Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

South Columbia Basin Irrigation District

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

Published March 14, 2024

Report No. 1034379

Office of the Washington State Auditor
Pat McCarthy

March 14, 2024

Board of Directors
South Columbia Basin Irrigation District
Pasco, Washington

Report on Financial Statements

Please find attached our report on the South Columbia Basin 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

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South Columbia Basin Irrigation District
January 1, 2022 through December 31, 2022

Board of Directors
South Columbia Basin Irrigation District
Pasco, 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 South Columbia Basin 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 basic financial statements, and have issued our report thereon dated March 6, 2024.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described 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.

Pat McCarthy, State Auditor

Olympia, WA

March 6, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

South Columbia Basin Irrigation District
January 1, 2022 through December 31, 2022

Board of Directors
South Columbia Basin Irrigation District
Pasco, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the South Columbia Basin 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 basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the South Columbia Basin Irrigation District, as of December 31, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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
- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

March 6, 2024

FINANCIAL SECTION

South Columbia Basin Irrigation District
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

South Columbia Basin Irrigation District

Management's Discussion & Analysis

For Year Ended December 31, 2022

The management discussion & analysis (MD&A) of South Columbia Basin Irrigation District is intended to provide an overview and analysis of the district's financial activities, identify changes in key data as presented in the financial statements and provide information on challenges that the district may encounter in subsequent years. As outlined, the condensed financial information presented in the MD&A is for the two years ending December 31, 2022 and 2021.

It is recommended that information within this section be used in conjunction with the basic financial statements and accompanying notes in order to gain a full understanding of the district's financial position, ongoing operations and overall activity.

Overview of the Financial Statements

South Columbia Basin Irrigation District accounts for its financial activities through the use of a proprietary fund. Fund segments are used to account for the sale, operation and distribution of irrigation water.

In accordance with requirements set forth by the Governmental Accounting Standards Board, the District's financial statements employ the accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenues and expenses during the year, regardless of when cash is received or paid.

The financial statements, presented for the year ended December 31, 2022 are comprised of:

Statement of Net Position **–** The District presents its statement of net position using the balance sheet format. The statement of net position reflects the assets, deferred outflows, liabilities, deferred inflows and the difference between the two reported as net position of the District at year-end. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Statement of Revenue, Expenses, and Changes in Net Position – These statements reflect the events and transactions that have increased or decreased the District's net position. Revenues and expenses are classified as operating or non-operating and equity is classified as Invested in Capital Assets and Unrestricted Net Position.

Statement of Cash Flows – The statement of cash flows is presented in the direct method and reflects the sources and uses of cash in the following activities: operating, investing, non-capital financing and capital financing.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided within the financial statements.

Required Supplementary Information – The RSI contains other information the Governmental Accounting Standard Boards deems necessary. The District's RSI contains additional information related to GASB 68, Accounting and Financial Reporting for Pensions and GASB 75, Defined Benefit Other Postemployment Benefit (OPEB) Plans.

Condensed Financial Information

The following condensed financial information includes fiscal years 2022 and 2021

Statement of Net Position	2022	2021
Assets		
Current Assets:		
Cash & Cash Equivalents	10,947,183	8,015,358
Investments	11,255,514	11,634,227
Other Current Assets	1,583,983	1,283,689

	2022	2021
Total Current Assets	23,786,680	20,933,274
Capital Assets:		
Property & Equipment	16,517,409	15,867,664
Power Generation Assets	46,356,921	46,050,343
Accumulated Depreciation – P&E	(11,948,962)	(11,094,288)
Accumulated Dep - Power Generation Assets	(31,666,995)	(30,727,552)
Total Capital Assets	19,258,374	20,096,167
Other Non-Current Assets:		
Construction Obligation Receivable	2,767,796	3,028,787
Net Pension Asset	2,238,954	5,975,670
Non Current Portion of CBHP Lease	61,113	
Construction in Progress	428,588	346,328
Construction in Progress - Power Generation	1,928,922	1,871,284
CIP – CBHP Project Development	0	120,221
Investment – Tenants in Common	331,679	00
Total Non-Current Assets	7,757,052	11,342,290
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	2,156,217	728,258
Deferred Outflows Related to OPEB	20,129	17,272
Total Assets And Deferred Outflows	**$ 52,978,451**	**$ 53,117,261**
Liabilities		
Current Liabilities:	3,196,044	2,617,355
Total Current Liabilities	3,196,044	2,617,355
Non-Current Liabilities:		
Contracts Payable - USBR	2,459,816	2,767,796
Other Non-Current Liabilities	3,689,173	3,289,557
Total Non-Current Liabilities	6,148,989	6,057,353
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	2,356,155	6,284,688
Deferred Inflows CBHP Rent	85,123	
Total Liabilities and Deferred Inflows	**$ 11,786,312**	**$ 14,959,396**
Net Position		
Invested In Capital Assets	21,615,884	22,434,000
Restricted	3,523,933	4,389,077
Unrestricted	16,052,322	11,334,788
Total Net Position	41,192,139	38,157,865
Total Net Position and Liabilities	**$ 52,978,451**	**$ 53,117,261**

Statement of Revenue, Expenses & Net Position	**2022**	**2021**
Revenue		
Operating Revenue	22,816,626	22,677,831
Total Operating Revenue	22,816,626	22,677,831
Operating Expenditures:		
Operating Expenses	7,146,670	6,074,375
Maintenance Expense	14,910,289	13,349,036
Depreciation Expense – P&E	926,602	1,006,472
Depreciation Expense-Power Generation Assets	939,443	929,631
Total Operating Expenditures	23,923,004	21,359,514

Operating Income (Loss)	(1,106,377)	1,318,317
Non-Operating Revenue (Expenses)		
Power Revenue	3,087,652	3,009,049
Other Revenues	1,123,508	751,572
Other Expenses	(70,506)	
Total Non-Operating Revenue (Expenses)	4,140,654	3,760,621
Income	3,034,277	5,078,938
Total Net Position – January 1	38,157,863	33,078,925
Prior Period Adjustment		
Total Net Position – December 31	**$ 41,192,139**	**$ 38,157,863**

Financial Position

The District's financial position is very stable. Additional funds needed for operations and or reserve levels are generated through levied assessments approved by the Board of Directors through the budgeting process. The District's overall financial position continues to improve each year as rates and reserves are set to meet anticipated needs for operations and system improvements.

