



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Kennewick Irrigation District

For the period January 1, 2022 through December 31, 2022

*Published November 20, 2023*

Report No. 1033602



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

November 20, 2023

Board of Directors  
Kennewick Irrigation District  
Kennewick, Washington

**Report on Financial Statements**

Please find attached our report on the Kennewick 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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## 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*

#### **Kennewick Irrigation District January 1, 2022 through December 31, 2022**

Board of Directors  
Kennewick 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 Kennewick Irrigation District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 9, 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 audit 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control 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 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 that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

November 9, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Kennewick Irrigation District January 1, 2022 through December 31, 2022**

Board of Directors  
Kennewick Irrigation District  
Kennewick, Washington

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

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Kennewick Irrigation District, as of and for the year ended December 31, 2022, 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 Kennewick Irrigation District, and its changes in cash and investments, for the year ended December 31, 2022, 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 Kennewick Irrigation District, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS Manual. This schedule is 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 as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly legible.

Pat McCarthy, State Auditor

Olympia, WA

November 9, 2023

## **FINANCIAL SECTION**

### **Kennewick Irrigation District January 1, 2022 through December 31, 2022**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2022  
Notes to Financial Statements – 2022

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

Schedule of Liabilities – 2022

**Kennewick Irrigation District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	18,744,779
388 / 588	Net Adjustments	-

**Revenues**

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	479,780
340	Charges for Goods and Services	11,231,109
350	Fines and Penalties	132,257
360	Miscellaneous Revenues	4,855,917
Total Revenues:		16,699,063

**Expenditures**

510	General Government	-
520	Public Safety	-
530	Utilities	11,756,179
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	-
Total Expenditures:		11,756,179
Excess (Deficiency) Revenues over Expenditures:		4,942,884

**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	1,889,233
Total Other Increases in Fund Resources:		1,889,233

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	3,672,091
591-593, 599	Debt Service	1,056,026
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		4,728,117

**Increase (Decrease) in Cash and Investments:** **2,104,000**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	740,000
50841	Committed	3,384,307
50851	Assigned	16,724,472
50891	Unassigned	-
<b>Total Ending Cash and Investments</b>		<b>20,848,779</b>

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

**KENNEWICK IRRIGATION DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**Note 1 - Summary of Significant Accounting Policies**

The Kennewick Irrigation District was incorporated in 1917 and operates under the laws of the state of Washington applicable to an irrigation district. The district is a special purpose local government and provides irrigation water services to approximately 20,201 acres and 25,300 parcels.

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.
- Component units are required to be disclosed but are not included in the financial statements. No component units exist.
- 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund is considered a separate accounting entity for internal managerial accounting purposes and uses a separate set of self-balancing accounts that comprises its revenues and expenditures. The government's resources are allocated to and accounted for in individual internal managerial funds depending on their intended purpose. As a proprietary special purpose government, the district has only one legal proprietary fund and all internal managerial funds are rolled up as a single fund for external reporting. The following fund type is used:

**PROPRIETARY FUND TYPES:**

**Enterprise Funds**

These funds account for operations that provide goods or services to the public and are supported primarily through user charges. The district further divides its system of accounts within the enterprise group to account for certain capital improvement activities and reserve fund activities in separate managerial funds to ensure that funds restricted internally for certain uses are properly allocated.

**B. Basis of Accounting and Measurement Focus**

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

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 280 hours and is payable upon separation or retirement. Sick leave may be accumulated indefinitely. Upon separation or retirement employees may receive payment for 25% of their unused sick leave, with a maximum payout of \$1,800 for less than 20 years of service or \$3,500 for over 20 years of service, if they provide adequate notice and are not terminated for just cause. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See *Note 5, Long-Term Debt*

G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by a resolution of the board of directors. When expenditures that meet restrictions are incurred, the district intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of debt agreements of \$740,000 and contractual obligations with contractors and developers of \$88,134, and internal committed funds of \$3,296,173, totaling \$4,124,307 on December 31, 2022.

