Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Quincy-Columbia Basin Irrigation District

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

Published May 20, 2024

Report No. 1034748

Office of the Washington State Auditor
Pat McCarthy

May 20, 2024

Board of Directors
Quincy-Columbia Basin Irrigation District
Quincy, Washington

Report on Financial Statements

Please find attached our report on the Quincy-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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TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 4

Independent Auditor's Report on the Financial Statements 6

Financial Section 9

About the State Auditor's Office 51

INDEPENDENT AUDITOR'S REPORT

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

Quincy-Columbia Basin Irrigation District
January 1, 2022 through December 31, 2022

Board of Directors
Quincy-Columbia Basin Irrigation District
Quincy, 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 Quincy-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 April 24, 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

April 24, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Quincy-Columbia Basin Irrigation District
January 1, 2022 through December 31, 2022

Board of Directors
Quincy-Columbia Basin Irrigation District
Quincy, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Quincy-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 Quincy-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 April 24, 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

April 24, 2024

FINANCIAL SECTION

Quincy-Columbia Basin Irrigation District
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022
Statement of Revenues, Expenses and Changes in Net Position – 2022
Statement of Cash Flows – 2022
Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios – 2022
Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3 – 2022
Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

This management discussion and analysis (MD&A) is intended to:

1. Assist reader in focusing on significant financial issues;
2. Provide an overview of the District's financial activity;
3. Identify changes in the District's financial position;
4. Provide information on challenges in the next and subsequent years; and
5. Identify individual fund or program issues and concerns.

Since the MD&A is designed to focus on the fiscal year ending December 31, 2022, please read it in conjunction with the District's financial statements.

District Financial Statements

The District's financial statements are designed so that all activity for the District is reported as one total for the entire District. They are designed to display the financial position and activity of the District as a whole. The District consists exclusively of enterprise funds utilizing the accrual basis of accounting. These statements include:

1. Statement of Net Position. This is similar to a balance sheet in that it reports all financial and capital resources of the District. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

   The focus of the Statement of Net Position is designed to present the net position available to the District. Total net position is reported in five sections:

   - Assets. This section reports all assets as current or non-current.
   - Deferred Outflows. This section reports all deferred outflows.
   - Liabilities. This component reports all liabilities as current or non-current.
   - Deferred Inflows. This section reports all deferred inflows.
   - Net Position. This component is intended to focus the reader's attention on the net position activity for the current year.

2. Statement of Revenue, Expenses and Changes in Fund Net Position. This statement is similar to an income statement and includes sections for operating and non-operating revenues and operating and non-operating expenses. The change in net position is forwarded and shown on the Statement of Net Position as current Net Position.

3. Statement of Cash Flows. This statement shows net cash provided by or used for operating activities, non-capital financing activities, capital and related financing activities and investing activities.

Financial Analysis of the District

The District's overall financial position remained stable in 2022 and 2021. In 2022 and 2021, the District continued the practice of investing in its assets through system improvements and upgrading equipment while keeping the financial impact on the District's water users as minimal as possible. The District did not incur any new long-term debt in the current year. Irrigation facilities are well maintained, rehabilitated, and replaced as necessary to deliver irrigation water dependably. The District is following a deliberate and methodical plan to continually improve and maintain irrigation infrastructure.

An Overview of the District's Financial Position and Operations

The District's overall financial position and operations for the past two years are summarized below, and based upon the information in the Financial Statements.

STATEMENT OF NET POSITION	2022	2021
Assets		
Current Assets	21,329,113	20,804,058
Non-Current Assets	21,583,497	25,918,052
Total Assets	**42,912,610**	**46,722,110**
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	2,087,766	666,146
Total Assets and Deferred Outflows	**45,000,376**	**47,388,256**
Liabilities		
Current Liabilities	2,534,014	2,790,014
Non-Current Liabilities	2,084,720	899,181
Total Liabilities	**4,618,735**	**3,689,195**
Deferred Inflows of Resources		
Rent in Advance	9,200	-
Assessments in Advance	476,714	877,470
Deferred Inflows Related to Leases	85,123	-
Deferred Inflows Related to Pensions	2,213,687	6,246,850
Total Deferred Inflows of Resources	**2,784,724**	**7,124,320**
Net Position		
Investment in Capital Assets	19,108,077	20,068,929
Restricted by USBR for Extraordinary Maint	5,866,969	6,412,398
Restricted for PERS 2/3 Retirement Plans	2,017,893	840,830
Unrestricted	10,603,978	9,252,584
Total Net Position	**37,596,918**	**36,574,741**
Total Liabilities, Deferred Inflows & Net Position	**45,000,376**	**47,388,256**

Total Assets

In 2022, total assets decreased $3.810 million from 2021 primarily due to a $3.845 decrease in value of the PERS 2/3 net pension asset. The District implemented GASB 87 – Leases in 2022. This created a lease receivable in the amount of $111 thousand relating to the building it rents to Columbia Basin Hydropower as a one-third owner.

Total Liabilities

In 2022, total liabilities increased $930 thousand from 2021 primarily due to the timing of system improvement purchases, an increase in the PERS 1 net pension liability and a decrease in the District's Construction Repayment Obligation. The District changed its medical insurance plan to the Health Care Authority of Washington which offers post-employment benefits. The District added a net other post employment benefit (OPEB) liability in the amount of $684 thousand in 2022 under GASB 75 - OPEB. The Construction Repayment Obligation decreases as payments to the United States Bureau of Reclamation are made. In June 2022, the District made the final payment on irrigation Blocks 83 and 88 to the Bureau of Reclamation. Irrigation Blocks will continue to be paid off in the coming years. The Bureau of Reclamation's price index ratio rose to 125% for the 2022 payment.