Long-Term Debt

The District's long-term debt as of December 31, 2022 consists of assessment debt pertaining to the United States Bureau of Reclamation Repayment contract. The District owed the United States Bureau of Reclamation $2,767,797 as of December 31, 2022. The Bureau of Reclamation determines each annual installment due on construction charges. Those construction charges are then assessed against the irrigation district lands. Due to the terms of the agreement, there is no estimate available of annual debt service.

For additional information on Long-Term Debt activity, refer to Note 6.

Capital Assets

The district's investment in capital assets for operating activities as of December 31, 2022, is $21,615,883 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, construction in progress and power generation assets. The district's total capital assets being depreciated for the year ended December 31, 2022 reflects a decrease of approximately 3.65% from 2021.

The following capital assets were purchased to replace aging fleet:
(1) Excavator $347,177.96, (3) Meters $50,432.70, (1) SUV $33,834.85, (1) Trailer $12,668.47 (1) Band Saw $5,098.03, (1) Gradall $89,500.00, (1) Transformer $83,711.32, (1) Bulk Fuel Storage Tank $77,521.35, (1) Hot Water Pressure Washer $8,337.33, (1) Wheel Smart Balancer $11,158.18 and Power Generation Assets $306,578.

In 2016, the district included power generation assets on its financial reports. These assets were previously recorded as an Investment in Joint Venture. Through discussion with the Washington state auditors, it was determined that they would be included as capital assets on the districts balance sheet along with depreciation and construction in progress. More detail on the inclusion of these power generation capital assets is given in the Facts & Conditions section of the MD&A as well as Notes 4 and 10 of the Notes to Financial Statement.

For additional information on Capital Asset activity, refer to Note 4.

Economic Outlook

South Columbia Basin Irrigation District provides irrigation to a diverse agricultural community within the Columbia Basin. The growth in population and other business sectors throughout the Tri-Cities area provides continued growth in agricultural needs as well. The district maintains a level of reserves to meet current year's debt obligations and future operational expenses necessary to continue serving its landowners. Each year, the US Bureau of Reclamation sets the O&M rate for assessments by which the district can build its annual budget. The district then sets the assessment rate to the landowners to meet the budgeted operational expenses and maintain reserves. The district, by board approval, has the option to increase assessments to meet any unforeseen events. In addition, the District engages in a comprehensive maintenance program to maintain the integrity and efficiency of its system.

The District will continue to focus its efforts and resources on maintaining its facilities and structures in order to provide irrigation to its diverse and growing agricultural community. The district experienced an increase in cash and cash equivalents. The district takes a proactive approach to water conservation through construction and maintenance of conveyance facilities. This approach along with increased assessments provides a solid financial and operational position for the district.

Facts or Conditions

In 2016, through discussions with the State Auditor's Office, the district entered into a change in how it recognized it's one third equal ownership share of the power generating capital assets of Columbia Basin Hydropower. In 2014, the districts recorded it's one third equal share as an Investment in Joint Venture. After in depth discussion and review, it was determined that the district would account for those assets as power generation capital assets, recognizing the associated land, power generation assets, accumulated depreciation, and construction in progress. More information and detail is referenced in Notes 4 and 10.

SOUTH COLUMBIA BASIN IRRIGATION DISTRICT

STATEMENT OF NET POSITION
December 31, 2022

ASSETS	**2022**
CURRENT ASSETS:	
Cash and Cash Equivalents	10,947,183
Accounts Receivable	555,650
Assessments Receivable - Assessments	63,286
Investment Funds	11,255,514
Prepaid Assets	965,048
TOTAL CURRENT ASSETS	$ 23,786,680
NONCURRENT ASSETS:	
Construction Obligation Receivable - SCBID Landowners	2,767,796
Net Pension Asset	2,238,954
Non Current Portion of CBHP Lease	61,113
Construction in Progress	428,588
Construction in Progress - Power Generation	1,928,922
TOTAL RESTRICTED ASSETS	$ 7,425,373
Investment - Tenants in Common	331,679
TOTAL NON-RESTRICTED ASSETS	$ 331,679
Capital Assets not being depreciated	
Land	133,500
Land - Power Generation	15,987
Capital Assets being depreciated	
Plant	1,704,872
Power Generation Assets	46,340,934
Machinery and Equipment	14,679,038
Less Accumulated Depreciation	(11,948,962)
Less Accumulated Depreciation - Power Generation Assets	(31,666,995)
TOTAL CAPITAL ASSETS (NET)	$ 19,258,374
TOTAL NONCURRENT ASSETS	$ 27,015,425
DEFERRED OUTFLOWS of RESOURCES	
Deferred Outflows Related to Pensions	$ 2,156,217
Deferred Outflows Related to OPEB	$ 20,129
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 52,978,451
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable `	679,555
Due to USBR	66,102
Accrued Wages	80,472
Accrued Benefits	482,228
Accrued Expenses	258,228
Unearned Revenue Prepaid Assessments	1,321,077
Unearned Revenue Prepaid CBHP Rent	400
Current Portion - USBR - Long Term Obligation	307,980
TOTAL CURRENT LIABILITIES	$ 3,196,044
NONCURRENT LIABILITIES:	
Contracts Payable - USBR	2,459,816
Net Pension Liability	1,349,528
Net OPEB Liability	2,294,820
Fish Mitigation Payable - State of Washington	11,667
Retainage Payable	33,158
TOTAL NONCURRENT LIABILITIES	$ 6,148,989
DEFERRED INFLOWS of RESOURCES	
Deferred Inflows Related to Pensions	$ 2,356,155
Deferred Inflows CBHP Rent	$ 85,123
TOTAL LIABILITIES AND DEFERRED INFLOWS	$ 11,786,312
NET POSITION:	
Net Investment in Capital Assets	21,615,884
Restricted Net Position	3,523,933
Unrestricted Net Position	16,052,322
TOTAL NET POSITION	$ 41,192,139
TOTAL NET POSITION AND LIABILITIES	$ 52,978,451

