u>	<u>12,816,143.69</u>
OPERATING INCOME/(LOSS)	<u>1,232,359.08</u>	<u>539,285.70</u>
Non-Operating Revenues (Expenses):		
Interest	111,336.05	318,211.04
Loss on Sale of Assets	(1,588.35)	(3,914.67)
Property Rental	6,057.73	6,542.33
Non-Operating Grants	<u>988,956.77</u>	<u>570,390.10</u>
TOTAL NON-OPERATING REVENUES (EXPENSES):	<u>1,104,762.20</u>	<u>891,228.80</u>
CHANGE IN NET POSITION	2,337,121.28	1,430,514.50
Total Net Position, January 1	<u>66,470,646.73</u>	<u>65,040,132.23</u>
TOTAL NET POSITION, DECEMBER 31	<u>\$ 68,807,768.01</u>	<u>\$ 66,470,646.73</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**ROZA IRRIGATION DISTRICT**  
Comparative Statement of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from customers	\$ 13,384,880.89	\$ 12,920,640.42
Cash paid to suppliers	(4,900,339.93)	(6,261,693.95)
Cash paid to employees	(5,413,804.39)	(5,233,065.50)
Net cash provided (used) by operating activities	<u>3,070,736.57</u>	<u>1,425,880.97</u>
Cash flows from noncapital financing activities		
Disposal of Fixed Assets	(1,588.35)	(3,914.67)
Property Rental	6,057.73	6,542.33
Net cash provided (used) by noncapital financing activities	<u>4,469.38</u>	<u>2,627.66</u>
Cash flows from capital financing activities		
Acquisition of capital assets	(2,413,891.99)	(2,839,952.40)
Grants proceeds	988,956.77	570,390.10
Contract Payments	69,271.55	80,348.78
Principal paid on Long Term Debt	(69,271.55)	(80,348.78)
Proceeds from sale of vehicles & office equipment	15,853.35	32,837.47
Net cash provided (used) by capital financing activities	<u>(1,409,081.87)</u>	<u>(2,236,724.83)</u>
Cash flows from investing activities		
Interest on investments	111,336.05	318,211.04
Net cash provided by investing activities	<u>111,336.05</u>	<u>318,211.04</u>
Net (decrease) increase in cash and cash equivalents	1,777,460.13	(490,005.16)
Cash and cash equivalents January 1	<u>8,855,532.55</u>	<u>9,345,637.71</u>
Cash and cash equivalents December 31	<u>\$ 10,632,992.68</u>	<u>\$ 8,855,632.55</u>
Cash and Cash Equivalents Consists of:		
Unrestricted Cash and Cash Equivalents	10,345,092.68	8,567,632.55
Restricted Cash and Cash Equivalents	<u>288,000.00</u>	<u>288,000.00</u>
Total Cash and Cash Equivalents	<u>\$ 10,633,092.68</u>	<u>\$ 8,855,632.55</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

**ROZA IRRIGATION DISTRICT**  
Comparative Statement of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income	\$ 1,232,359.08	\$ 539,285.70
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 1,814,084.04	\$ 1,775,846.59
Change in assets and liabilities:		
(Increase) Decrease in Accounts Receivable	156,699.24	(121,307.11)
(Increase) Decrease in Inventory	(90,735.03)	(169,253.08)
(Increase) Decrease in Prepaid Expense	412,991.49	(200,837.96)
Increase (Decrease) in Accounts Payable	507,533.23	296,754.89
Increase (Decrease) in Accrued Liabilities	132,252.99	54,466.80
(Decrease) Increase in Deposits	(653,338.47)	(313,481.86)
(Decrease) Increase in Net Pension Liability	(441,110.00)	(435,593.00)
Total Adjustments	<u>1,838,377.49</u>	<u>886,595.27</u>
Net cash provided by operating activities	<u>\$ 3,070,736.57</u>	<u>\$ 1,425,880.97</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT

## ROZA IRRIGATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS January 1, 2019 through December 31, 2020

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

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Roza Irrigation District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles).

a. Reporting Entity

Roza Irrigation District is a municipal corporation governed by an elected 5-member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Roza Irrigation District has no component units.

b. Basis of Accounting and Presentation

The Accounting records of the district are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The district uses the Uniform System of Accounts for Irrigation Districts.