Total Net Position

The District's overall financial position decreased marginally, with ending net position decreasing by $961 thousand in 2022 compared to 2021.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
		2022		**2021**
Revenues				
Irrigation Assessments		19,015,777		18,389,936
Water Sales		2,325,591		3,224,278
Rentals		209,993		187,430
Work for Others & Other Operating Rev		556,593		355,943
Non-Operating Revenues		5,746,229		5,171,598
Total Revenues		**27,854,181**		**27,329,184**
Expenses				
Salaries & Benefits		9,928,290		8,535,130
Supplies, Maintenance & Repair		7,969,703		7,010,094
Professional Services & Insurance		1,237,163		1,125,271
Reserved Works & Construction Payments		4,319,073		4,530,971
Depreciation		1,538,746		1,530,327
Utilities & Other Operating Expenses		1,431,250		1,299,710
Non-Operating Expenses		121,455		9,669
Total Expenses		**26,545,680**		**24,041,173**
Capital Contributions (Hydropower Assets)		364,216		334,219
Change in Net Position		**1,672,717**		**3,622,230**
Restatement		(650,540)		-
Ending Net Position		**37,596,918**		**36,574,741**

Major Factors Affecting the Statement of Revenues, Expenses and Change in Net Position

Net position continues to be impacted by the inclusion of the District's calculated share of the state's net pension liability. The District has a $1.198 million net pension liability relating to state pension PERS 1 plan at 2022 year-end. The net pension liability increased $632 thousand in 2022 from 2021. In addition, the net pension asset relating to state PERS 2/3 pension decreased by $3.846 million.

Total revenue increased by $525 thousand from 2021 to 2022. Excess water sales decreased in 2022 due to cooler and rainy spring months. Hydropower revenue also fell as lower irrigation flows generate less electricity. Grant and incentive contract revenue increased in 2022 by $604 thousand due to the timing of system improvement projects.

Total expenses increased by $2.505 million from 2021 to 2022. Wages, benefits, supplies, maintenance, repair, professional services, utilities, and other operating costs experienced significant increases compared to 2021. This is primarily due to increased operating costs across all categories of expenses.

Economic Factors

The farming economy in the community the District serves continued to be stable in 2022 and 2021 while experiencing increases in input costs and fluctuations in commodity pricing.

Long Term Debt

The long-term liability represents a contract payable to the United States of America, held by the U. S. Bureau of Reclamation, for the repayment of the construction costs incurred on these lands, within the boundaries of the Quincy-Columbia Basin Irrigation District, to develop irrigation. The Contract was entered into in 1968 and is to be repaid over sixty years. The total liability (current and non-current) for 2022 and 2021 is $333,530 and $508,439, respectively.

The District assesses each landowner for the annual repayment of the construction debt. Additional information regarding this obligation is provided in Note 4 of the Notes to the Financial Statements.

Capital Assets

The Banks Lake Pumped Storage Project is proposed to be built between two existing reservoirs: Franklin D. Roosevelt Lake, which is behind Grand Coulee Dam, and Banks Lake. The project uses the two reservoirs to transfer and store water that can then be used to generate electricity at the times when it is most needed. When excess energy is being produced it can be used to pump water from the lower reservoir to the upper reservoir at relatively low costs. During times of higher power demand, water is sent back down to the lower reservoir, generating electricity. The project size will be determined in collaboration with potential offtakers to meet the needs of the region. The completed project is expected to be within the range of 500–1,000 MW. As of December 31, 2022, $1.576 million of District funds has been capitalized into the planning and engineering phase of the pump storage project.

The District continues to upgrade minor and major equipment, such as motor vehicles, major equipment, office equipment and furnishings, while surplusing or disposing of older equipment. The District also includes the capital assets from its one-third ownership in the Columbia Basin Hydropower joint venture. The following shows the net change in the District's capital assets between years 2022 and 2021.

CAPITAL ASSET ACTIVITY		
	2022	**2021**
Land	15,987	15,987
Construction in Progress	1,928,922	1,871,284
Hydropower Structure and Improvements	46,017,298	45,710,720
Hydropower Office Building	323,636	323,636
Minor Equipment	1,336,811	1,336,811
Major Equipment	11,148,443	10,934,765
Office Equipment	182,381	182,381
Total Capital Assets	**60,953,478**	**60,375,583**
Accumulated Depreciation	(41,845,401)	(40,306,655)
Total Net Capital Assets	**19,108,077**	**20,068,929**

Additional information regarding capital assets is provided in Note 3 of the Notes to the Financial Statements.

The District in the Future

The District continues to upgrade capital assets and older assets, typically fully depreciated and no longer cost effective to maintain, are sold for surplus. System improvements will continue to be a focus of the District with projects such as canal linings, pipelines and pumping plant renovation. The main goals of power generation joint venture project, created by the three Columbia Basin irrigation districts have been achieved; to provide a source of revenue for infrastructure replacement and modernization projects and reduce future increases in irrigation assessments.

It is the District's objective to keep the water users rates reasonable while providing operation and maintenance needed to maintain the water delivery system. Annual revenue derived from assessments, power generation and grants currently cover the operational, maintenance and system improvement costs of the District and is projected to do so for the foreseeable future.

Request for Information

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

Quincy-Columbia Basin Irrigation District
P O Box 188
Quincy, WA 98848

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF NET POSITION
For the Year Ended December 31, 2022

ASSETS	2022
Current Assets:	
Cash and Cash Equivalents	2,001,277
Short-Term Investments	12,040,935
Assessments Receivable	21,654
Accounts Receivable	
Interest Receivable	3,277
Leases Receivable	25,817
Supplemental & Excess Water	90,575
US Bureau of Reclamation	101,484
Other Accounts Receivable	60,900
Restricted Assets	
Cash and Cash Equivalents	(73,262)
Short-Term Investments	5,940,231
Inventory	593,957
Accrued Interest	64,380
Prepayments	457,890
TOTAL CURRENT ASSETS	**21,329,113**
Non-Current Assets:	
Leases Receivable	61,113
Net Pension Asset (PERS 2/3)	2,082,629
Investment in Joint Venture	331,679
Capital Assets:	
Capital Assets not Being Depreciated	
Land	15,987
Construction in Progress Related to Hydropower	1,928,922
Capital Assets Being Depreciated	
Buildings	323,636
Structures and Improvements Related to Hydropower	46,017,298
Equipment	12,667,635
Less Accumulated Depreciation	(41,845,401)
Total Capital Assets	19,108,077
TOTAL NONCURRENT ASSETS	**21,583,497**
TOTAL ASSETS	**42,912,610**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	2,087,766
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**45,000,376**