*** The notes to the financial statements are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flow.**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For The Year Ended December 31, 2022

OPERATING REVENUES:		**2022**
Operating Assessments		19,732,648
Additional Water Sales - Platted Blocks		1,207,909
Additional Water Sales - Water Service Contracts		269,774
Receipts - USBR S&MC		146,262
Rental Income - Employees		113,928
Artificially Stored Groundwater Revenue		893,286
Surplus Revenue - USBR		148,749
Energy Credits		180,119
Common Services Revenue		71,545
Services Income		49,894
Miscellaneous Collections		2,514
Total Operating Revenue	$	22,816,627
OPERATING EXPENSES:		
Operating Expense		7,146,670
Maintenance Expense		14,910,289
Depreciation Expense		926,602
Depreciation Expense-Power Generation Assets		939,443
Total Operating Expenses	$	23,923,004
OPERATING INCOME (LOSS)	$	(1,106,377)
NONOPERATING REVENUES (EXPENSES):		
Power Revenue		3,087,652
Lease Revenue		25,537
Receipts - USBR on Special Contracts		373,817
Interest and Dividend Income		297,319
Gains on Capital Asset Disposition		15,925
Other Nonoperating Revenues		410,909
(Other Nonoperating Expenses)		(70,506)
Total Nonoperating Revenues (Expenses)	$	4,140,654
Income		3,034,277
CHANGE IN NET POSITION	$	3,034,277
TOTAL NET POSITION, January 1	$	38,157,862
Prior Period Adjustments		
TOTAL NET POSITION, December 31	$	41,192,139

*** The notes to the financial statements are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flow.**

STATEMENT OF CASH FLOWS
For Year Ended December 31, 2022

		2022
CASH FLOW FROM OPERATING ACTIVITY		
Receipts from Customers	$	22,935,105
Payments to Suppliers		(14,962,838)
Payments to Employees		(7,203,533)
Net cash provided (used) by operating activities		768,735
CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES		
Power Revenue		3,087,652
Receipts on Special Contracts		373,817
Other Revenues		452,372
Other Net Expenses		(70,506)
Net cash provided (used) by noncapital financing activities	$	3,843,335
CASH FLOW from CAPITAL and RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets		(719,440)
Proceeds on disposal of PP&E		19,867
Net cash provided (used) by capital and related financing activitie	$	(699,573)
CASH FLOW FROM INVESTING		
Proceeds from sales and maturities of investments		(1,277,991)
Interest and Dividends		297,319
Net cash provided by investing activities	$	(980,672)
Net incr/(decrease) in cash/cash equivalents		2,931,825
Balances-Beginning of the year		8,015,358
Balances-End of year	$	10,947,183

RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (loss)	$	(1,106,377)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation Expense		926,602
Depreciation Expense - Power Generation Assets		939,443
Change in Assets and Liabilities:		
Decrease(Increase) in Prepaid Expenses		336,757
Decrease(Increase) Receivables		(24,179)
Increase(Decrease) Accounts Payable	$	(982,362)
Increase(Decrease) Deferred Pension Outflows	$	(1,416,405)
Increase(Decrease) Deferred Pension Inflows		3,928,534
Increase(Decrease) Pension Liability		753,163
Increase(Decrease) Pension Assets		(2,238,954)
Increase(Decrease) OPEB Liability		(276,896)
Increase(Decrease) Salaries Payable		(70,590)
Net cash provided by operating activities	$	768,735
Net cash provided by (used in) operating activities	$	768,735
Noncash Investing, Capital and Financing Activities		
Purchase of land, structures and equipment with direct financing		
Adjustment to Investment - Tenants in Common		410,909

*** The notes to the financial statements are considered an integral part of the District's presentation of financial position, results of operations, and changes in cash flow.**

South Columbia Basin Irrigation District

Notes to Financial Statement
January 1, 2022 through December 31, 2022

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Columbia Basin Irrigation District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies (including identification of those policies which result in material departures from generally accepted accounting principles):

A. Reporting Entity

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

B. Basis of Presentation

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

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

The district distinguishes between operating revenues and expenses from non-operating revenue and expenses. Operating revenues and expenses are a result of providing services and delivering water in connection with the District's ongoing principal operations. The principal operating revenues of the District are charges to customers for irrigation water in the form of assessments. The District also recognizes as operating revenue additional water sales, receipts on contracts from USBR, rental income, water services, energy credits, fees, map sales and other miscellaneous revenues. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities, Fund Balance, Net Position

1. Cash & Cash Equivalents

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

2. Investments See (Note 3, *Deposits and Investments*).

All investments of District funds are in the form of CD's, Money Market Accounts, Treasury Bills, passbook accounts with banks, or direct obligations of the U.S. Government pursuant to the requirements of Chapter 39.59 RCW. Investments are stated at fair market value. For further information on investments, refer to Note 3.

3. Receivables

Receivables primarily consist of assessments and excess water owed to the District by landowners and receivables owed by the US Bureau of Reclamation. The District does not write off any uncollectible accounts. There is an adjustment done for lands owned by the US Government, as they do not pay assessments. These amounts are reflected in "other expenses" as Cancelled USA Assessments.

4. Inventories

Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are (purchased/consumed). A comparison to market value is not considered necessary. Prepaid fuel and oil inventories are valued at $127,736, prepaid shop parts and materials are valued at $97,886, and prepaid chemicals are valued at $329,835, which approximates the market value. All inventories are used for operation and maintenance and not held for resale.