**Note 2 – Budget Compliance**

Irrigation/Reclamation Districts (RCW 87.80.140) are not required by state law to create or follow a budget. However, the district adopts annual appropriated budgets through resolution by its board of directors for the single enterprise fund. These budgets are appropriated at the fund level (except the general operating fund, where budget is adopted at the department level). The budget constitutes the authorized 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 authorized budgets were \$19,330,266 and 19,623,771, respectively. Internal fund transfers included in the budgeted and actual expenditures have been eliminated for financial reporting purposes.

Budgeted amounts are authorized to be transferred between any unrestricted internal enterprise or capital fund; 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**

Investments are reported at fair market value. Deposits and investments by type on December 31, 2022, are as follows:

<u>Type of deposit or investment</u>	<u>Total</u>
Bank Deposits	\$ 2,606,324
Local Government Investment Pool	<u>\$ 18,242,454</u>
Total	<u>\$ 20,848,778</u>

It is the district's policy to invest all temporary cash surpluses. The interest on these investments is prorated, if required by covenants of the various restricted funds, with the balance allocated to the general irrigation enterprise fund.

#### **Investments in the State Local Government Investment Pool (LGIP)**

The district is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at [www.tre.wa.gov](http://www.tre.wa.gov).

#### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the district would not be able to recover deposits or would not be able to recover collateral securities that are in possession of an outside party. The district's deposits and certificates of deposit are mostly 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).

All investments are insured, registered, or held by the district or its agent in the government's name.

#### **Compensating Balances**

Some banks may require a government to maintain a predetermined average daily balance in noninterest bearing bank accounts to compensate the bank for handling the government's bank services.

The district has a compensating balance agreement for bank deposits in lieu of payments for services rendered. Average compensating balances maintained by the district for the year ended December 31, 2022, were \$3,821,760.

#### **Note 4 - Interfund Loans**

The district is a single fund entity, therefore the activity listed is within the one enterprise fund. Interfund activity is eliminated for purposes of reporting on the Schedule 01 and is listed for informational purposes only. The following table displays managerial interfund loan activity during 2022:

Borrowing Fund	Lending Fund	Balance 1/1/2022	New Loans	Repayments	Balance 12/31/2022
Red Mtn LID	Realty Reserve	\$ 7,808,594	\$ 0	\$ 237,133	\$ 7,571,461
Capital Project	Realty Reserve	\$ 3,880,019	\$ 0	\$ 60,000	\$ 3,820,019
Capital Upgrade	Realty Reserve	\$ 905,792	\$ 0	\$ 327,836	\$ 577,956
		<u>\$12,594,405</u>	<u>\$ 0</u>	<u>\$ 624,969</u>	<u>\$11,969,436</u>

#### **Note 5 – Long-Term Debt**

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 the year ended December 31, 2022.

The debt service requirements for general obligation bonds, revenue bonds, and other governmental debt are as follows:

	<u>Total</u>
2023	828,634
2024	844,257
2025	860,268
2026	876,677
2027	893,495
2028-2032	4,734,727
2033-2037	3,049,880
2038-2040	500,000
Totals	<u>\$ 12,587,938</u>

All amounts listed are principal only debt payments. Reductions in scheduled debt shown on the Schedule of Liabilities contain cash payments of \$813,410.



## **Note 6 – Other Postemployment Benefits (OPEB)**

The district is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides OPEB benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The district had 64 active plan members and 10 retired plan members as of December 31, 2022. As of December 31, 2022, the District's total OPEB liability was \$1,658,153 as calculated using the alternative measurement method. The district contributed \$1,027,434 to the plan for the year ended December 31, 2022.

## **Note 7 – Pension Plans**

### **State Sponsored Pension Plans**

Substantially all the District's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans; Public Employees' Retirement System (PERS).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2022 (*the measurement date of the plans*), the district's proportionate share of the collective net pension liabilities (assets), was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 184,855	0.030163%	\$ 839,849
PERS 2/3	\$ 316,093	0.039346%	\$ (1,459,257)
Total	\$ 500,949		\$ (619,408)

Only the net pension liabilities are reported on the Schedule 09.