The district uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Assessment interest is not accrued it is only recognized when paid. This approach is not in accordance with general accepted accounting principles (GAAP). Effective in 2020 Assessment interest is accrued monthly, as prescribed by GAAP. Operating revenues are charges for irrigation assessments and other services. Other operating revenue consists of a non cash transaction which credits revenue for the sale of gravel and debits the expense account for an agreement for removal of material. Non-operating revenues consist of property rental, sale of assets, interest and non-operating grants. Operating expenses consist of operation and maintenance, depreciation, utilities and administrative. Fixed asset purchases of \$10,000.00 or more are capitalized and long-term liabilities are accounted for in the appropriate funds. GASB 63 and 65 were implemented for Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 68 was implemented for Pensions.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

d. Capital Assets and Depreciation

See Note 2.

e. Restricted Assets

In accordance with the United States Bureau of Reclamation (USBR) loan agreement, separate restricted fund accounts, including restricted net position, are required to be maintained. The current portion of related liabilities are shown as payable from restricted accounts.

The restricted funds of the district are composed of the following:

Current Restricted Assets

	<u>2020</u>	<u>2019</u>
USBR Contract	\$ 288,000.00	\$ 288,000.00
USBR Contract Receivable	<u>69,271.53</u>	<u>69,271.53</u>
	\$ 357,271.53	\$ 357,271.53

Noncurrent Restricted Assets

USBR Contract Receivable	\$ <u>123,599.33</u>	\$ <u>192,870.88</u>
	<u>123,599.33</u>	192,870.88
Total Current/Noncurrent Assets	\$ <u>123,599.33</u>	\$ 192,870.88

Payables from Restricted Assets

Contract Payable – USBR	<u>192,870.86</u>	<u>262,142.41</u>
	<u>192,870.86</u>	262,142.41

Total Restricted Net Assets	\$ 288,000.00	\$ 288,000.00
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The USBR restricted retained earnings is a requirement of the initial loan agreement. The Special Construction restricted retained earnings relate to the construction of I-82 and are offset to the users impacted annually against the user's construction assessment.

The Contract Receivable/Payable to the USBR is a no interest loan to be repaid by the users through a \$4.10 per acre construction assessment per year. The District is a conduit to pass these funds through to the USBR annually.

f. Receivables

Accounts receivable consists of delinquent assessments and of receivables for miscellaneous billings.

There is no provision for uncollectable accounts receivable because assessments represent liens against the property and the direct method is used for other accounts receivable.

g. Inventories

Inventories consisting mainly of canal repair parts that are valued at the average cost, which approximates market value. Fuel inventories are valued at the current year average cost, which approximates market value. Total inventories are valued at \$506,206.02 in 2020 and \$415,470.99 in 2019.

h. Investments

See Note 3.

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The district records unpaid leave for compensated absences as an expense and liability when incurred.

Vacation pay, which may be accumulated up to 9 hours per pay period and a maximum of 320 hours per year carry over, is payable upon resignation, retirement or death. Sick leave accrues at 4 hours per pay period with no maximum. Unused sick leave is payable upon resignation, retirement or death at the rate of 1.5% times years of service times unused balance.

j. Construction Financing

See Note 4.

k. Pensions

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

## NOTE 2 - CAPITAL ASSETS AND DEPRECIATION

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Capital assets in service are recorded at cost. The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Depreciation is computed on the straight line method with useful lives of 5 to 50 years. Vehicles are depreciated based upon a useful life of 7 years, less salvage value. Operating equipment items are depreciated based upon a useful life of 15 years, less salvage value. The Enclosed Conduit System and WW5 Re-Reg are depreciated based upon a useful life of 50 years.

The following is a summary of the capital assets as of December 31, 2020 and 2019.