5. Restricted Funds

In accordance with certain related agreements separate restricted funds are required to be established. The assets in these funds are restricted for specific uses, including (construction) debt service and other special reserve requirements. Restricted funds currently include the following:

O&M Reserve Fund	$ 3,523,933
Total Restricted Funds	$ 3,523,933

6. Capital Assets See Note 4, *Capital Assets*.

Capital assets, which include property, plant, and equipment, are defined by the District as assets with an initial, individual cost of more than $4,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the Straight-Line Method over the following estimated useful lives:

Assets	Years
Building	10-40
Office Equipment	5-10
Cars & Trans Vehicles	5-10
Radio Equipment	5-7
Heavy O&M Equipment	5-22
Other O&M Equipment	5-20
Power Generation Facilities	50

7. Leases

The District is a lessor for a noncancelable lease. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the (straight-line basis/effective interest method).

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are compose of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

For more information on the Leases, please refer to Note 5.

8. Compensated Absences

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

Vacation pay, which may be accumulated up to 240 Hours is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. Upon resignation any outstanding sick leave is lost.

9. Pensions

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

For purposes of calculating the restricted net position related to the net pension asset, the District includes the net pension asset and the related deferred outflows and deferred inflows.

10. Other Accrued Liabilities

These accounts consist of accrued wages and accrued employee benefits.

11. Long-Term Debt See Note 6, *Long-Term Debt*.

12. Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

13. Net Position Classification

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position.

Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Districts' policy to consider restricted net position to have been depleted before unrestricted net position is applied.

C. Asset Retirement Obligations (ARO)

The District is a one-third owner in the Columbia Basin Hydropower (CBHP) tenants in common, which consists of the Quincy-Columbia Basin Irrigation District, East Columbia Basin Irrigation District, and South Columbia Basin Irrigation District. As a one-third owner, the District includes one-third of the tenants in common assets on its balance sheet. It has been determined neither language in the Federal Energy Regulatory Commission (FERC) licenses nor the Land Use agreements with the Bureau of Reclamation, require the inclusion of a tangible ARO liability on the financial statements. Due to the absence of specific language in the Bureau of Reclamation's Land Use agreements supporting the inclusion of a tangible ARO liability on the financial statements, it is not currently recognized.

Although unlikely, the Bureau of Reclamation may require the Districts to return the land to its original condition after decommissioning a hydropower facility. The amount of this potential liability cannot be reasonably determined, as the agreement language does not provide specific scenarios under which this requirement would be enforced, nor does it outline specific steps for CBHP to undertake if such a hypothetical scenario were to arise.

For more information on the CBHP tenants in common, please refer to Note 10.

E. Other

1. Contingent Liabilities and Litigation

The District does not have any Contingent Liabilities or Litigation

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

A. Reporting Changes

In June 2017, GASB issued Statement No. 87, Leases; which had an effective date for reporting periods beginning after December 15, 2019. GASB 95 delayed implementation by one year which made it effective for the District for reporting in FY22. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

B. Accounting Standards Impacting the Future

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, effect for FY23. This Statement provides guidance on the accounting and financial reporting for Subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2022 was $10,947,183. The carrying amount of the District's deposits, including certificates of deposit and Treasury Bills, was $11,255,514 and the bank balance was $1,450,769.

Custodial Credit Risk

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

Of the Districts total position of $1,450,769 in December 31, 2022 none of the District's $1,450,769 is exposed to custodial credit risk because the investments are held by the District's bank which is also the counterparty in those particular securities. Under State statute, members of WPDPC may be assessed losses on a prorated basis if the pool's collateral provides insufficient coverage. Deposits collateralized in the multiple institution collateral pool are considered insured, and therefore not exposed to custodial credit risk.

B. Investments

The District has an investment policy approved by the Board of Directors. Investments are stated at fair market value. Management intends to hold time deposits and securities until maturity.

Investments are subject to the following risks.

Interest Rate Risk – Interest rate risk is the risk the District may face that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the maturity of investments to five years, unless matched to a specific cash flow. In addition, to achieve its financial objective of maintaining liquidity to meet all operating requirements, the District typically selects investments that have much shorter average maturities. The District had the following investments subject to interest rate risk as of December 31, 2022:

	Fair Value	Maturing in Less than One Year	Maturing in one to Five Years	Maturing in Five to Ten Years	Maturing After Ten Years
U.S. Treasury Bills	$ 8,383,506	$ 8,383,506	$ -	$ -	$ -
Certificate of Deposit	$ 2,860,341	$ 2,860,341	$ -		
Fish Mitigation	$ 11,667	$ 11,667			
Total Investments Subject to Interest Rate Risk:	$ 11,255,514	$ 11,255,514		$ -	
Total Investments	$ 11,255,514				

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by state law and local ordinances, all investments of the District's funds (except as noted) are obligations of the U.S. Government, U.S. agency issues, the State Treasurer's Investment Pool or certificates of deposit with Washington State banks. The District has no investment policy that would further limit its investment choices. As of December 31, 2022, the District's investments in agency securities were rated AAA. The State Treasurer's Investment Pool is unrated. The credit risk of the State Treasurer's Investment Pool is limited as most investments are either obligations of the U.S. Government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the State Pool are all classified as category 1 risk level investments. They are either insured or held by third party custody provider in the State Pool's name.

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy for custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The District does not have a formal policy for concentration of credit risk. GASB Statement No 40 requires that governments disclose any investments in a single issuer exceeding 5% of the government's total investments. At December 31, 2022, the District held the following investments in excess of 5% of total investments:

Description		Market Value		Percent of Total Invesetments
U.S. Treasury Bills		$ 8,383,506		74.48%

State of Washington statues and the District resolutions authorize investment of the District funds in U.S. Government securities or certificates of deposit or accounts in financial institution insured by the Federal Deposit Insurance Corporation (FDIC) doing business in the state of Washington. The District's investment balances as of December 31, 2022 are summarized below. These investments in U.S Government securities are backed by the full faith and credit of the U.S. Government and money market insured savings accounts at an FDIC insured financial institution. The securities are held by the District or by its agent in the District's name.