- - - The accompanying notes should be read with these financial statements - - -

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF NET POSITION
For the Year Ended December 31, 2022

LIABILITIES	2022
Current Liabilities:	
Accounts Payable	1,516,542
Payroll Accruals Payable	262,045
Accrued Leave	551,142
Current Maturities on Construction Repayment	130,545
Contract Retentions	53,008
Deposits Payable	19,992
Accrued Taxes	741
TOTAL CURRENT LIABILITIES	**2,534,014**
Non-Current Liabilities:	
Construction Repayment	202,985
Net Pension Liability (PERS 1)	1,198,085
Net Other Post Employment Benefits (OPEB) Liability	683,650
TOTAL NONCURRENT LIABILITIES	**2,084,720**
TOTAL LIABILITIES	**4,618,735**
DEFERRED INFLOWS OF RESOURCES	
Rent in Advance	9,200
Assessments In Advance	476,714
Deferred Inflows Related to Leases	85,123
Deferred Inflows Related to Pensions	2,213,687
TOTAL DEFERRED INFLOWS OF RESOURCES	**2,784,724**
NET POSITION	
Net Investment in Capital Assets	19,108,077
Restricted by USBR for Extraordinary Maintenance	5,866,969
Restricted for Washington State PERS 2/3 Retirement Plans	2,017,893
Unrestricted	10,603,978
TOTAL NET POSITION	**37,596,918**
TOTAL NET POSITION, DEFERRED INFLOWS AND LIABILITIES	**45,000,376**

- - -The accompanying notes should be read with these financial statements - - -

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2022

	2022
OPERATING REVENUES:	
Assessments	19,015,777
Water Sales	2,325,591
Rentals And Leases	209,993
Work For Others	520,272
Other Operating Revenue	36,321
Total Operating Revenue	**22,107,953**
OPERATING EXPENSES:	
Salaries	7,416,949
Employee Benefits	2,511,341
Supplies, Materials, Chemicals & Petroleum	6,325,935
Maintenance & Repair	1,643,768
Professional Services	620,716
Office Expense	187,988
Insurance & Bond Premiums	428,459
Insurance Claims	11,379
Utilities	1,000,327
Reserved Works	4,150,223
Depreciation Expense	1,538,746
Construction On Water Contracts	168,850
Other Operating Expense	419,544
Total Operating Expense	**26,424,225**
OPERATING INCOME (LOSS)	**(4,316,273)**
NONOPERATING REVENUES (EXPENSES)	
Interest Income	233,216
Power Generating Revenue	3,870,563
Grants / Incentive Contracts	1,049,160
Power Plant Expenses	(122,301)
Power Development Reimbursement	2,180
Other Nonoperating Expense	1,873
Other Nonoperating Revenue	591,110
Power Development Expense	(1,027)
TOTAL NONOPERATING REVENUES (EXPENSES)	**5,624,774**
Income Before Contributions, Transfers, Extraordinary and Special Items	**1,308,501**
Capital Contributions related to additions in Hydropower assets	364,216
Rounding	1
CHANGE IN NET POSITION	**1,672,717**
Total Net Position, January 1, as Originally Stated	**36,574,741**
Restatement	**(650,540)**
Total Net Position, January 1, as Restated	**35,924,201**
Total Net Position, December 31	**37,596,918**

- - - The accompanying notes should be read with these financial statements - - -

QUINCY COLUMBIA BASIN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	22,116,024
Cash paid to suppliers	(15,119,992)
Cash paid to employees	(10,863,672)
Cash paid for other operating expenses	(344,504)
Net cash used by operating activities	**(4,212,145)**
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	
Grants and incentive contracts received	1,049,160
Net cash provided by noncapital and related financing activities	**1,049,160**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and Construction of Capital Assets	(988,803)
Cash paid for other non-operating expenses	(123,328)
Cash received for other non-operating revenues	591,110
Capital Contributions Related to Hydropower assets	364,216
Net cash used by capital and related financing activities	**(156,805)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investment securities	(27,167,280)
Matured investments	26,206,020
Interest income received	128,528
Power generating revenue - Columbia Basin Hydropower	3,872,743
Net cash provided by investing activities	**3,040,011**
NET INCREASE (DECREASE) IN CASH	**(279,779)**
CASH, BEGINNING OF YEAR	**2,207,794**
Rounding	(1)
CASH, END OF YEAR	**1,928,014**
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating income (loss)	(4,316,273)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation and amortization	1,538,746
Other post employment benefit (OPEB) expense	41,910
Decrease (increase) in assets:	
Accounts/Assessments receivable	37,478
Lease Receivable	(3,870)
Prepaid expenses	(85,954)
Inventories	364,881
Deferred outflow of resources related to pensions	(1,421,620)
Net pension asset	3,845,724
Increase (decrease) in liabilities:	
Accounts payable	(210,701)
Construction Obligation Payable	(174,909)
Accrued liabilities	(2,918)
Deposits	1,984
Advance assessments	(400,757)
Advance Hydropower Building Rent	400
Deferred inflow of resources related to pensions	(4,033,163)
Deferred inflow of resources related to leases	(25,537)
Net pension liability	632,434
Total adjustments	104,128
Net cash used by operating activities	**(4,212,145)**
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITES:	
Purchase of land, structures and equipment with direct financing	
Adjustment to Investment in Joint Venture	410,908

- - - The accompanying notes should be read with these financial statements - - -

These notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Quincy-Columbia Basin Irrigation District (the District) conform to 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.

Change in Accounting Principle - Other Postemployment Benefit (OPEB)

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) during 2022. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement replaces GASB Statement 45. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed.

Change in Accounting Principle – Leases

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases during 2022. 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 lease is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. Note disclosure about leases is also addressed.

All applicable GASB statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies.

a. Reporting Entity

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

b. <u>Basis of Accounting and Presentation</u>

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's statements are prepared using the economic resources measurement focus and full-accrual basis of accounting. 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 Operations and Maintenance Fund.

