



Office of the Washington State Auditor  
Pat McCarthy

## **Financial Statements Audit Report**

# **Badger Mountain Irrigation District**

**For the period January 1, 2019 through December 31, 2021**

*Published February 9, 2023*

Report No. 1031998



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

February 9, 2023

Board of Directors  
Badger Mountain Irrigation District  
Kennewick, Washington

**Report on Financial Statements**

Please find attached our report on the Badger Mountain Irrigation District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Badger Mountain Irrigation District January 1, 2019 through December 31, 2021**

#### **2021-001 The District's internal controls over preparing the Schedule of Liabilities and notes to the financial statements were inadequate for ensuring accurate financial reporting.**

##### ***Background***

State and federal agencies, the Board of Directors, and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance the District's financial reporting is reliable and the financial statements, accompanying schedules, and notes are accurate.

The District prepares its financial statements in accordance with the cash basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the District's ability to produce reliable financial statements and schedules. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

##### ***Description of Condition***

Governments are required to include a completed Schedule of Liabilities as supplementary information with any audited financial statements. The schedule provides information about a government's liabilities, and the BARS Manual outlines the process for preparing it. Governments are also required to prepare and submit notes accompanying their financial statements intended to communicate information necessary for the fair presentation of the financial statements themselves.

During the current audit, we found a material weakness in internal controls over the District's processes for preparing and reviewing the schedule and notes to the financial statements to ensure they were accurate and complete before submitting them for audit. The District did not have a process in place to fully evaluate the BARS Manual requirements to ensure they accurately reported all required liabilities and note disclosures.

## ***Cause of Condition***

District management relied on an external CPA firm to prepare the financial statements and accompanying schedules without a thorough review.

## ***Effect of Condition***

On the Schedule of Liabilities, the District did not report compensated absences of \$23,894, \$25,755 and \$31,544 for fiscal years 2019, 2020 and 2021, respectively. The District also did not report Other Postemployment Benefits (OPEB) of \$155,039, \$228,737 and \$206,287 for fiscal years 2019, 2020 and 2021, respectively.

In addition, the District did not include the required OPEB and COVID-19 subsequent events note disclosures in its notes to the financial statements.

## ***Recommendation***

We recommend the District strengthen internal controls over preparing accompanying schedules and notes to ensure its financial statements are accurate and meet the BARS Manual's reporting requirements.

## ***District's Response***

*The District has relied on the services of a 3rd party CPA firm to assist with the preparation of the annual report to the State Auditor's office as well as the financial statements and their accompanying notes. The CPA firm was not aware of the requirement to include the compensated absences accrual or the OPEB liability based on their understanding of the BARS Manual.*

*The CPA firm has been notified of the finding and has committed to take additional steps to strengthen internal controls and help ensure BARS Manual reporting requirements are met for all future reporting. Additional steps will include, a review of the financial statements by another CPA at the firm who is not involved in their preparation but who has received training on the BARS Manual (a "technical review"); increased use of training opportunities offered by the Auditor's office throughout the year to increase expertise in regards to the BARS Manual, and a more detailed review with the management of the District upon completion of the financial reports each year. The CPA firm follows the requirements set by the American Institute of Certified Public Accountants (AICPA) and Washington State Board of Accountancy to have the CPA prepared financial statements peer reviewed by an independent firm on a regular basis. A particular*

*emphasis will be placed on the compliance to the BARS Manual as part of the future peer review to provide another opportunity to increase controls.*

*We believe the issues brought to the District's attention during this audit have been properly addressed and will not occur again in the future. In addition, the relevant reports and notes to the financial statements have been corrected to reflect the results of the audit.*

### ***Auditor's Remarks***

We appreciate the District's commitment to resolving this finding, and thank the District for its cooperation and assistance during the audit.