U.S. Treasury Bills				$ 8,383,506
Certificate of Deposit				$ 2,860,341
Fish Mitigation				$ 11,667
Total				$ 11,255,514

Investments in Local Government Investment Pool (LGIP)

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASB 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

Investments Measured at Fair Value

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

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;

- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2022, the District had the following investments measured at fair value:

	12/31/2022	Fair Value Measurements Using: Quoted prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
[U.S. Treasury Securities]	$ 8,383,506.00	$8,383,506.00	$ -	$ -
Total Investment measured at fair value	$ 8,383,506.00	$8,383,506.00		
Investments Measured at amortized cost				
[State Treasurer's Investment Pool (LGIP)]	$ 8,995,528.00			
[Municipal Inv. Fund	$ 500,286.00			
[Certificate of Deposit]	$ 2,860,341.00			
Total Investments Measured at amortized cost	$ 12,356,155.00			
Total Investments in Statement of Net Position	$ 20,739,661.00			

NOTE 4 - CAPITAL ASSETS

A one third ownership share of Columbia Basin Hydropower generation assets are included in South Columbia Basin Irrigation Districts capital assets. These assets are included in the schedule below. Further detail on the inclusion of those assets is addressed in Note 9.

Capital Assets activity for the year ended December 31, 2022 was as follows:

Utility plant not being depreciated:	Beginning Balance	Increases	Decreases	Ending Balance
Land	133,500			133,500
Land Power Generation	15,987			15,987
Construction in Progress	346,328	254,214	(171,954)	428,588
Construction in Progress Power Generation	1,871,284	263,414	(205,776)	1,928,922
CIP CBHP Project Development	120,221		(120,221)	-
Total utility plant not being depreciated	2,487,320	517,628	(497,951)	2,506,997
Utility plant being depreciated:				
Buildings	1,627,350	77,521		1,704,872
Equipment	14,106,814	670,913	(98,689)	14,679,038
Power Generation Assets	46,034,356	306,578		46,340,934
Total utility plant being depreciated	61,768,520	1,055,012	(98,689)	62,724,843
Less accumulated depreciation for:				
Buildings	802,688	53,819		856,507
Equipment	10,291,601	895,734	(94,879)	11,092,455
Power Generation Assets	30,727,552	939,443		31,666,995
Total accumulated depreciation	41,821,841	1,888,996	(94,879)	43,615,957
Total utility plant being depreciated, Net	61,768,520			62,724,843
TOTAL UTILITY PLANT, NET	22,434,000	(316,355)	(501,761)	21,615,883

The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the utility plant accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

The District has no expenses for abandoned projects.

NOTE 5 – LEASES

The District is a one-third owner in an office building located in Ephrata, WA that is leased to Columbia Basin Hydropower. Quincy-Columbia Basin Irrigation District and East Columbia Basin Irrigation District own the remaining two thirds of the building. The building is leased to the Columbia Basin Hydropower for a term of 72 months. The payments are made at the beginning of each period for the lease.

In year 1 the District received 27,600, which included prepaid rent for January-April 2023, rent for May-December 2022 in the amount of 14,930.15 and interest revenue in the amount of 3,469.85. Total lease receivable for 2022 was 25,536.96. The District had Deferred inflow of Resources in the amount of 25,536.96.

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principal	Interest	Total
2022	$ 25,536.96	$ 3,469.85	$ 29,006.81
2023	$ 25,536.96	$ 2,582.58	$ 28,119.54
2024	$ 25,536.96	$ 1,686.68	$ 27,223.64
2025	$ 25,536.96	$ 786.72	$ 26,323.68
2026	$ 8,512.34	$ 61.85	$ 8,574.19
Total	$ 110,660.18	$ 8,587.68	$ 119,247.86

NOTE 6 – CHANGES IN LONG TERM DEBT

A. **Long-Term Debt**

The District owed the United States Bureau of Reclamation $2,767,797 as of December 31, 2022. Due to the terms of the agreement, there is no estimate available of annual debt service beyond one year. The annual construction charges are as follows:

Year	Principal	Interest	Total
1975 – 2011	$ 16,306,959	0	$ 16,306,959
2012	774,040	0	774,040
2013	762,614	0	762,614
2014	629,739	0	629,739
2015 Adjustment	8,400	0	8,400
2015	494,294	0	494,294
2016	317,469	0	317,469
2017	319,466	0	319,466
2018	323,461		323,461
2019	262,907		262,907
2020	189,759		189,759
2021	260,991		260,991
2022	189,758		189,758
Total	**$ 20,839,857**	**0**	**$ 20,839,857**

The Irrigation District has entered into a contract with the United States Bureau of Reclamation. This contract, among other things, established a repayment schedule for the construction costs of the Columbia Basin Project facilities located within the District. The Bureau of Reclamation determines each annual installment due on construction charges. Those construction charges are then assessed against the irrigation district lands. The outstanding balance at December 31, 2022 is $2,767,797. The current portion (due within one year) is 307,980.

B. During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/22	Additions	Reductions	Ending Balance 12/31/22	Due Within One Year
Contracts Payable:					
US Bureau of Reclamation	3,028,788		260,991	2,767,797	307,980
Capital Leases	-			-	
OPEB Obligations	2,571,716		276,896	2,294,820	
Pension Obligations	596,365	753,162		1,349,527	
Compensated Absences	419,564	62,664		482,228	
Total Long-Term Liabilites	6,616,433	815,826	537,887	6,894,372	307,980

Claims and judgments and compensated absences are generally liquidated by the General fund.

NOTE 7 - RESTRICTED NET POSITION

The government-wide statement of net position reports $3,523,933 of restricted funds, none of which are restricted by enabling legislation.

NOTE 8 - PENSION PLAN

Plan Description

PERS was established in 1947 and its retirement benefit provisions are contained in chapters 41.34 and 41.40 RCW. PERS is a cost-sharing multiple employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component. PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of the district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes. Pursuant to RCW 41.45.060, Washington Department of Retirement Systems (DRS) will allocate a certain portion of employer contributions from Plan 2/3 to Plan 1 in order to funds its unfunded actuarially accrued liability (UAAL).