The District's use of the term "funds" refers to categories of cash and their corresponding general ledger accounts. Funds are created by Board resolution.

Operating revenues and expenses are those directly related to the operation of the District. Non-operating revenues and expenses are those not directly related to the operation of the District. Examples of non-operating revenues include interest, power, and grant revenue.

c. <u>Cash and Cash Equivalents:</u>

For purposes of the statement of cash flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

d. <u>Inventories</u>:

Inventories values are $594 thousand for 2022, which approximates the average cost of the inventories. Inventory items are used for operations and maintenance and are not held for resale. Inventory values are primarily due to chemicals purchased in 2022 and used in 2023. Year-end inventory values fluctuate significantly from year to year due to the timing of material purchases and utilization.

e. <u>Capital Assets</u>

See Note 3.

f. <u>Restricted Funds</u>

The Contract Reserve Fund ("Fund") was established as a requirement of Article 35 of the 1968 Repayment Contract ("Contract") with the U.S. Bureau of Reclamation ("USBR"). The Contract requires the Fund's balance be equal to at least 30% of the average previous five years' O & M expense. Annually, the 5-year, 30% average O&M expense is calculated, and a transfer is made into the Fund to true-up the balance, as set forth by the Contract. Due to the externally imposed restriction stated in the USBR Contract, the District classifies the Fund monies as restricted.

Additionally, the Contract states funds are to be used "…for the purpose of meeting major, extraordinary, or unforeseen costs of operation and maintenance, repair and replacements of the transferred works, and the District's share of such costs relating to the project reserved works and special reserved works." The Contract further states, payments shall be made into this Fund until 30% of the District's average annual O&M costs of the proceeding 5 years are met. If funds are used for an extraordinary repair and maintenance event, they must be returned to the Fund by annual assessments of not less than 3% of the 5-year average (within 10 years).

The District's annual transfers for 2022 were $155 thousand. During 2022, the District borrowed $734 thousand and another $69 thousand in early 2023 from the Contract Reserve Fund for emergency repairs on the W61 Lateral. These funds will be paid back to the fund over a planned period of 10 years. The Contract Reserve Fund ended 2022 with a negative cash balance of $(73) thousand due to these repairs. Fund cash was made whole in early 2023 with an investment maturity. As of December 31, 2022, the Contract Reserve Fund balance was $5.845 million.

g. <u>Receivables</u>

Assessments Receivable is a lien on the land under Title 87 of the Revised Code of Washington. The majority of Accounts Receivable consists of billings to the U.S. Department of Reclamation. These receivables are fully collectable.

h. <u>Investments</u>

See Note 2.

i. <u>Compensated Absences</u>

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

Vacation pay, which may be accumulated up to 240 hours, is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. Upon resignation, any outstanding sick leave is lost. At retirement or death, sick leave is paid out at 25% of the accumulated balance.

j. <u>Pensions</u>

For purposes of measuring the net pension liability, net pension 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/net pension asset and related deferred inflows. See Note 6.

k. Asset Retirement Obligations (AROs)

The District is a one-third owner in the Columbia Basin Hydropower (CBHP) joint venture, 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 joint venture 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 joint venture, please refer to Note 8.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash on hand at December 31, 2022 on was $1,928,014. The carrying amount of the District's deposits, including certificates of deposit and Treasury Bills, was $17,981,166, and the bank balance was $1,927,114.

As required by state law, all deposits and investments of the District's funds are obligations of the U. S. Government, the State Treasurer's Investment Pool, Certificates of Deposits, or deposits with Washington State banks as allowed by Chapter 39.59 RCW.

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

As of year-end 2022, the District had the following investments:

Investments	2022 Book Value
US Treasury Debt Securities	13,056,487
Local Gov't Investment Pool	4,924,679
Total	**17,981,166**

a. Interest rate risk: Investments are subject to interest rate risk. Interest rate risk is the risk the District may face should interest rate variances affect the fair value of investments. The District does not have a formal policy that addresses interest rate risk.

At December 31, 2022, the District held investments with the following maturity time frames.

		Investment Maturity (in years) for the year ended December 31, 2022			
Investment Type	**Fair Value**	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
US Treasuries	13,056,487	13,056,487			
Total Investments	**13,056,487**	**13,056,487**			

b. Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the District would not be able to recover the value of the investment or collateral securities. Of the District's total position of $17,981,166, no investments were exposed to custodial credit risk. The District does not have a policy for custodial credit risk.

c. Fair Market Value: The District categories its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

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

		Fair Value Measurements Using		
	12/31/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
US Treasury Debt Securities	13,056,487	13,056,487		
Total investments by fair value level	**13,056,487**	**13,056,487**		

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

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the 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.

At December 31, 2022, the District held the following investments measured at amortized cost:

Investments held at amortized cost	
	12/31/2022
Washington State Local Government Investment Pool	4,924,679
Total	**4,924,679**

NOTE 3 – CAPITAL ASSETS

Major expenses for capital assets are capitalized. The District defines a capital asset as having a useful life greater than one year and a value of $10,000 or more. Depreciation is computed on the straight-line method with useful lives of 5 to 50 years. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. The hydropower capital assets included in the table below represents the District's one-third ownership in its joint venture capital assets. In addition, $750,000 in intangible assets consisting of Federal Energy Regulatory Commission licenses are included in the Hydropower Structures and Improvements capital assets total. The Columbia Basin Hydropower joint venture was created to operate and maintain hydropower assets. See Note 8 for information on Columbia Basin Hydropower.