### ***Applicable Laws and Regulations***

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

*Budgeting, Accounting and Reporting System (BARS) Manual*, 3.1.3 Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

## 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*

### **Badger Mountain Irrigation District January 1, 2019 through December 31, 2021**

Board of Directors  
Badger Mountain Irrigation District  
Kennewick, 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 Badger Mountain Irrigation District, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 1, 2023.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001.

## **DISTRICT'S RESPONSE TO FINDINGS**

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



## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

February 1, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Badger Mountain Irrigation District January 1, 2019 through December 31, 2021**

Board of Directors  
Badger Mountain Irrigation District  
Kennewick, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Badger Mountain Irrigation District, as of and for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Badger Mountain Irrigation District, and its changes in cash and investments, for the years ended December 31, 2021, 2020 and 2019, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Badger Mountain Irrigation District, as of December 31, 2021, 2020 and 2019, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and

*Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedules of Liabilities are presented for purposes of additional analysis. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023 on our consideration of the District's internal control over financial reporting and on the 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 the effectiveness of the District's 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.

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Pat McCarthy, State Auditor

Olympia, WA

February 1, 2023

## **FINANCIAL SECTION**

### **Badger Mountain Irrigation District January 1, 2019 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fund Resources and Uses Arising from Cash Transactions – 2020  
Fund Resources and Uses Arising from Cash Transactions – 2019  
Notes to Financial Statements – 2021  
Notes to Financial Statements – 2020  
Notes to Financial Statements – 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2021  
Schedule of Liabilities – 2020  
Schedule of Liabilities – 2019

**Badger Mountain Irrigation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	2,721,521
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	2,482,206
350	Fines and Penalties	-
360	Miscellaneous Revenues	15,065
Total Revenues:		<u>2,497,271</u>

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	2,122,520
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		<u>2,122,520</u>
Excess (Deficiency) Revenues over Expenditures:		<u>374,751</u>

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		<u>-</u>

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	315,486
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		<u>315,486</u>

**Increase (Decrease) in Cash and Investments: 59,265**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	300,000
50841	Committed	-
50851	Assigned	2,480,786
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<u><b>2,780,786</b></u>

**Badger Mountain Irrigation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2020**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	2,216,358
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	2,348,773
350	Fines and Penalties	-
360	Miscellaneous Revenues	(3,347)
Total Revenues:		2,345,426

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	1,744,876
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		1,744,876
Excess (Deficiency) Revenues over Expenditures:		600,550

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	95,386
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		95,386

**Increase (Decrease) in Cash and Investments: 505,164**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	250,000
50841	Committed	-
50851	Assigned	2,471,521
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b>2,721,521</b>



**Badger Mountain Irrigation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2019**

**Beginning Cash and Investments**

30810	Reserved	250,000
30880	Unreserved	2,000,807
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	-
340	Charges for Goods and Services	2,327,232
350	Fines and Penalties	-
360	Miscellaneous Revenues	14,218
Total Revenues:		2,341,450

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	1,594,509
540	Transportation	-
550	Natural and Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		1,594,509
Excess (Deficiency) Revenues over Expenditures:		746,941

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 382, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		-

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	159,576
591-593, 599	Debt Service	612,394
597	Transfers-Out	-
585	Special or Extraordinary Items	9,419
586 / 589	Custodial Activities	-
581, 582	Other Uses	-
Total Other Decreases in Fund Resources:		781,389

**Increase (Decrease) in Cash and Investments: (34,448)**

**Ending Cash and Investments**

5081000	Reserved	250,000
5088000	Unreserved	1,966,358
<b>Total Ending Cash and Investments</b>		<b>2,216,358</b>

*The accompanying notes are an integral part of this statement.*

**BADGER MOUNTAIN IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2021**

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

Badger Mountain Irrigation District (the District) was incorporated on November 18, 1975, and operates under the laws of the state of Washington applicable to an irrigation district. The District is a special purpose district and was formed for the equitable distribution of water to lands within the District and its service area.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

The BARS manual differs from accounting principles generally accepted in the United State of America (GAAP), as GAAP requires revenue to be reported when earned, expenses reported when incurred, fixed asset additions capitalized, and debt principal payments to be charged to related liability.