	<u>Balance</u> <u>1-1-20</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12-31-20</u>
Capital assets, not being depreciated:				
Land	467,633.44	0.00	0.00	467,633.44
Pump Upgrades (CIP)	7,008.63	63,248.32	0.00	70,256.95
Enclosed Conduit System (CIP)	2,005,723.77	1,784,129.51	2,250,829.51	1,539,023.77
Total capital assets, not being depreciated:	2,480,365.84	1,847,377.83	2,250,829.51	2,076,914.16
Capital assets, being depreciated:				
Plant	966,902.53	0.00	0.00	966,902.53
Machinery Equipment	7,847,085.46	566,514.16	79,266.71	8,334,332.91
Office Equipment	154,543.14	0.00	0.00	154,543.14
Enclosed Conduit System	31,318,277.73	2,250,829.51	0.00	33,569,107.24
WW5 Re-Reg	30,891,678.06	0.00	0.00	30,891,678.06
Total capital assets, being depreciated:	71,178,486.92	2,817,343.67	79,266.71	73,916,563.88
Less accumulated depreciation for:				
Plant	725,078.15	27,902.81	0.00	752,980.96
Machinery Equipment	3,784,374.59	504,548.16	63,413.41	4,225,509.34
Office Equipment	116,157.73	11,174.38	0.00	127,332.11
Enclosed Conduit System	9,191,675.77	652,625.19	0.00	9,844,300.96
WW5 Re-Reg	875,264.20	617,833.55	0.00	1,493,097.75
Total accumulated depreciation:	14,692,550.44	1,814,084.09	63,413.41	16,443,221.12
Total capital assets, being depreciated, net:	56,485,936.48	1,003,259.58	15,853.30	57,473,342.76
TOTAL CAPITAL ASSETS, NET:	58,966,302.32	2,850,637.41	2,266,682.81	59,550,256.92
	<u>Balance</u> <u>1-1-19</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12-31-19</u>
Capital assets, not being depreciated:				
Land	467,633.44	0.00	0.00	467,633.44
Pump Upgrades (CIP)	0.00	7008.63	0.00	7008.63



Enclosed Conduit System (CIP)	2,074,797.02	2,481,369.18	2,550,442.43	2,005,723.77
Total capital assets, not being depreciated:	2,542,430.46	2,488,377.81	2,550,442.43	2,480,365.84
Capital assets, being depreciated:				
Plant	966,902.53	0.00	0.00	966,902.53
Machinery Equipment	7,598,005.96	340,574.88	91,495.38	7,847,085.46
Office Equipment	144,205.35	10,999.71	661.92	154,543.14
Enclosed Conduit System	28,767,835.30	2,550,442.43	0.00	31,318,277.73
WW5 Re-Reg	30,891,678.06	0.00	0.00	30,891,678.06
Total capital assets, being depreciated:	68,368,627.20	2,902,017.02	92,157.30	71,178,486.92
Less accumulated depreciation for:				
Plant	697,175.34	27,902.81	0.00	725,078.15
Machinery Equipment	3,345,316.30	497,716.20	58,657.91	3,784,374.59
Office Equipment	93,788.22	23,031.43	661.92	116,157.73
Enclosed Conduit System	8,582,313.17	609,362.60	0.00	9,191,675.77
WW5 Re-Reg	257,430.65	617,833.55	0.00	875,264.20
Total accumulated depreciation:	12,976,023.68	1,775,846.59	59,319.83	14,692,550.44
Total capital assets, being depreciated, net:	55,392,603.52	1,126,170.43	32,837.47	56,485,936.48
TOTAL CAPITAL ASSETS, NET:	57,935,033.98	3,614,548.24	2,583,279.90	58,966,302.32

### NOTE 3 - DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the district's funds are deposits with Washington State banks and saving and loan institutions, or other investments allowed by Chapter 39.59 RCW.

The district's deposits and certificates of deposit are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The district is a participant in the Local Government Investment Pool 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 statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. 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, online at <http://www.tre.wa.gov>.