Capital Asset activity for the year ended December 31, 2022 was as follows :				
	Beginning Balance	Increase	Decrease	Ending Balance
Capital asset not being depreciated:				
Land	15,987	-	-	15,987
Construction in Progress	1,871,284	263,414	205,776	1,928,922
Total capital asset not being depreciated	1,887,271	263,414	205,776	1,944,909
Capital assets being depreciated:				
Hydropower Structures & Improvements	45,710,720	306,578	-	46,017,298
Hydropower Office Building	323,636	-	-	323,636
Minor Equipment	1,336,811	-	-	1,336,811
Major Equipment & Vehicles	10,934,765	213,679	-	11,148,443
Office Equipment & Furnishings	182,381	-	-	182,381
Total capital assets being depreciated	58,488,312	520,257	-	59,008,569
Less accumulated depreciation for:				
Hydropower Structures &Improvements	30,712,045	931,352	-	31,643,397
All Equipment, Vehicles & Office	9,594,609	607,394	-	10,202,004
Total accumulated depreciation	40,306,655	1,538,746	-	41,845,401
Total capital assets being depreciated, net	18,181,657	(1,018,489)	-	17,163,168
TOTAL CAPITAL ASSETS, NET	**20,068,929**	**(755,075)**	**205,776**	**19,108,077**

NOTE 4 – LONG-TERM DEBT AND LIABILITIES

The District owed construction repayment to the United States of America, held by the U.S. Bureau of Reclamation for construction of the irrigation facility, in the amount of $333,530 as of December 31, 2022. The contract was entered into in 1968 and the repayment is approximately 15% of the original cost to be repaid by the land served over 60 years at 0% interest.

The following tabulation shows the changes in the account since its inception, with balances as of December 31, 2022:

2022 USBR Contract Repayment						
	Construction Charge Obligation		**Accrued Annual Installments Paid**		**Balance 12/31/2022**		**Balance 12/31/2021**
Block 70	746,419		746,419		0		0
Block 71	1,454,549		1,454,549		0		0
Block 72	2,775,001		2,775,001		0		0
Block 73	2,898,577		2,898,577		0		0
Block 74	1,801,761		1,801,761		0		0
Block 75	1,757,825		1,757,825		0		0
Block 76	816,332		816,332		0		0
Block 77	1,123,409		1,123,409		0		0
Block 78	925,916		925,916		0		0
Block 79	1,100,394		1,100,394		0		0
Block 80	1,493,438		1,361,263		60,421		101,589
Block 81	1,945,454		1,593,345		258,637		312,261
Block 82	1,397,606		1,330,607		0		0
Block 83	872,917		813,373		0		41,673
Block 85	1,392,210		1,392,210		0		0
Block 86	1,019,639		1,019,639		0		0
Block 87	2,454,588		2,454,588		0		0
Block 88	740,191		689,594		0		35,443
Block 89	2,267,117		2,267,117		0		0
Block 701	190,929		190,929		0		0
Block 741	108,876		89,172		14,472		17,473
Block 881	193,733		185,920		0		0
TOTAL	**29,476,879**		**28,787,938**		**333,530**		**508,439**

The annual requirements of the Construction repayment outstanding as of December 31, 2022, are as follows:

Construction Obligation **

2023	$ 130,545	2026	$ 89,736*
2024	$ 56,625*	Total	$ 333,530*
2025	$ 56,625*		

*Annual installments are determined by multiplying the base annual installment by the normal price index factor and then multiplying the product so obtained by the normal agricultural parity factor. The end result is that a percentage of the base annual installment is actually due. The U.S. Department of the Interior sends the percentage for the subsequent year payment to the District each fall. These figures are calculated assuming that 100% of the base annual installment will be due.

**This is an interest free obligation.

The current year construction repayment is assessed yearly to each landowner. Funds collected are placed in the Construction Fund.

Long-term liability activity for the year ended December 31, 2022 was as follows :					
	Beginning Balance	**Increase**	**Decrease**	**Ending Balance**	**Due Within One Year**
Contractual Repayment – US Bureau of Reclamation	508,439	-	174,909	333,530	130,545
Pension Obligations	565,651	632,434	-	1,198,085	
OPEB Obligations	641,740	41,910	-	683,650	
Compensated Absences	558,114	-	6,972	551,142	
Total long-term liabilities	**2,273,944**	**674,344**	**181,881**	**2,766,407**	**130,545**

Note 5 – Leases (Lessors)

The District owns one-third of an office building in Ephrata, WA which is leased to Columbia Basin Hydropower who has exclusive use of the building. The lease began in March 2020 with a term of six years. Annual lease payments are $75,600 with a $3,600 annual increase. The imputed rate of interest is 3.5%. One-third of the annual lease payment is made to each of the three Columbia Basin Project irrigation districts: Quincy-Columbia Basin Irrigation District, East Columbia Basin Irrigation District, and South Columbia Basin Irrigation District. It is the responsibility of the lessee to pay all utilities, and maintain and repair the building. The lessee will return the building in good condition with normal wear and tear at the end of the lease. The lease will more likely than not last the entirety of the six-year term, but is unknown if it will be extended.

The amount of inflows of resources (one-third of the total amount) related to this lease recognized during the fiscal year ending December 31, 2022 are as follows: a lease receivable and deferred inflow of resources in the amount of $110,660; a reduction to lease receivable of $23,730; lease revenue and a reduction to deferred inflow of resources in the amount of 25,537; interest revenue in the amount of $3,470; prepaid rent in the amount of $9,200 as the annual lease payment is for May through April each calendar year; and a negative adjustment to retained earnings in the amount of $8,800 in order to begin accounting for the lease under GASB 87. See note 13 for more information.

NOTE 6 – PENSION PLANS

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	$ 1,198,085
Pension assets	$ 2,082,629
Deferred outflows of resources	$ 2,087,766
Deferred inflows of resources	$ 2,213,688
Pension expense/expenditures	$ (257,000)

State Sponsored Pension Plans

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

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

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 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 are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

Contributions

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

* For employees participating in JBM, the contribution rate was 15.90%.

The District's actual PERS plan contributions were $266,583 to PERS Plan 1 and $452,105 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:** 7.00%

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%.