**A. FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds. Each fund uses a separate set of self-balancing accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The District's resources are allocated to and accounted for in the individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following are the fund types used by the District.

General (Current Expense) Fund:

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds:

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **B. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The District reports financial activity in accordance with the Cash Basis Budgeting, Accounting, and Reporting System (BARS) Manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW.

Basis of accounting refers to when revenues and expenditures are recognized in accounts and reported in the financial statements. Under the BARS manual, revenues are recognized only when cash is received and expenditures are recognized when paid including those properly chargeable against the report year (s) budget appropriations as required by state law.

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

### **C. CASH AND INVESTMENTS**

See Note 3, Deposits and Investments

### **D. CAPITAL ASSETS**

Fixed assets are long-lived assets of the District and are recorded as expenses when purchased. There is no capitalization of fixed assets, nor allocation of depreciation expense.

### **E. COMPENSATED ABSENCES**

Administrative staff may carry forward up to 160 hours of accumulated vacation leave to the next calendar year, and operations employees up to 160 hours. All paid vacation time in excess of 120 hours must be taken by the 31st of December of each year or be forfeited. Operations employees who have accrued more than 120 hours of paid vacation may request cash-out of either forty (40) or eighty (80) hours of their accrual once each calendar year. Such cash-out shall be at the employee's regular straight-time hourly rate of pay. Vacation leave hours are payable upon separation or retirement. The District's board of directors can waive this restriction on an annual case-by-case basis.

Sick leave may be accumulated up to 80 hours for operations employees and 96 hours for administrative staff. Upon separation or retirement, employees do not receive payment for unused sick leave.

### **F. LONG-TERM DEBT**

See Note 4, Debt Service Requirements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. RESERVED PORTION OF ENDING CASH AND INVESTMENTS**

Beginning and ending cash and investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the District. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of ending cash investments consists of \$300,000.

**NOTE 2 - BUDGET COMPLIANCE**

**A. BUDGETS**

The District adopts annual appropriated budgets for Irrigation O&M and Domestic O&M funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

<u>Fund</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund			
Irrigation Department	1,681,587	1,854,331	(172,744)
Domestic Department	468,556	583,676	(115,120)
<u>Total General Fund</u>	<u>2,150,143</u>	<u>2,438,006</u>	<u>(287,863)</u>

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds

All deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. The District's investments are insured, registered, or held by the District or its agent in the District's name.

Investments are reported at fair value. Investment by type at December 31, 2021 are as follows:

Type of Investment	District's Investment	Investment held by District as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$ 300,000	\$ -	\$ 300,000
U.S. Government	-	-	-
Other	-	-	-
Total	\$ 300,000	\$ -	\$ 300,000

### **NOTE 4 - LONG TERM DEBT**

#### Debt Service

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2021.

The debt service requirements for general obligation bonds and revenue bonds, including both principal and interest, are as follows:

Year	Principal	Interest	Total
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	-	-	-
Totals	-	-	-

## **NOTE 5 - PENSION PLAN**

Permanent full-time and qualifying part-time employees participate in a deferred compensation plan (the Plan) administered by a third-party administrator, under a cost-sharing multiple-employer plan. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the Plan by both employee and employer are based upon gross wages as covered by the Plan. This Plan is in lieu of Social Security.

## **NOTE 6 - RISK MANAGEMENT**

The District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987, pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of 2021, there are more than 500 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, and business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss;

\$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount on each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

#### **NOTE 6 - RISK MANAGEMENT (continued)**

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A board of directors consisting of eight (8) board members governs Enduris. Its members elect the board and the positions are filled on a rotating basis. The board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### **NOTE 7 - OTHER DISCLOSURES**

The District was formed by three land developers in 1975 by pooling approximately 4,000 irrigable acres to form a boundary and establish a nonprofit irrigation district. From 1979 through 1984, approximately 3,000 of the original 4,000 irrigable acres reverted back to the District through foreclosure due to nonpayment of assessments. As the remaining 1,000 acres were unable to carry the weight of the bond payments, the District filed for protection under Chapter 9 Bankruptcy in December 1985.

