Office of the Washington State Auditor
Pat McCarthy

July 11, 2024

Board of Directors
Columbia Basin Hydropower
Ephrata, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Columbia Basin Hydropower for the fiscal year ended December 31, 2022. The Hydropower contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

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COLUMBIA BASIN HYDROPOWER

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

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COLUMBIA BASIN HYDROPOWER
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YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors
Columbia Basin Hydropower
Ephrata, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Columbia Basin Hydropower as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Columbia Basin Hydropower's basic financial statements as listed in the table of contents

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia Basin Hydropower as of December 31, 2022, and the changes in financial position and its cash flows 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Columbia Basin Hydropower 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective January 1, 2022, the District adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Columbia Basin Hydropower'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.

Auditors' 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 auditors' 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.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- 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 Columbia Basin Hydropower'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 Columbia Basin Hydropower's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Columbia Basin Hydropower

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability (asset), schedule of employer contributions and schedule of changes in the total OPEB liability and related ratios 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 GAAS, 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Columbia Basin Hydropower's basic financial statements. The schedule of insurance policies in force, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024, on our consideration of Columbia Basin Hydropower'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 solely 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 Columbia Basin Hydropower'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 Columbia Basin Hydropower's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
March 7, 2024

This section provides an overview and analysis of key data presented in the basic financial statements for the year ended December 31, 2022. The Management's Discussion and Analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2022, and the prior year, 2021, is required to be presented in the MD&A. Information within this section should be read in conjunction with the basic financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

Columbia Basin Hydropower (CB Hydropower) accounts for its financial activities within a single proprietary fund titled *The Electric System*. The Electric System is used to account for the generation and sale of electric energy. In accordance with requirements set forth by the GASB, CB Hydropower's financial statements employ the economic resources measurement focus and full accrual basis of accounting in recognizing increases and decreases in economic resources. Accrual accounting recognizes all revenue and expenses during the year, regardless of when cash is received or paid.

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

Statement of Net Position

CB Hydropower presents its statement of net position using the format promulgated by FERC. The statement of net position reflects the assets, deferred outflows, liabilities, deferred inflows, and net position of CB Hydropower at year-end. Net position is separated into the following categories: net investment in capital assets, restricted net position and unrestricted net position. The asset and liability sections of the statement of net position are presented in reverse order of liquidity, except for reserve for operations. This statement provides a basis for evaluating the capital structure of CB Hydropower and assessing its liquidity and financial flexibility. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of CB Hydropower is improving or deteriorating.

Statement of Revenue, Expenses, and Changes in Fund Net Position

This statement reflects the transactions and events that have increased or decreased CB Hydropower's total economic resources during the period. This information can be used to determine whether CB Hydropower has successfully recovered all its costs through its fees and charges, and to evaluate profitability and credit worthiness. Revenue is presented net of allowances and is summarized by major source. Revenue and expenses are classified as operating or nonoperating based on the nature of the transaction.

Statement of Cash Flows

The statement of cash flows reflects the sources and use of cash separated into four categories of activities: operating, noncapital and related financing, capital and related financing, and investing. It presents information regarding where cash came from and what it was used for.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The notes to the financial statements, presented at the end of the basic financial statements, are considered an integral part of CB Hydropower's presentation of financial position, results of operations, and cash flows. The notes provide useful information regarding CB Hydropower's significant accounting policies, explain significant account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS

Table 1
Statements of Revenue, Expenses, and Changes in Net Position

	Years Ended December 31, 2022	2021
OPERATING REVENUE		
Operating and Maintenance Income from the Cities	$ 6,915,304	$ 6,025,596
Incentive Payments from Purchasers	9,796,200	10,278,201
Project Development Services from Districts	66,476	417,927
District Services	337,087	20,494
Total Operating Revenue	17,115,067	16,742,218
OPERATING EXPENSES		
Operating and Maintenance Expenses	(5,919,613)	(5,150,039)
Incentive Payments to Districts	(9,781,276)	(10,280,013)
Project Development Expenses	(66,476)	(417,927)
Depreciation	(110,429)	(5,277)
Total Operating Expenses	(15,877,794)	(15,853,256)
NONOPERATING INCOME (EXPENSE)		
Interest and Other Income	6,543	10,007
Gain on Disposal of Assets	-	23,895
Interest Expense - Lease	(11,547)	0
Total Nonoperating Income (Expense)	(5,004)	33,902
Changes in Net Position	$ 1,232,269	$ 922,864