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% 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% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) 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 (asset) calculated using the discount rate of 7%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

Plan	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	$ 1,600,625	$ 1,198,085	$ 846,762
PERS 2/3	$ 2,452,568	$ (2,082,629)	$ (5,808,580)

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 reported its proportionate share of the net pension liabilities (assets) as follows:

Plan	Liability (or Asset)
PERS 1	$ 1,198,085
PERS 2/3	$ (2,082,629)

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

Plan	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.046318%	.043029%	-.003289%
PERS 2/3	.059512%	.056154%	-.003358%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

Pension Expense

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

Plan	Pension Expense
PERS 1	$ 467,020
PERS 2/3	$ (724,020)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (198,558)
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 137,370	$ -
TOTAL	**$ 137,370**	**$ (198,558)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 516,027	$ (47,145)
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ (1,539,703)
Changes of assumptions	$ 1,160,778	$ (303,933)
Changes in proportion and differences between contributions and proportionate share of contributions	$ 42,993	$ (124,349)
Contributions subsequent to the measurement date	$ 230,598	$ -
TOTAL	**$ 1,950,395**	**$ (2,015,131)**

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

Year ended December 31, 2022:	PERS 1
2023	$ (84,026)
2024	$ (76,317)
2025	$ (95,737)
2026	$ 57,522
2027	$ -
Thereafter	$ -

Year ended December 31, 2022:	PERS 2/3
2023	$ (513,643)
2024	$ (453,657)
2025	$ (531,396)
2026	$ 700,275
2027	$ 252,334
Thereafter	$ 250,754

NOTE 7–DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	$683,650
OPEB assets	$ -
Deferred outflows of resources	$ -
Deferred inflows of resources	$ -
OPEB expenses/expenditures	$41,910

Plan Description

The District administers a single-employer defined benefit premium program ("the retiree subsidy plan"). District employees who end public employment are eligible to continue insurance coverage as a retiree if they retire under the public employees' retirement system and are vested in that system and eligible for COBRA. The plan may be amended through collective bargaining (for bargaining unit employees) and ratified by the District's Board of Directors, or changed without bargaining for non-bargaining unit employees. The retiree subsidy plan does not issue a publicly available financial report.

Benefits Provided

Coverage for medical, including prescription drugs, dental and vision is subsidized for pre-65 and post-65 retirees. Dental and life insurance are not offered to retired employees on a subsidized basis. The valuation solely reflects an implicit subsidy. Since the District does not explicitly subsidize health benefits, retirees pay 100% of the cost.

The implicit subsidy reflects the difference between the premium rate or cost charged to a retiree for a particular benefit as compared to the estimated rate of cost to the retiree, if those benefits were calculated reflecting retirees as a separate group (rather than their costs bundled with the active population).

The District does not reimburse for Medicare Part B premium for Medicare eligible retirees and their dependents. The standard or the Income Related Monthly Adjustment Amount (IRMAA) to high income earners are paid by the retiree and not reimbursed or subsidized by the District.

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	0
Inactive employees entitled to but not yet receiving benefits	*
Active employees	102
Total	102

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

Funding Policy

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

Contributions

For the year ended December 31, 2022, the District paid $0 in retiree subsidies.

Total OPEB Liability

The District's total OPEB liability was measured as of December 31, 2022 and was determined by an actuarial valuation with a measurement date of December 31, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method

The actuarial cost method used is entry age normal as a level percentage of payroll.

Significant Assumptions

The 2022 discount rate is 4.18%. The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 74/75 using an average of two 20-year municipal bond indices (e.g., S&P Municipal Bond 20 Year High Grade Rate Index - 4.31% and Fidelity GO AA 20 Years - 4.05%) as of December 31, 2022.

The following assumptions are used for annual healthcare cost inflation (trend):

	Year	Pre-65	Post 65
Year 1 Trend	January 1, 2024	7.00%	7.00%
Ultimate Trend	January 1, 2034 & Later	4.50%	4.50%
Grading Per Year		0.25%	0.25%

The following assumptions are used for mortality. RP 2014 Healthy Male and Female Tables are based on the Employee and Healthy Annuitant Tables for both pre & post retirement projected with mortality improvement using the Society of Actuaries Mortality Improvement Scale MP-2021. The MP-2021 table is the most current mortality improvement table, since the Society of Actuaries did not release a new table for 2022.

Payroll information was reflected in the valuation for the actuarial cost method. Benefit and retiree contribution rates are not based on payroll so this information was not necessary for benefit or contribution rate calculations. Average salary increase used for the Entry Age Normal (EAN) actuarial cost method is assumed to be 3.50%.

It is assumed that 50% participation for those covered as actives. A percentage lower than 100% was assumed since employees have a high premium rate and could elect to get coverage from another employer (or spouse's employer) or participate in an individual plan on or off the exchange for pre-65 coverage. Similarly, post-65 retirees can purchase their own Medicare Supplement policy separate from the District's plan.

No special adjustments or considerations were made to valuation results due to the COVID-19 pandemic. No special considerations were made for the impact on assets since the District is not funding a separate OPEB trust. Similarly, no special adjustments were made to the OPEB liability calculations. The impact of COVID-19 will be reviewed in future years including the potential impact on selected assumptions (e.g., mortality, morbidity, etc.).

Changes in Total OPEB liability for the year ending December 31, 2022	
Total OPEB Liability at January 1, 2022	**641,740**
Changes Recognized During the Fiscal Year	
Service Cost	15,085
Interest	26,825
Changes of Benefit Terms	-
Differences between expected and actual experience	-
Changes of Assumptions	-
Benefit Payments	-
Other Changes	-
Net Changes	41,910
Total OPEB Liability at December 31, 2022	**683,650**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rate

The following table presents the total OPEB liability of the District calculated using the discount rate of 3.18%, as well as what the OPEB liability would be if it were calculated using a discount rate one percentage rate lower or one percentage rate higher than the current rate.

	-1%	Current Discount Rate	+1%
Total OPEB Liability	816,868	683,650	584,763

The following table presents the total OPEB liability of the District calculated using the current healthcare cost trend rate of 4.5%, as well as what the OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher than the current rate.

	-1%	Current Trend Rate	+1%
Total OPEB Liability	593,112	683,650	795,867

Deferred Inflows and Outflows Related to OPEB

At December 31, 2022, the District reported no deferred outflows of resources and no deferred inflows of resources related to OPEB. These amounts are reported as zero for 2022 as the District switched to a medical insurance carrier offering post retirement coverage benefits on January 1, 2022. Prior to this date, the District's insurance plan did not provide post-employment benefits.