As per the terms of the bankruptcy plan of adjustment, all commitments have been fulfilled to the bondholders. The bankruptcy action has now been concluded and was closed with the filing of the final decree November 26, 1997.

In January 1995, the District purchased the El Rancho Reata Water Company, which provided domestic water to generally the same customer base as the District. Three revenue bonds were issued as payment for the domestic wells, equipment, and facilities. The 20-year revenue bond was issued in the amount of \$750,000 at 7.5% interest. The domestic system serves 896 connections. The current water permit allows a maximum of 3,268 connections.

On February 5, 2003, the District entered into a collective bargaining agreement with International Union of Operating Engineers Local Union No. 280 (the Union). The District recognized the Union as the sole and exclusive bargaining representative in regard to wages, hours of work, and conditions of employment.

**NOTE 8 - OPEB Defined Benefit Plan - No Qualifying Trust**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2021:

<u>Aggregate OPEB Amounts - All Plans</u>	<u>\$</u>
OPEB Liabilities	\$ 206,287
OPEB Assets	\$ -
Deferred outflows of resources	\$ -
Deferred inflows of resources	\$ -
OPEB expenses/expenditures	\$ (21,816)

The District is a member of the Public Employee Benefits Board (PEBB) through participation in the Washington Health Care Authority insurance program.

and dental plans, and approves the plans that provide health benefits to 217,000 eligible public employees and retirees. The members are appointed by the Governor and represent a wide range of members and expertise. Working together with staff in HCA's Employees and Retirees Benefits Division, the Board ensures that PEBB members receive the best benefits at the most affordable cost possible. The PEB Board is separate and independent from the School Employees Benefits Board (SEBB).

The District currently has 8 active employees included in the OPEB calculation. It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the District, Health Care Authority or the state of Washington.

The plan is administered through a trust that does not meet the requirements of a qualifying trust under paragraph 4 of [GASB Statement 75](#). The PEBB plan is a pay-as-you-go type plan and therefore is not a qualifying trust.

Current year changes in the Total OPEB Liability are as follows:

<u>PEBB</u>	<u>\$</u>
Total OPEB Liability at 1/1/2019	\$ 228,737
Service Cost	\$ 23,145
Interest	\$ 5,560
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (50,521)
Changes of assumptions	\$ -
Benefit payments	\$ (634)
Other Changes	\$ -
Total OPEB Liability at 12/31/2019	\$ 206,287

\*OPEB liability was calculated using the PEBB GASB 75 Tool provided by the Office of the State Actuary



## **Note 9 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the District is unknown at this time.

**BADGER MOUNTAIN IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2020**

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

Badger Mountain Irrigation District (the District) was incorporated on November 18, 1975, and operates under the laws of the state of Washington applicable to an irrigation district. The District is a special purpose district and was formed for the equitable distribution of water to lands within the District and its service area.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

The BARS manual differs from accounting principles generally accepted in the United State of America (GAAP), as GAAP requires revenue to be reported when earned, expenses reported when incurred, fixed asset additions capitalized, and debt principal payments to be charged to related liability.

**A. FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds. Each fund uses a separate set of self-balancing accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The District's resources are allocated to and accounted for in the individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following are the fund types used by the District.

General (Current Expense) Fund:

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds:

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **B. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The District reports financial activity in accordance with the Cash Basis Budgeting, Accounting, and Reporting System (BARS) Manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW.

Basis of accounting refers to when revenues and expenditures are recognized in accounts and reported in the financial statements. Under the BARS manual, revenues are recognized only when cash is received and expenditures are recognized when paid including those properly chargeable against the report year (s) budget appropriations as required by state law.