As of December 31, 2020 and 2019, the District held the following investments at amortized cost:

	<u>2020</u>	<u>2019</u>
<u>Type of Investment</u>	District's own <u>Investments</u>	District's own <u>Investments</u>
Local Government Investment Pool	\$ 10,255,017.71	\$ 8,763,476.04
TOTAL	\$ 10,255,017.71	\$ <u>8,763,476.04</u>

#### NOTE 4 – DEBT SERVICE REQUIREMENTS

The annual requirements to amortize all debts outstanding to the USBR for the original construction of the irrigation system as of December 31, 2020 and December 31, 2019 are as follows:

	<u>2020</u>		<u>2019</u>
2021	69,271.55	2020	69,271.55
2022	69,271.55	2021	69,271.55
2023	54,327.76	2022	69,271.55
		2023	54,327.76
TOTAL	\$ <u>192,870.86</u>	TOTAL	\$ <u>262,142.41</u>

As indicated in Note 1 (e), the various long-term contracts contain commitments and restrictions regarding cash reserve balances and debt service requirements. The district is in compliance with all significant limitations and restrictions.

#### NOTE 5 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020 and 2019:

<b>Aggregate Pension Amounts – All Plans - 2020</b>	
Pension liabilities	\$ (1,330,396)
Pension assets	\$
Deferred outflows of resources	\$ 452,782
Deferred inflows of resources	\$ (436,630)
Pension expense/expenditures	\$ 44,345

<b>Aggregate Pension Amounts – All Plans - 2019</b>	
Pension liabilities	\$ (1,363,701)
Pension assets	\$
Deferred outflows of resources	\$ 423,341
Deferred inflows of resources	\$ (814,998)
Pension expense/expenditures	\$ 53,921

### **State Sponsored Pension Plans**

Substantially all of Roza Irrigation 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](http://www.drs.wa.gov).

### **Public Employees' Retirement System (PERS)**

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

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

#### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts

Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 and 2019 were as follows:

<b>PERS Plan 1 - 2020</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>
Sept – December 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.97%</b>	<b>6.00%</b>
<b>PERS Plan 1 - 2019</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January – June 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.83%</b>	<b>6.00%</b>
Sept – December 2019:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>

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

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

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

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

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

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 and 2019 were as follows:

<b>PERS Plan 2/3 - 2020</b>			
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>	
January – August 2020:			
PERS Plan 2/3	7.92%	7.90%	
PERS Plan 1 UAAL	4.76%		
Administrative Fee	0.18%		
Employee PERS Plan 3		varies	
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>	
Sept – December 2020:			
PERS Plan 2/3	7.92%	7.90%	
PERS Plan 1 UAAL	4.87%		
Administrative Fee	0.18%		
Employee PERS Plan 3		varies	
<b>Total</b>	<b>12.97%</b>	<b>7.90%</b>	

<b>PERS Plan 2/3 - 2019</b>			
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>	
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	
<b>Total</b>	<b>12.83%</b>	<b>7.41%</b>	
July – Dec 2019:			
PERS Plan 2/3	7.92%	7.90%	
PERS Plan 1 UAAL	4.76%		
Administrative Fee	0.18%		
Employee PERS Plan 3		varies	
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>	

The Roza Irrigation District's actual PERS plan contributions were \$183,122.73 to PERS Plan 1 and \$302,331.59 to PERS Plan 2/3 for the year ended December 31, 2020 and \$190,784.43 to PERS Plan 1 and \$298,730.09 to PERS Plan 2/3 for the year ended December 31, 2019.

### **Actuarial Assumptions**

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

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

- **Inflation:** 2.75% total economic inflation; 3.50% 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at [leg.wa.gov/osa](http://leg.wa.gov/osa).
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See [leg.wa.gov/osa](http://leg.wa.gov/osa) for more information on this method change.

### **Discount Rate**

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

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

### Long-Term Expected Rate of Return

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

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 and June 30, 2019 are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
<b>2020</b>	<b>100%</b>	
Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
<b>2019</b>	<b>100%</b>	

### Sensitivity of the Net Pension Liability (Asset)

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

<b>2020</b>	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS 1	1,133,941	905,301	705,903
PERS 2/3	2,645,055	425,095	(1,403,043)

<b>2019</b>	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS 1	1,287,598	1,028,171	803,084
PERS 2/3	2,573,382	335,530	(1,500,775)

### **Pension Plan Fiduciary Net Position**

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

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

At June 30, 2020, the Roza Irrigation District reported a total pension liability of \$ 1,330,396 and at June 30, 2019 \$1,363,701 for its proportionate share of the net pension liabilities as follows:

<b>2020</b>	<b>Liability (or Asset)</b>
PERS 1	\$ 905,301
PERS 2/3	\$ 425,095

<b>2019</b>	<b>Liability (or Asset)</b>
PERS 1	\$ 1,028,171
PERS 2/3	\$ 335,530

At June 30, 2020 and 2019 the Roza Irrigation District's proportionate share of the collective net pension liabilities was as follows:

<b>2020</b>	<b>Proportionate Share 6/30/19</b>	<b>Proportionate Share 6/30/20</b>	<b>Change in Proportion</b>
PERS 1	0.026738%	0.025642%	0.001096%
PERS 2/3	0.034543%	0.033238%	0.001305%

<b>2019</b>	<b>Proportionate Share 6/30/18</b>	<b>Proportionate Share 6/30/19</b>	<b>Change in Proportion</b>
PERS 1	0.028211%	0.026738%	0.001473%
PERS 2/3	0.036058%	0.034543%	0.001515%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension



amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations for all plans except Leoff 1*.

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

### Pension Expense

For the year ended December 31, 2020 and 2019 the Roza Irrigation District's recognized pension expense as follows:

2020	Pension Expense
PERS 1	\$ 238
PERS 2/3	\$ (44,583)
TOTAL	\$ (44,345)

2019	Pension Expense
PERS 1	\$ 21,112
PERS 2/3	\$ (75,033)
TOTAL	\$ (53,921)

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020 and 2019 the Roza Irrigation District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources :

PERS 1 – 2020	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	\$	\$ (5,040)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 93,123	\$
TOTAL	\$ 93,123	\$ (5,040)

PERS 2 – 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 152,178	\$ (53,275)

Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (21,589)
Changes of assumptions	\$ 6,055	\$ (290,377)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 48,842	\$ (66,350)
Contributions subsequent to the measurement date	\$ 152,584	\$
TOTAL	\$ 359,658	\$ (431,590)

<b>PERS 1 – 2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (68,690)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 96,282	\$
TOTAL	\$ 96,282	\$ (68,690)

<b>PERS 2 – 2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 96,130	\$ (72,137)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (488,395)
Changes of assumptions	\$ 8,592	\$ (140,777)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 62,136	\$ (44,998)
Contributions subsequent to the measurement date	\$ 160,201	\$
TOTAL	\$ 327,059	\$ (746,308)

Deferred outflows of resources related to pensions resulting from the Roza Irrigation District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021 and 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 1</b>
------------------------------------	---------------

2021	\$ (22,873)
2022	\$ (719)
2023	\$ 6,979
2024	\$ 11,573
2025	\$
Thereafter	\$
TOTAL	\$ ( 5,040)

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2021	\$ ( 175,011)
2022	\$ ( 40,785)
2023	\$ 8,933
2024	\$ 34,173
2025	\$ ( 26,201)
Thereafter	\$ ( 25,624)
TOTAL	\$ ( 224,515)

<b>Year ended December 31:</b>	<b>PERS 1</b>
2020	\$ (15,164)
2021	\$ (35,919)
2022	\$ ( 12,818)
2023	\$ ( 4,790)
2024	\$
Thereafter	\$
TOTAL	\$ (68,690)

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2020	\$ ( 145,493)
2021	\$ ( 244,457)
2022	\$ (104,961)
2023	\$ ( 53,290)
2024	\$ ( 26,845)
Thereafter	\$ ( 4,404)
TOTAL	\$ (579,450)

#### NOTE 6 - JOINT VENTURES

In 1996, Roza Irrigation District and Sunnyside Division Board of Control formed the Roza-Sunnyside Board of Joint Control under Title 87, Revised Code of Washington. Roza and Sunnyside Valley Irrigation Districts share the costs of the Roza-Sunnyside Board of Joint Control proportionally based upon the acreage in each district. The purpose of the joint venture is to provide for economies of scale with regards to joint drainage facilities, water conservation, water quality improvement, and future water use planning and resource management. A copy of the joint agreement is available at the offices of both districts for review.