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	$ -	$ -
Payments subsequent to the measurement date	$ -	$ -
TOTAL	$0	$0

The deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2019	$ -
2020	$ -
2021	$ -
2022	$ -
2023	$ -
Thereafter	$ -

NOTE 8 – JOINT VENTURES

The District is involved in the Columbia Basin Hydropower (CBHP) joint venture, which is comprised of seven hydroelectric generating developments located within the boundaries of the Quincy-Columbia Basin Irrigation District, the South Columbia Basin Irrigation District, and the East Columbia Basin Irrigation District. These projects are jointly owned by all three Districts, one-third each, pursuant to an agreement executed on May 10, 1980 by the Districts.

South Columbia Basin Irrigation District was designated by the above agreement to be the lead agency for these projects, with the responsibility for development, operation and maintenance of these projects until such time as a separate legal entity was created to assume these duties. By Agreement dated December 10, 1987, the three Districts assigned to the Columbia Basin Hydropower the rights and obligations to administer the developments on their behalf and appointed the “Authority” as their agent and representative for that purpose.

The Quincy-Columbia Basin Irrigation District, South Columbia Basin Irrigation District, and East Columbia Basin Irrigation District are involved in the operation of the Quincy Chute Hydroelectric Project, in which Quincy District is the lead agency. Grant County Public Utility District has contracted to purchase 100 percent of the power generated by the Quincy Chute, in accordance with a Construction and Operation Agreement dated May 21, 1982.

On July 11, 1988, the Quincy-Columbia Basin Irrigation District, South Columbia Basin Irrigation District, and East Columbia Basin Irrigation District entered into a Contract with Grant County Public Utility District for the construction of the Potholes East Canal Headwork’s Hydroelectric Project, in which South District is the lead agency, whereby Grant County Public Utilities District will undertake development, operation and maintenance of the project and purchase 100 percent of the power output. In any month that the account balance, as determined by Grant County Public Utility District, is positive, Grant County Public Utility District shall pay one-half of the account balance to the Districts. The Districts do not receive title for 40 years after the date of commercial operation of the project, or October 1, 2032, whichever event first occurs.

On May 10, 1980, the three irrigation Districts executed power sales agreements with the City of Seattle and the City of Tacoma for all six hydroelectric projects. Under said agreement, the Cities have agreed to purchase 100 percent of the power generated by the projects. In addition, the Cities are required to make payments to the Districts which equal the operating and maintenance expenses plus the annual debt service on the revenue bonds issued. The Districts do not receive title to the facilities until 40 years after the date of the contract.

As contracts with City of Seattle and City of Tacoma phase out, new power sales agreements are being executed with Avista Utilities. The first contract with Avista Utilities was signed in 2022. CBHP is responsible for all hydropower facility expenditures under contract with Avista Utilities. The revenue from the sale of electricity to the three Districts are net of expenses from hydropower facilities under contract with City of Seattle and City of Tacoma. Gross revenue from the sale of power is received by the Districts for hydro facilities under contract with Avista Utilities. Operations, maintenance and capital improvement expenditures are therefore reimbursed by the joint venture partners to CBHP for sites under contract with Avista Utilities. In 2022, the District reimbursed CBHP $122,301 for its share of the operations and maintenance costs under contract with Avista Utilities. There were no capital improvement expenditures for hydropower facilities under contract with Avista Utilities in 2022.

The District made $5,477 in payments to CBHP in 2022 for the District’s share of Quincy Chute and Potholes East Canal Headworks activities, and for small hydro-electric site development.

CBHP is audited as a separate entity as well as the joint venture partners. Separate financial statements can be obtained by contacting the Columbia Basin Hydropower, PO Box 219, Ephrata, Washington 98823; South Columbia Basin Irrigation District, PO Box 1006, Pasco, WA 99301; and East Columbia Basin Irrigation District, PO Box E, Othello, WA 99344.

NOTE 9 - RISK MANAGEMENT

The District has elected the account reimbursable method for unemployment insurance. There were no unemployment claims for 2022. Unemployment recoveries were $681 in 2022. Using this method provides a substantial savings to the District in lieu of paying the standard unemployment percentages.

The District has also elected partial self-insurance for general liabilities through increasing the amount of deductible threshold. The deductible for general liabilities is $10,000 per incident.

The District's Directors, officers and employees are subject to loss from errors and omissions in the administration of their duties. Public Officials & Employee Liability coverage is purchased to protect against those exposures including employment practices liability.

Deductible payments, if any, are considered an operational expense payable from the general operations and maintenance fund. In recognition of potential risks to the District, the Board of Directors has purchased various insurance policies to minimize areas of such risks. The policies include a bond for each director, manager and treasurer, coverage for Fidelity and Crime, Group Travel, Public Officials & Employee Liability, property policies that cover buildings, siphons, pumping plants, valuable papers, etc., Inland Marine coverage for Heavy Equipment, Pollution Liability, Electronic Data Equipment coverage. A package policy that includes General Liability, Property, Inland Marine, Mobile Equipment & Vehicles and finally an Umbrella policy to add extended limits to some unseen event or claim. The District also carries Professional Engineers liability insurance which insures the District’s professional engineers.

The Columbia Basin Project irrigation facilities are owned by the United States which is self-insured. The District is required by the federal repayment contract to accumulate and maintain an emergency reserve operations and maintenance fund equal in amount to 30% of the average annual operations and maintenance costs of the District for the preceding five years. This fund is available for the purpose of meeting major, extraordinary or unforeseen costs of operations and maintenance, repair and replacements of transferred works and the District's share of such costs relating to project reserved works and special reserved works.

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

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

The program acquires reinsurance through their administrator, Clear Risk Solutions. Liability coverage is purchased to an aggregate limit of $50,000,000 with a self-insured retention (SIR) of $500,000.

Members are responsible for a $1,000 to $50,000 deductible for each claim (can vary by member), while the program is responsible for the $500,000 SIR. Since the program is a cooperative program, there is joint liability among the participating members toward the sharing of the $500,000 SIR, in addition to the deductible. The program also purchases a Stop Loss Policy as another layer of protection to its membership, with an attachment point of $7,110,058, which is fully funded in its annual budget.