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

### **C. CASH AND INVESTMENTS**

See Note 3, Deposits and Investments

### **D. CAPITAL ASSETS**

Fixed assets are long-lived assets of the District and are recorded as expenses when purchased. There is no capitalization of fixed assets, nor allocation of depreciation expense.

### **E. COMPENSATED ABSENCES**

Administrative staff may carry forward up to 160 hours of accumulated vacation leave to the next calendar year, and operations employees up to 160 hours. All paid vacation time in excess of 120 hours must be taken by the 31st of December of each year or be forfeited. Operations employees who have accrued more than 120 hours of paid vacation may request cash-out of either forty (40) or eighty (80) hours of their accrual once each calendar year. Such cash-out shall be at the employee's regular straight-time hourly rate of pay. Vacation leave hours are payable upon separation or retirement. The District's board of directors can waive this restriction on an annual case-by-case basis.

Sick leave may be accumulated up to 80 hours for operations employees and 96 hours for administrative staff. Upon separation or retirement, employees do not receive payment for unused sick leave.

### **F. LONG-TERM DEBT**

See Note 4, Debt Service Requirements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. RESERVED PORTION OF ENDING CASH AND INVESTMENTS**

Beginning and ending cash and investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the District. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of ending cash investments consists of \$250,000.

**NOTE 2 - BUDGET COMPLIANCE**

**A. BUDGETS**

The District adopts annual appropriated budgets for Irrigation O&M and Domestic O&M funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

<u>Fund</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund			
Irrigation Department	1,619,113	1,443,848	175,265
Domestic Department	433,695	396,414	37,281
<u>Total General Fund</u>	<u>2,052,808</u>	<u>1,840,262</u>	<u>212,546</u>

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds

All deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. The District's investments are insured, registered, or held by the District or its agent in the District's name.

Investments are reported at fair value. Investment by type at December 31, 2020 are as follows:

Type of Investment	District's Investment	Investment held by District as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$ 250,000	\$ -	\$ 250,000
U.S. Government	-	-	-
Other	-	-	-
Total	\$ 250,000	\$ -	\$ 250,000

### **NOTE 4 - LONG TERM DEBT**

#### Debt Service

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2020.

The debt service requirements for general obligation bonds and revenue bonds, including both principal and interest, are as follows:

Year	Principal	Interest	Total
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023-2027	-	-	-
2028-2032	-	-	-
Totals	-	-	-

## **NOTE 5 - PENSION PLAN**

Permanent full-time and qualifying part-time employees participate in a deferred compensation plan (the Plan) administered by a third-party administrator, under a cost-sharing multiple-employer plan. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the Plan by both employee and employer are based upon gross wages as covered by the Plan. This Plan is in lieu of Social Security.

## **NOTE 6 - RISK MANAGEMENT**

The District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987, pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of 2020, there are more than 500 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, and business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss;

\$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount on each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

#### **NOTE 6 - RISK MANAGEMENT (continued)**

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A board of directors consisting of eight (8) board members governs Enduris. Its members elect the board and the positions are filled on a rotating basis. The board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### **NOTE 7 - OTHER DISCLOSURES**

The District was formed by three land developers in 1975 by pooling approximately 4,000 irrigable acres to form a boundary and establish a nonprofit irrigation district. From 1979 through 1984, approximately 3,000 of the original 4,000 irrigable acres reverted back to the District through foreclosure due to nonpayment of assessments. As the remaining 1,000 acres were unable to carry the weight of the bond payments, the District filed for protection under Chapter 9 Bankruptcy in December 1985.

As per the terms of the bankruptcy plan of adjustment, all commitments have been fulfilled to the bondholders. The bankruptcy action has now been concluded and was closed with the filing of the final decree November 26, 1997.