## **Note 8 – Risk Management**

The Kennewick Irrigation District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of November 30, 2022, membership includes 195 members in the program.

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

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of \$50,000,000 with a self-insurance retention (SIR) of \$500,000. Members are responsible for a \$1,000 to \$50,000 deductible for each claim (can vary by member), while the program is responsible for the \$500,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the \$500,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of \$7,110,058, which is fully funded in its annual budget.

Property insurance is subject to a per occurrence SIR of \$500,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$500,000 SIR, in addition to the deductible.

Crime insurance is subject to a per occurrence SIR of \$25,000. Members are responsible for a \$1,000 deductible for each claim (some member deductibles vary). The program bears the \$25,000 SIR, in addition to the deductible.

Equipment Breakdown insurance is subject to a per occurrence deductible of \$2,500 (cities and special districts) and \$500 (fire districts), which may vary per member, with the exception of Pumps & Motors, which is \$10,000. Members are responsible for the deductible amount of each claim. There is no program SIR on this coverage, with the exception of Pumps & Motors, which is \$15,000 and is covered by CIAW.

Cyber liability insurance is subject to a per-occurrence SIR of \$50,000. Members are responsible for a \$10,000 deductible for each claim, while the program is responsible for the remaining \$40,000 SIR.

Members contract to remain in the program for a minimum of one year and must give notice before December 1 to terminate participation the following December 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

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, 2022 were \$2,747,183.56.

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

## **Note 9 – Leases**

During the year ended December 31, 2022, the district adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of lease liabilities reported on the Schedule of Liabilities.

The district leases a Pitney Bowes Postage Machine, a Konica Minolta copier, and a Canon copier under non-cancelable operating leases. All three leases are 60 months in length. The lease amounts per month are \$139.92, \$203.00, and \$385.14 per month, respectively. Additionally, the leases end in December 2023, March 2024, and March 2027, respectively.

The total amount paid for leases in 2022 was \$6,778. As of December 31, 2022, the future lease payments are as follows:

Years Ending December 31,	Total
2023	\$ 8,723
2024	5,635
2025	4,620
2026	4,620
2027	1,547
	<u>\$ 25,145</u>

## **Note 10 – Other Disclosures**

### **Special Items**

On August 12, 2022, the district sold 2.49 acres of land located in the Stoneridge area for \$1,843,888.

### **Subsequent Events**

The district is currently negotiating the purchase of water rights from the Selah Moxee Irrigation District (SMID). The water right is for 248.50 acre feet per year of consumptive use water. The total cost of the 248.50 acre foot water right is \$2,236,500. As of May 10, 2023, the district has paid SMID \$223,650 in earnest money. In the event the district purchases the water right, the earnest money will be applied to the total purchase price. The remaining balance of the purchase price would be paid annually over the next nine (9) years including interest at the rate of 4.5%.

**Kennewick Irrigation District  
Schedule of Liabilities  
For the Year Ended December 31, 2022**

<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 Abscence		400,845	501	-	401,346
263.57	Equipment Leases		8,815	23,108	6,778	25,145
263.84	2012 Dept. of Ecology	6/1/2040	3,700,000	-	200,000	3,500,000
263.62	Banner Bank Private Placement Revenue Bond	6/1/2035	9,701,328	-	613,410	9,087,918
264.30	Pension Liabilities		360,826	479,023	-	839,849
264.40	OPEB Liability		2,135,162	-	477,009	1,658,153
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>16,306,976</b>	<b>502,632</b>	<b>1,297,197</b>	<b>15,512,411</b>
<b>Total Liabilities:</b>			<b>16,306,976</b>	<b>502,632</b>	<b>1,297,197</b>	<b>15,512,411</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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