Roza Irrigation District  
125 S. 13<sup>th</sup> St.  
Sunnyside, WA 98944

Sunnyside Valley Irrigation District  
120 S. 11<sup>th</sup> St.  
Sunnyside, WA 98944

#### NOTE 7 - RISK MANAGEMENT

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

The program provides the following forms of joint self-insurance and reinsurance coverage for its members: Property, including Automobile Comprehensive and Collision; Equipment Breakdown; and Crime Protection; and Liability, including General, Automobile, and Wrongful Acts, which are included to fit members 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. The standard member deductible is \$1,000 for each claim (deductible may vary per member), while the program is responsible for the \$100,000 self-insured retention. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members toward the sharing of the \$100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$2,147,814.

Property insurance is subject to a per-occurrence self-insured retention of \$25,000. Roza Irrigation District is responsible for a \$10,000 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. Roza Irrigation District is 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.

Roza Irrigation District contracts with their local broker, Hub International 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, Roza Irrigation District is still responsible for contributions to the program for any

unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

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

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

The program provides Roza Irrigation District the following forms of joint self-insurance and excess coverage

<u>TYPE OF COVERAGE</u>	<u>DEDUCTIBLE</u>	<u>CHANGE FROM PRIOR YEAR?</u>
PROPERTY COVERAGE	\$10,000/\$50,000	NO
AUTOMOBILE LIABILITY	10,000	NO
PUBLIC OFFICIALS LIABILITY	10,000	NO
BOILER & MACHINERY COVERAGE	2,500/10,000	NO
CRIME COVERAGE	10,000	NO
EMPLOYMENT PRACTICES LIABILITY	10,000	NO
PRIVACY & NETWORK LIABILITY	10,000/50,000	NO

Roza Irrigation District has not had any settlements that exceeded insurance coverage from 2013-2020.

#### NOTE 8 – CONTINGENCIES AND LITIGATIONS

The Roza Irrigation District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that Roza Irrigation District will have to make payment. In the opinion of management, Roza Irrigation District 's insurance policys are adequate to pay all known or pending claims.

The Roza Irrigation District participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. (Other than the instances described above,) Roza Irrigation District management believes that such disallowances, if any, will be immaterial.

Roza is a party in the case of Wa. State Dept. of Ecology v Acquavella. This is a general adjudication of the water rights in the Yakima River Basin. All entities which divert water from the Yakima River and its tributaries are parties in this action. This case started in 1977 and is on-going thru Yakima County

Superior Court Cause No. 77-2-01484-5. The district has presented the proof to support its water right and has received a Conditional Final Order granting its full entitlement. Roza will continue to be involved in this case until the final decree adjudication of all the rights have been entered and any appeals have been heard. This case is now closed effective May 2019.

Roza is a defendant in a State Environmental Policy Act (SEPA) appeal and lawsuit filed by Kennewick Irrigation District (KID) in Benton County Superior Court Cause No. 18-2-02736-03. KID appealed Roza's SEPA threshold determination of non-significance related to one of its lateral conservation piping projects (Pump 15H Lateral Enclosed Conduit System Project) in Benton County. Roza has retained outside counsel at Cascadia Law Group to represent and defend it in this action. Roza has filed an Answer and Affirmative Defenses, and this appeal and lawsuit is now closed in 2020. No claims for monetary damages have been asserted against Roza in this action.

The County of Yakima has street right of ways which cross the Roza Irrigation District Main Canal. The County grants to other public utilities the right to use the County bridges to cross the canal. The County granted permission to the Terrace Heights Sewer District to use the County crossing on Terrace Heights Drive. On August 29, 2018, Roza was notified that the Terrace Heights Sewer District's sanitary sewer line had leaked into the Roza Main Canal. Roza took action to notify its water users of the potential contamination of the irrigation water in the Main Canal. There was a potential for contamination of crops from water which may have occurred before the water users were notified. Roza Irrigation District has received Notice of Claims from 2 water users with claims totaling approximately \$250,000.00. These Notice of Claims have been referred to Terrace Heights Sewer District and to Yakima County for response. If the claims are not resolved by Terrace Heights Sewer District or Yakima County, there is a potential that the water users may pursue these claims against Roza Irrigation District.