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

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

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

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

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

The program has no employees. Claims are filed by members/brokers with Clear Risk Solutions, who has been contracted to perform program administration, underwriting, claims adjustment, and loss prevention for the program. Fees paid to the third-party administrator under this arrangement for the year ending December 1, 2022, were $2,747,184.

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 District's risk management also includes loss prevention and reduction and risk transfer as follows:

1. <u>Loss Prevention and Reduction</u>:

    a. The District has developed an emergency response plan; and
    b. The District has quarterly District-wide safety meetings; and
    c. The District has monthly water section safety meetings; and
    d. The Bureau of Reclamation conducts a bi-annual review of operations and maintenance to insure safety standards are practiced and in place; and
    e. The District had a Water Conservation Plan developed which identified facilities that are in need of improvement. This 5-year plan prioritizes maintenance on the District’s canal and laterals.

2. Risk Transfer

   a. Independent contractors are required to furnish certificates of insurance coverage and contractual risk transfer clauses are included in contracts.

NOTE 10 – COLLECTIVE BARGAINING AGREEMENT

At December 31, 2022, approximately 66% of the District's employees worked under a collective bargaining agreement that expires December 31, 2025.

NOTE 11 – GRANTS AND INCENTIVE FUNDED CAPITAL IMPROVEMENTS

In 2022, Federal grants for $589,200, were received from the United States Department of the Interior (Bureau of Reclamation) for a system improvement project. These two grants cover water saving system improvements identified through the Bureau of Reclamation WaterSMART program. The goal of the program is to improve canal infrastructure in order to reduce water usage by the irrigation system. The District used the WaterSMART grant funds in 2022 to re-line open ditches.

The District was also awarded with an energy incentive contract from Bonneville Power Administration to be used for electrical conservation projects. The BPA approves cost share projects, and the share amount is dependent upon the estimated energy savings associated with the project. In 2022, the District received $459,960 in incentive contract revenue.

NOTE 12 – COVID-19 PANDEMIC

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

To date, there has been minimal financial impact to the District related to this event. Management responded quickly to the event and implemented robust social distancing policy and procedures. These changes, while often complicating or adding time to tasks, are critical in order to protect our employees and to ensure the continuity of water delivery to District landowners.

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

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2022, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; and Statement No. 87, Leases. These pronouncements require the restatement of the December 31, 2021, net position as follows:

Net Position, Beginning of Year, As Originally Stated	$36,574,741
Cumulative Effect of Application of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	($641,740)
Cumulative Effect of Application of GASB 87, Leases	($8,800)
Net Position, Beginning of Year, as Restated	$35,924,201

QUINCY-COLUMBIA BASIN IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – OPEB
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

As of December 31, 2022*

	2022
Total OPEB Liability - Beginning	641,740
Service Cost	15,085
Interest	26,825
Changes in Benefit Terms	-
Differences Between Expected	-
and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	-
Other Changes	-
Total OPEB Liability - Ending	683,650
Covered-Employee Payroll**	6,650,419
Total OPEB Liability as a % of Covered Payroll	10.28%

Notes to Schedule:

*Information is required to be presented for ten years. However, until a full ten-year trend is compiled, the District will present information for only those years for which information is available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**Covered-employee payroll is the payroll of employees that are provided with OPEB through the OPEB plan (paragraph 246 of GASB 75).

QUINCY-COLUMBIA BASIN IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2022

PERS Plan 1	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	.043029%	.046318%	.045325%	.048085%	.050176%	.051809%	.054074%	.053516%
Employer's proportionate share of the net pension liability (asset)	$1,198,085	$565,651	$1,600,217	$1,849,039	$2,240,877	$2,458,377	$2,904,028	$2,799,384
Covered payroll	$6,990,121	$7,399,100	$6,889,781	$6,747,138	$6,708,200	$6,546,945	$6,204,885	$6,250,257
Employer's proportionate share of the net pension liability as a percentage of covered payroll	17.14%	7.64%	23.23%	27.40%	33.41%	37.55%	46.80%	44.79%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS Plan 2/3	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Employer's proportion of the net pension liability (asset)	.056154%	.059512%	.059177%	.062075%	.064693%	.066735%	.068729%	.067157%
Employer's proportionate share of the net pension liability (asset)	($2,082,629)	($5,928,353)	$756,840	$602,959	$1,104,575	$2,318,722	$3,460,451	$2,399,558
Covered payroll	$6,990,121	$7,399,100	$6,889,781	$6,747,138	$6,708,200	$6,546,945	$6,180,719	$6,206,335
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.79%	-80.12%	10.98%	8.94%	16.47%	35.42%	55.99%	38.66%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

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

QUINCY-COLUMBIA BASIN IRRIGATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – STATE SPONSORED PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

As of December 31, 2022

PERS Plan 1	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$275,243	$310,720	$339,469	$334,264	$339,247	$326,187	$301,391	$271,173
Contributions in relation to the statutorily or contractually required contributions	$275,243	$310,720	$339,469	$334,264	$339,247	$326,187	$301,391	$271,173
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$7,341,990	$7,170,775	$7,087,805	$6,743,645	$6,706,104	$6,713,227	$6,319,057	$6,067,046
Contributions as a percentage of covered payroll	3.75%	4.33%	4.79%	4.96%	5.06%	4.86%	4.77%	4.45%

PERS Plan 2/3	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	$466,952	$516,207	$561,132	$519,825	$502,822	$456,462	$393,653	$340,676
Contributions in relation to the statutorily or contractually required contributions	$466,952	$516,207	$561,132	$519,825	$502,822	$456,462	$393,653	$340,676
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$7,341,990	$7,170,775	$7,087,805	$6,743,645	$6,706,104	$6,713,227	$6,319,057	$6.067,046
Contributions as a percentage of covered payroll	6.36%	7.20%	7.92%	7.71%	7.50%	6.80%	6.23%	5.62%

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the 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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