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ (1,349,527)
Pension assets	2,238,954
Deferred outflows of resource	2,156,219
Deferred inflows of resources	(2,356,156)
Pension expense/expenditure	(132,678)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

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

Public Employees' Retirement System (PERS)

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

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

<u>Contributions</u>

The **PERS Plan 1** members contribution rate is established by the State statue at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at .18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee**
January – August 2022:		
PERS Plan 1	6.36%	6.00%

PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
September –December 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible services. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

<u>Contributions</u>

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at .18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payrolls) for 2022 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2**
January – August 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	

Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**10.25%**	**6.36%**
September –December 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

The District's actual PERS plan contributions were $279,964 to PERS Plan 1 and $453,972 to PERS Plan 2/3 for the year ended December 31, 2022.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study and the 2021 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.0%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage rate higher (8.0 percent) that the current rate.

	1% Decrease 6.0%	Current Rate 7.0%	1% Increase 8.0%
PERS 1	1,802,949	1,349,527	953,795
PERS 2/3	2,636,661	(2,238,954)	(6,244,580)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2022 the District reports its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)	
PERS 1	$	1,349,527
PERS 2/3	$	(2,238,954)

At June 30, 2022 the District's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	0.048833%	0.048468%	-0.000365%
PERS 2/3	0.059987%	0.060369%	0.000382%

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

The collective net pension liability (asset) was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2021, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2022, the District recognized pension expenses as follows:

	Pension Expense	
PERS 1	$	612,093
PERS 2/3	$	(744,711)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	0	0
Net difference between projected and actual investment earnings on pension plan investments	0	(223,656)
Changes of assumptions	0	0
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	125,976	
TOTAL	125,976	(223,656)

Table for Notes to FS	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	554,760	(50,684)
Net difference between projected and actual investment earnings on pension plan investments	0	(1,655,275)
Changes of assumptions	1,247,908	(326,747)
Changes in proportion and differences between contributions and proportionate share of contributions	24,794	(99,794)
Contributions subsequent to the measurement date	202,780	
TOTAL	2,030,243	(2,132,500)

Deferred outflows of resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of recourse related to pensions will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
2023	(94,647)	(541,093)
2024	(85,964)	(481,049)
2025	(107,839)	(566,470)
2026	64,793	754,392
2027	-	267,853
Thereafter	-	261,328
Total (DI) / DO	**(223,656)**	**(305,037)**

NOTE 9 - Defined Benefit Other Postemployment Benefit (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the period ending June 30, 2022:

Aggregate OPEB Amounts – All Plans		
OPEB liabilities	*$*	*(2,294,820)*
OPEB assets	*$*	
Deferred outflows of resources	*$*	*20,129*
Deferred inflows of resources	*$*	
OPEB expenses/expenditures	*$*	*(245,002)*

The District provides to its retirees employer subsidies for postemployment medical insurance benefits (OPEB) provided through the Public Employees Benefits Board (PEBB). The actual medical costs are paid through annual fees and premiums to the PEBB.

General Information about the OPEB Plan

Plan Description. The District participates in a single-employer defined benefit plan offered by Public Employees Benefit Board (PEBB) plan which is administered by the Health Care Authority (HCA) per RCW 41.05.065.

The PEBB plan is funded on a pay-as-you-go basis and there are no assets accumulating in a qualifying trust.

OPEB are benefits to retired employees beyond those provided by their pension plans. Such benefits include medical, prescription drug, dental, life, vision, disability, and long-term care insurance. PEBB, the District's substantive plan carrier, offers retirees access to all these benefits through PEBB. However, the District provides only monetary assistance, or subsidies, for medical, prescription drug, life, and vision insurance. The District's employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system. For financial reporting purposes the plan is a single-employer defined benefit OPEB plan.

The Office of the State Actuary, a department within the primary government of the State of Washington, issues a publicly available Other Post-Employment Benefits Actuarial Valuation Report. The Other Post-Employment Benefits Actuarial Valuation Report may be obtained by writing to: Office of the State Actuary, P.O. Box 40914, Olympia, Washington 98504-0914, or it may be downloaded from the Office of the State Actuary website at http://leg.wa.gov/OSA.

Benefits Provided. The HCA administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims' pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees. For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of $150 or 50% of the monthly premiums. As of

January 1, 2022, the subsidy will be increased to $168 per month. The retirees and spouses currently pay the premium minus $150 when the premium is over $300 per month and pay half the premium when the premium is lower than $300.

The implicit medical subsidy is the difference between the total cost of medical benefits and the premiums. For pre-65 retirees and spouses, the retiree pays the full premium amount, but that amount is based on a pool that includes active employees. Active employees will tend to be younger and healthier than retirees on average, and therefore can be expected to have lower average health costs. For post-65 retirees and spouses, the retiree does not pay the full premium due to the subsidy discussed above.

Employees covered by benefit terms: At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	0
Active employees	74
Total	84

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District reported a total liability of $2,294,820, measured as of June 30, 2022 using the alternative measurement method as of that date. The District recognized OPEB expense of ($245,002) related to this plan.

The OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The OPEB liability represents the District's actuarial present value of projected benefit payments attributable to past periods of service. The OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB payments come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable.