#### NOTE 9 – CONSTRUCTION COMMITMENTS

The Roza Irrigation District has an active construction project and has spent \$3,078,955.23 in 2013, \$8,488,079.56 in 2014, \$3,164,905.93 in 2015, \$8,334,118.97 in 2016, \$7,667,702.14 in 2017 and \$157,916.23 in 2018. The project is construction of the Waste Way 5 regulation reservoir with a completion date of 7-31-18. The total cost of the project was \$30,891,678.06 which was funded by USBR through grants and Roza Irrigation District.

#### NOTE 10 - COVID – 19 PANDEMIC

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The length of time these measures will continue to be in place, and the full extent of the financial impact on Roza Irrigation District is unknown at this time. All Roza Irrigation District employees are still working, either at home or minimum time in the office. All maintenance departments activities are fully operational.

Roza Irrigation District  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1 Pension Plan  
Measurement Date of June 30\*

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	%	0.026886%	0.026385%	0.027283%	0.028211%	0.026738%
Employer's proportionate share of the net pension liability (asset)	\$	1,406,388	1,416,999	1,294,600	1,259,913	1,028,171
Employer's covered employee payroll	\$	3,107,622	3,208,594	3,439,878	3,767,522	3,755,200
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	%	45.26%	44.16%	37.64%	33.44%	27.38%
Plan fiduciary net position as a percentage of the total pension liability (asset)	%	59.10%	57.03%	61.24%	63.22%	67.12%
						68.64%

**Changes of benefit terms** - There were no changes of benefit terms or any significant changes in the the employees covered under these benefit terms.

**Actuarial Assumptions** - The total pension liability (TPL) for DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Until a full 10-year trend is compiled, only information for those years available is presented.

Roza Irrigation District  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2/3 Pension Plan  
Measurement Date of June 30\*

	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	%	0.034730%	0.033764%	0.035094%	0.036058%	0.034543%
Employer's proportionate share of the net pension liability (asset)	\$	1,240,923	1,699,991	1,219,349	615,658	335,530
Employer's covered employee payroll	\$	3,107,622	3,208,594	3,439,878	3,767,522	3,755,200
Employer's proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	%	39.93%	52.98%	35.45%	16.34%	8.94%
Plan fiduciary net position as a percentage of the total pension liability (asset)	%	89.20%	85.82%	90.97%	95.77%	97.77%
						97.22%

**Changes of benefit terms** - There were no changes of benefit terms or any significant changes in the employees covered under these benefit terms.

**Actuarial Assumptions** - The total pension liability (TPL) for DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Until a full 10-year trend is compiled, only information for those years available is presented.



Roza Irrigation District  
Schedule of Employer Contributions  
Pers 1 Pension Plan  
Fiscal Year Ended December 31, \*

	2015	2016	2017	2018	2019	2020
Contractually required contributions	\$ 134,105	156,458	181,324	191,575	190,784	183,123
Contributions in relation to the contractually required contributions	\$ 134,105	156,458	181,324	191,575	190,784	183,123
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered employer payroll	\$ 3,122,619	3,280,044	3,697,915	3,783,239	3,864,883	3,817,312
Contributions as a percentage of covered employee payroll	% 4.29%	4.77%	4.90%	5.06%	4.94%	4.80%

**Changes of benefit terms** - There were no changes of benefit terms or any significant changes in the employees covered under these benefit terms.

**Actuarial Assumptions** - The total pension liability (TPL) for DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Until a full 10-year trend is compiled, only information for those years available is presented.

Roza Irrigation District  
Schedule of Employer Contributions  
Pers 2/3 Pension Plan  
Fiscal Year Ended December 31, \*

	2015	2016	2017	2018	2019	2020
Contractually required contributions	\$ 171,596	204,346	254,287	283,748	298,730	302,332
Contributions in relation to the contractually required contributions	\$ 171,596	204,346	254,287	283,748	298,730	302,332
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered employer payroll	\$ 3,122,619	3,280,044	3,697,915	3,783,239	3,864,883	3,817,312
Contributions as a percentage of covered employee payroll	% 5.49%	6.23%	6.88%	7.50%	7.72%	7.92%

**Changes of benefit terms** - There were no changes of benefit terms or any significant changes in the employees covered under these benefit terms.

**Actuarial Assumptions** - The total pension liability (TPL) for DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Until a full 10-year trend is compiled, only information for those years available is presented.

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