In January 1995, the District purchased the El Rancho Reata Water Company, which provided domestic water to generally the same customer base as the District. Three revenue bonds were issued as payment for the domestic wells, equipment, and facilities. The 20-year revenue bond was issued in the amount of \$750,000 at 7.5% interest. The domestic system serves 896 connections. The current water permit allows a maximum of 3,268 connections.

On February 5, 2003, the District entered into a collective bargaining agreement with International Union of Operating Engineers Local Union No. 280 (the Union). The District recognized the Union as the sole and exclusive bargaining representative in regard to wages, hours of work, and conditions of employment.

**NOTE 8 - OPEB Defined Benefit Plan - No Qualifying Trust**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2020:

Aggregate OPEB Amounts - All Plans	\$
OPEB Liabilities	\$ 228,737
OPEB Assets	\$ -
Deferred outflows of resources	\$ -
Deferred inflows of resources	\$ -
OPEB expenses/expenditures	\$ 76,030

The District is a member of the Public Employee Benefits Board (PEBB) through participation in the Washington Health Care Authority insurance program.

and dental plans, and approves the plans that provide health benefits to 217,000 eligible public employees and retirees. The members are appointed by the Governor and represent a wide range of members and expertise. Working together with staff in HCA's Employees and Retirees Benefits Division, the Board ensures that PEBB members receive the best benefits at the most affordable cost possible. The PEB Board is separate and independent from the School Employees Benefits Board (SEBB).

The District currently has 8 active employees included in the OPEB calculation. It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the District, Health Care Authority or the state of Washington.

The plan is administered through a trust that does not meet the requirements of a qualifying trust under paragraph 4 of [GASB Statement 75](#). The PEBB plan is a pay-as-you-go type plan and therefore is not a qualifying trust.

Current year changes in the Total OPEB Liability are as follows:

PEBB	\$
Total OPEB Liability at 1/1/2019	\$ 155,039
Service Cost	\$ 15,234
Interest	\$ 5,919
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ 54,877
Changes of assumptions	\$ -
Benefit payments	\$ (2,332)
Other Changes	\$ -
Total OPEB Liability at 12/31/2019	\$ 228,737

\*OPEB liability was calculated using the PEBB GASB 75 Tool provided by the Office of the State Actuary



## **Note 9 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the District is unknown at this time.

**BADGER MOUNTAIN IRRIGATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2019**

---

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

Badger Mountain Irrigation District (the District) was incorporated on November 18, 1975, and operates under the laws of the state of Washington applicable to an irrigation district. The District is a special purpose district and was formed for the equitable distribution of water to lands within the District and its service area.

The District reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

The BARS manual differs from accounting principles generally accepted in the United State of America (GAAP), as GAAP requires revenue to be reported when earned, expenses reported when incurred, fixed asset additions capitalized, and debt principal payments to be charged to related liability.

**A. FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds. Each fund uses a separate set of self-balancing accounts that comprises its cash, investments, revenues, and expenditures, as appropriate. The District's resources are allocated to and accounted for in the individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following are the fund types used by the District.

General (Current Expense) Fund:

This fund is the primary operating fund of the District. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Debt Service Funds:

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and related costs on general long-term debt.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **B. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The District reports financial activity in accordance with the Cash Basis Budgeting, Accounting, and Reporting System (BARS) Manual. The manual is prescribed by the State Auditor's Office under the authority of Washington State Law, Chapter 43.09 RCW.

Basis of accounting refers to when revenues and expenditures are recognized in accounts and reported in the financial statements. Under the BARS manual, revenues are recognized only when cash is received and expenditures are recognized when paid including those properly chargeable against the report year (s) budget appropriations as required by state law.

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

### **C. CASH AND INVESTMENTS**

See Note 3, Deposits and Investments

### **D. CAPITAL ASSETS**

Fixed assets are long-lived assets of the District and are recorded as expenses when purchased. There is no capitalization of fixed assets, nor allocation of depreciation expense.