At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Payments subsequent to the measurement date	$ 20,129	
TOTAL	$ 20,129	

Deferred outflows of resources of $20,129 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

OPEB Expense for Fiscal Year Ending June 30, 2022	
Service Cost	$172,908
Interest Cost	$58,941
Changes in Experience Data and Assumptions	($476,851)
Changes in Benefit Terms	$0
Other Changes in Fiduciary Net Position	$0
Total OPEB Expense	**($245,002)**

Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	
Discount Rate[1]	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Projected Salary Changes	3.5% + Service-Based Increases
Healthcare Trend Rates[2]	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075.
Mortality Rates	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.75%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

[1] *Source: Bond Buyer General Obligation 20-Bond Municipal Index.*

[2] *Trend rate assumptions vary by medical plan. For additional detail on the healthcare trend rates, please see our PEBB OPEB Healthcare Trend Assumptions webpage.*

Discount rate. The discount rate used to measure the total OPEB liability was 2.16 percent. This increased liabilities by approximately 6 percent. The assumption was updated upon a review of investment managed by the Office of the State Treasurer and the expectations for the future. The healthcare assumption and data changes increased liabilities by approximately 3 percent from the last valuation. This increase is roughly comprised of an 18 percent increase for updating the membership data and accounting for the passage for time, a 5 percent decrease for updating the healthcare costs and premiums, and a 10 percent decrease for updating the healthcare trend. The healthcare trend, also sometimes referred to as healthcare inflation, estimates future increases to costs of medical services as well as utilization of those services. There was an update on the valuation software coding based on improved understand of the anticipated movement of future retirees into specific Medicare plans. This reduced liabilities by 15 percent.

The healthcare assumptions also include the expected impact of an excise tax paid by affected employers on "Cadillac" health care plans as defined under the Patient Projection and Affordable Care Act (PPACA). This excise tax, which does not go into effect until the year 2022, represents about 2.2 percent of liabilities. The inclusion of this tax does not represent tax advice of an opinion that the tax applies to this medical plan.

Changes in the Total OPEB Liability

Total OPEB Liability (TOL)	
Service Cost	$172,908
Interest Cost	$58,941
Changes in Experience Data and Assumptions	($476,851)
Changes in Benefit Terms	$0
Benefit Payments	($31,894)
Other	$0
Net Change in Total OPEB Liability	**($276,896)**

Changes in assumptions. The District used the AMM Online Tool to calculate the OPEB liability of $2,294,820. The changes in bond rates and healthcare trend rates amounted to a $276,896 decrease to the District's total OPEB Liability. Increased service costs, which are the amount of benefits earned by active employees over the one year, and interest costs on the OPEB liability (or future value subsidy), increased the OPEB liability, $172,908 and $58,941 respectively. Benefit payments of ($31,894) were subsidies expected to be paid out throughout the year.

The District recognized $245,002 of OPEB expense in FY 2022. This is also decreased the Net Change in Total OPEB Liability incurred by the District by ($276,896).

Sensitivity of the Total Liability to Changes in the Discount Rate. The following presents the District's total OPEB liability, calculated using a discount rate of 3.54 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate.

Sensitivity Analysis			
Total OPEB Liability	**1% Decrease**	**Current**	**1% Increase**
Discount Rate	$2,745,167	**$2,294,820**	$1,939,168

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the District, calculated using the health care trend rates of 11.00 percent decreasing to 2.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.0 percent decreasing to 6.00 percent that the current rate:

Sensitivity Analysis			
Total OPEB Liability	**1% Decrease**	**Current**	**1% Increase**
Discount Rate	$2,745,167	**$2,294,820**	$1,939,168
Healthcare Trend	$1,887,077	**$2,294,820**	$2,832,792

NOTE 10 - TENANTS IN COMMON

On May 10, 1980, the East Columbia Basin Irrigation District, the Quincy-Columbia Basin Irrigation District, and the South Columbia Basin Irrigation District (the District's) pursuant to R.C.W. 87.03.013 entered into an agreement providing for the cooperation of the District's in the development, operation and maintenance of hydroelectric generating facilities (developments) to be developed on the irrigation systems or related to the Columbia Basin Project.

The District's initially developed five hydroelectric power plants known as P.E.C. 66.0 development, P.E.C. 22.7 development, E.B.C. 4.6 development, the Summer Falls development and the Main Canal Headworks (Dry Falls) development. The Cities of Seattle and Tacoma have contracted to purchase 100 percent of the power generated by these five developments in accordance with Power Purchase and Sale Contracts dated May 10, 1980.

The Districts have also developed the Quincy Chute Hydroelectric Project development. Grant County Public Utility District has contracted to purchase 100 percent of the power generated by the development in accordance with the Quincy Chute Hydroelectric Project Agreement dated May 21, 1982.

On December 14, 1982, the Districts pursuant to R.C.W. 87.03.018 entered into an agreement creating the Grand Coulee Project Hydroelectric Authority to administer those developments. In 2015 Grand Coulee Project Hydroelectric Authority changed its name to Columbia Basin HydroPower (CBHP).

The Districts have also developed the Potholes East Canal Headworks Hydroelectric Project development. Grant County Public Utility District has contracted to purchase 100 percent of the power generated by the development in accordance with the P.E.C. Headworks Power Plant Project Agreement dated July 21, 1986.

On December 10, 1987, the three Districts assigned to the Grand Coulee Project Hydroelectric Authority (the authority) the rights and obligations to administer the developments on the Districts behalf and appointed the "Authority" as their agent and representative for that purpose. On March 1, 1988, the agreement was implemented and the Grand Coulee Project Hydroelectric Authority has since been administering the developments as a separate legal entity.

In 2015 Grand Coulee Project Hydroelectric Authority changed its name to the Columbia Basin Hydropower. Also in 2015, it was determined that while Columbia Basin Hydropower was set up to administer the developments for the three Columbia Basin Irrigation Districts, the power generation capital assets should remain on the financial statements of each of the three districts in a one third equal share. As a result of this change, South Columbia Basin Irrigation District reduced the amount held as a net Investment in Tenants in Common from $18,306,759 in 2015 to $114,245 and re-classified it as Investment-Tenants in Common.

Columbia Basin Hydropower is audited by the State Auditor as a separate legal entity and by an independent auditing firm. The Annual Report for the Columbia Basin Hydropower may be obtained by writing to Columbia Basin Hydropower, PO Box 219, Ephrata, Washington 98823.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. South Columbia Basin Irrigation District is a member of Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988, when 34 cities in the state of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. **As of December 1, 2022, there are 205 members in the program**.

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

The program acquires liability insurance through their Administrator, Clear Risk Solutions, which is subject to a per-occurrence self-insured retention of $100,000, with **the exception of Wrongful Acts and Law Enforcement Liability, which have a self-insured retention of $25,000**. The standard member deductible is $1,000 for each claim (deductible may vary per member), while the program is responsible for the $100,000 self-insured retention. Insurance carriers cover insured losses over $101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the $100,000 of the self-insured retention. The program also purchases a Stop Loss Policy as another layer of protection to its membership, **with an attachment point of $1,718,302**.

Property insurance is subject to a per-occurrence self-insured retention of $25,000. Members are responsible for a $1,000 deductible for each claim. The program bears the $25,000 self-insured retention, in addition to the deductible.

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

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

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

The program has no employees. Claims are filed to members/brokers with Clear Risk Solutions, who have been contracted to perform program administration, claims adjustment and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending **December 1, 2022, were $1,484,482.16**.

NOTE 12 - OTHER

The District has several reserve amounts for specific uses as set forth by Board resolution and USBR requirements. The Federal Drainage Work Fund, to provide federal drainage work for small parcels. The Upgrading & Improvement Fund, for minor upgrade and improvement projects. The O&M Reserve Fund, which consists of 15% of the previous five-year average of operation and maintenance charges and held for extraordinary expenses. The Contract Construction Fund, which consists of a one-year estimate of the construction component charges. The Equipment Replacement Fund, to replace aging construction and operation equipment. The Block 24 O&M fund is used to maintain the closed system inside Block 24. The Fish Mitigation Reserve Fund consists of funds reserved for unforeseen expenses associated with endangered species.

South Columbia Basin Irrigation District

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30, 2022

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.048468%	0.048833%	0.047377%	0.050026%	0.051899%	0.053162%	0.054449%	0.056664%
Employer's proportionate share of the net pension liability	$	1,349,527	596,365	1,672,664	1,923,677	2,317,827	2,522,578	2,924,168	2,964,054
TOTAL	$	1,349,527	596,365	1,672,664	1,923,677	2,317,827	2,522,578	2,924,168	2,964,054
Covered payroll**	$	8,017,106	7,528,420	6,966,179	6,816,639	6,718,550	6,565,336	6325224.7	6211594.42
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	16.83%	7.92%	24.01%	28.22%	34.50%	38.42%	46.23%	47.72%
Plan fiduciary net position as a percentage of the total pension liability	%	76.5600%	88.7400%	68.6400%	67.1200%	63.2200%	61.2400%	57.0360%	59.1000%

Notes to Schedule:

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

South Columbia Basin Irrigation District

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30, 2022

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.060369%	0.059987%	0.058140%	0.060062%	0.062096%	0.064304%	0.065361%	0.064764%
Employer's proportionate share of the net pension liability	$	-2,238,954	-5,975,670	743,577	583,406	1,060,234	2,234,257	3,290,875	2,314,055
TOTAL	$	-2,238,954	-5,975,670	743,577	583,406	1,060,234	2,234,257	3,290,875	2,314,055
Covered payroll**	$	8,017,106	7,398,617	6,842,178	6,621,329	6,523,327	6,373,833	6111237	5927321.53
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-27.93%	-80.77%	10.87%	8.81%	16.25%	35.05%	53.85%	39.04%
Plan fiduciary net position as a percentage of the total pension liability	%	106.7300%	120.2900%	97.2200%	97.7700%	95.7700%	90.9700%	85.8200%	89.2000%

Notes to Schedule:

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

South Columbia Basin Irrigation District

Schedule of Employer Contributions

PERS 1

For the year ended December 31, 2022

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	279,964	334,605	343,609	352,834	354,453.00	334,142.04	383,729.00	332,997
Contributions in relation to the statutorily or contractually required contributions	$	(279,964)	(334,605)	(343,609)	(352,834)	(354,453)	(334,142)	(383,729)	(332,997)
Contribution deficiency (excess)	$	0	0	0	0	0	0 0	0	0
Covered payroll	$	8,017,106	7,528,420	6,966,179	6,718,550	6,718,550	6,565,336	6,325,225	6,211,594
Contributions as a percentage of covered payroll	%	3.49%	4.44%	4.93%	5.25%	5.28%	5.09%	6.07%	5.36%

Notes to Schedule:

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

South Columbia Basin Irrigation District

Schedule of Employer Contributions

PERS 2/3

For the year ended December 31, 2022
Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$	453,972	531,259	541,823	510,434	489,142	434,496	383,729	332,997
Contributions in relation to the statutorily or contractually required contributions***	$	(453,972)	(531,259)	(541,823)	(510,434)	(489,142)	(434,496)	(383,729)	(332,997)
Contribution deficiency (excess)	$	0	0	0	0	0	0	0	0
Covered payroll**	$	8,017,106	7,398,617	6,841,178	6,621,329	6,523,327	6,373,833	6,111,237	5,927,322
Contributions as a percentage of covered payroll	%	5.66%	7.18%	7.92%	7.71%	7.50%	6.82%	6.28%	5.62%

Notes to Schedule:
*Until a full 10-year trend is compiled, only information for those years available is presented.

South Columbia Basin Irrigaton District
Schedule of Changes in Total OPEB Liability and Related Ratios
Health Care Authority
For the year ended December 31 *, 2022*
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 2,571,716	$ 3,900,691	$ 2,319,377	$ 2,514,225	$ 2,421,239
Service cost	172,908	287,403	129,533	154,257	180,120
Interest	58,941	92,032	85,266	102,604	92,661
Changes in benefit terms	0	0	0	0	0
Differences between expected and actual experience	(476,851)	(1,660,621)	1,392,217	(416,948)	(153,410)
Changes of assumptions	0	0	0	0	0
Benefit payments	(31,894)	(47,789)	(25,702)	(34,761)	(26,385)
Other changes					
Total OPEB liability - ending	2,294,820	2,571,716	3,900,691	2,319,377	2,514,225
Covered-employee payroll	7,259,041	7,528,420	6,966,179	5,041,339	5,069,905
Total OPEB liability as a % of covered payroll	31.61%	34.16%	55.99%	46.01%	49.59%

Notes to Schedule:

***** Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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. 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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