### **E. COMPENSATED ABSENCES**

Administrative staff may carry forward up to 80 hours of accumulated vacation leave to the next calendar year, and operations employees up to 160 hours. All paid vacation time in excess of 120 hours must be taken by the 31st of December of each year or be forfeited. Operations employees who have accrued more than 120 hours of paid vacation may request cash-out of either forty (40) or eighty (80) hours of their accrual once each calendar year. Such cash-out shall be at the employee's regular straight-time hourly rate of pay. Vacation leave hours are payable upon separation or retirement. The District's board of directors can waive this restriction on an annual case-by-case basis.

Sick leave may be accumulated up to 80 hours for operations employees and 96 hours for administrative staff. Upon separation or retirement, employees do not receive payment for unused sick leave.

### **F. LONG-TERM DEBT**

See Note 4, Debt Service Requirements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****G. RESERVED PORTION OF ENDING CASH AND INVESTMENTS**

Beginning and ending cash and investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by the District. When expenditures that meet restrictions are incurred, the District intends to use reserved resources first before using unreserved amounts.

Reservations of ending cash investments consists of \$250,000.

**NOTE 2 - BUDGET COMPLIANCE****A. BUDGETS**

The District adopts annual appropriated budgets for Irrigation O&M and Domestic O&M funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

<u>Fund</u>	<u>Final Appropriated Amounts</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund			
Irrigation Department	1,637,497	1,367,416	270,081
Domestic Department	419,523	399,178	20,345
<u>Total General Fund</u>	<u>2,057,020</u>	<u>1,766,594</u>	<u>290,426</u>

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the district's legislative body.

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

It is the District's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds

All deposits and certificates of deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission. The District's investments are insured, registered, or held by the District or its agent in the District's name.

Investments are reported at fair value. Investment by type at December 31, 2019 are as follows:

Type of Investment	District's Investment	Investment held by District as an agent for other local governments, individuals or private organizations	Total
L.G.I.P.	\$ 250,000	\$ -	\$ 250,000
U.S. Government	-	-	-
Other	-	-	-
Total	\$ 250,000	\$ -	\$ 250,000

### **NOTE 4 - DEBT SERVICE REQUIREMENTS**

#### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for year ended December 31, 2019.

The debt service requirements for general obligation bonds and revenue bonds, including both principal and interest, are as follows:

Year	Principal	Interest	Total
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
Totals	-	-	-

## **NOTE 5 - PENSION PLAN**

Permanent full-time and qualifying part-time employees participate in a deferred compensation plan (the Plan) administered by a third-party administrator, under a cost-sharing multiple-employer plan.

Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the Plan by both employee and employer are based upon gross wages as covered by the Plan. This Plan is in lieu of Social Security.

## **NOTE 6 - RISK MANAGEMENT**

The District is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987, pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk" blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, and business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss;

\$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount on each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.

#### **NOTE 6 - RISK MANAGEMENT (continued)**

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported, and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A board of directors consisting of eight (8) board members governs Enduris. Its members elect the board and the positions are filled on a rotating basis. The board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### **NOTE 7 - OTHER DISCLOSURES**

The District was formed by three land developers in 1975 by pooling approximately 4,000 irrigable acres to form a boundary and establish a nonprofit irrigation district. From 1979 through 1984, approximately 3,000 of the original 4,000 irrigable acres reverted back to the District through foreclosure due to nonpayment of assessments. As the remaining 1,000 acres were unable to carry the weight of the bond payments, the District filed for protection under Chapter 9 Bankruptcy in December 1985.

As per the terms of the bankruptcy plan of adjustment, all commitments have been fulfilled to the bondholders. The bankruptcy action has now been concluded and was closed with the filing of the final decree November 26, 1997.

In January 1995, the District purchased the El Rancho Reata Water Company, which provided domestic water to generally the same customer base as the District. Three revenue bonds were issued as payment for the domestic wells, equipment, and facilities. The 20-year revenue bond was issued in the amount of \$750,000 at 7.5% interest. The domestic system serves 896 connections. The current water permit allows a maximum of 3,268 connections.

On February 5, 2003, the District entered into a collective bargaining agreement with International Union of Operating Engineers Local Union No. 280 (the Union). The District recognized the Union as the sole and exclusive bargaining representative in regard to wages, hours of work, and conditions of employment.

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.

**NOTE 8 - OPEB Defined Benefit Plan - No Qualifying Trust**

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2019:

<u>Aggregate OPEB Amounts - All Plans</u>	<u>\$</u>
OPEB Liabilities	\$ 155,039
OPEB Assets	\$ -
Deferred outflows of resources	\$ -
Deferred inflows of resources	\$ -
OPEB expenses/expenditures	\$ 39,371

The District is a member of the Public Employee Benefits Board (PEBB) through participation in the Washington Health Care Authority insurance program.

The Public Employees Benefits Board sets eligibility requirements, approves premiums for medical and dental plans, and approves the plans that provide health benefits to 217,000 eligible public employees and retirees. The members are appointed by the Governor and represent a wide range of members and expertise. Working together with staff in HCA's Employees and Retirees Benefits Division, the Board ensures that PEBB members receive the best benefits at the most affordable cost possible. The PEB Board is separate and independent from the School Employees Benefits Board (SEBB).

The District currently has 7 active employees included in the OPEB calculation. It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits or be deceased. This data is not monitored by the District, Health Care Authority or the state of Washington.

The plan is administered through a trust that does not meet the requirements of a qualifying trust under paragraph 4 of [GASB Statement 75](#). The PEBB plan is a pay-as-you-go type plan and therefore is not a qualifying trust.

Current year changes in the Total OPEB Liability are as follows:

<u>PEBB</u>	<u>\$</u>
Total OPEB Liability at 1/1/2019	\$ 116,378
Service Cost	\$ 13,139
Interest	\$ 4,999
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ 21,233
Changes of assumptions	\$ -
Benefit payments	\$ (710)
Other Changes	\$ -
Total OPEB Liability at 12/31/2019	\$ 155,039

\*OPEB liability was calculated using the PEBB GASB 75 Tool provided by the Office of the State Actuary



**Badger Mountain Irrigation District  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absence Accrual	12/31/2021	25,755	5,789	-	31,544
264.40	OPEB Accrual	12/31/2021	228,737	-	22,450	206,287
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>254,492</b>	<b>5,789</b>	<b>22,450</b>	<b>237,831</b>
<b>Total Liabilities:</b>			<b>254,492</b>	<b>5,789</b>	<b>22,450</b>	<b>237,831</b>

**Badger Mountain Irrigation District  
Schedule of Liabilities  
For the Year Ended December 31, 2020**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absence Accrual	12/31/2020	23,895	1,860	-	25,755
264.40	OPEB Accrual	12/31/2020	155,039	73,698	-	228,737
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>178,934</b>	<b>75,558</b>	<b>-</b>	<b>254,492</b>
<b>Total Liabilities:</b>			<b>178,934</b>	<b>75,558</b>	<b>-</b>	<b>254,492</b>

**Badger Mountain Irrigation District  
Schedule of Liabilities  
For the Year Ended December 31, 2019**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.12	Muni Ln 2	8/1/2034	600,050	-	600,050	-
<b>Total General Obligation Debt/Liabilities:</b>			<b>600,050</b>	<b>-</b>	<b>600,050</b>	<b>-</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
264.40	OPEB Accrual	12/31/2019	-	155,039	-	155,039
259.12	Compensated Absence Accrual	12/31/2019	-	23,894	-	23,894
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>-</b>	<b>178,933</b>	<b>-</b>	<b>178,933</b>
<b>Total Liabilities:</b>			<b>600,050</b>	<b>178,933</b>	<b>600,050</b>	<b>178,933</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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