During 2022, operations and maintenance revenues from the Cities of Seattle and Tacoma (the Cities) increased by 14.77 percent. Payments received from the Cities are based on CB Hydropower's estimated annual costs. A true-up is performed annually by comparing actual costs to estimated costs. If actual costs exceed the estimated costs, the Cities are billed for the difference. If actual costs are less than estimated, the Cities receive a credit on future billings.

Total power generation decreased in 2022 compared to 2021. CB Hydropower's power generation decreased during the year due to slightly lower waterflows as a result of a slight decrease demand for irrigation water in the spring. The total incentive payments from purchasers' revenue decreased by 4.69 percent from 2021.

FINANCIAL ANALYSIS (CONTINUED)

In 2022, nonoperating revenues decreased 81%. This dramatic change was largely attributable to a decrease in the gains derived from the disposal of surplus assets, an activity that had notably bolstered our non-operating revenues in 2021.

Table 2
Statements of Net Position

	Years Ended December 31, 2022	Years Ended December 31, 2021
ASSETS		
Noncurrent Assets	$ 1,174,284	$ 2,397,729
Current Assets	2,909,846	2,253,325
Total Assets	$ 4,084,130	$ 4,651,054
DEFERRED OUTFLOWS OF RESOURCES	$ 878,886	$ 340,529
Total Assets and Deferred Outflows	$ 4,963,016	$ 4,991,583
NET POSITION		
Net Investment in Capital Assets	$ 87,273	$ 114,429
Restricted for Pensions	800,577	2,283,300
Unrestricted Net Position	65,806	(2,676,342)
Total Net Position	$ 953,656	$ (278,613)
LIABILITIES		
Long-Term Liabilities	$ 1,881,066	$ 1,915,228
Current Liabilities	1,260,619	916,115
Total Liabilities	$ 3,141,685	$ 2,831,343
DEFERRED INFLOWS OF RESOURCES	$ 867,675	$ 2,438,853
Total Liabilities, Deferred Inflows, and Net Position	$ 4,963,016	$ 4,991,583

Current assets consist primarily of cash, cash equivalents, prepaid items and related-party receivables. Noncurrent assets consist of capital assets, net, and the net pension asset. See Note 3 for additional information. Deferred outflows and inflows consist of deferred outflows and inflows related to Pensions for PERS 1 and PERS 2/3, and for other postemployment benefits. Current liabilities consist of accounts payable, lease liability, accrued expenses and unearned revenue.

Noncurrent liabilities consist of a net pension liability of $459,588, OPEB liability of $1,211,044, and lease liability of $210,434 CBHP had no long-term debt as of December 31, 2022. See Note 4, 5, 6 and 8 for additional information.

In 2022, net position increased due to net income. See preceding discussion regarding the statement of revenue, expenses, and changes in net position.

CAPITAL ASSETS

Capital assets increased to a net value of $373,707 in the year 2022. The increase in the value is attributable implementation of GASB 87 and the normal course of asset depreciation, a key factor in our asset valuation model. Additionally, it's worth noting that the capital asset pool did not experience significant growth due to a strategic pause on major asset acquisitions over the reported period. Consequently, the impact of depreciation on our overall capital assets was more pronounced. This is a crucial aspect to consider when interpreting our financial position in 2022.

ECONOMIC OUTLOOK

CB Hydropower primarily operates on the revenues garnered from power generation. Notably, while the operating revenues from Power Purchasers this year have seen a modest increase compared to the previous year, it is crucial to underline that both years were extraordinarily high-performing in terms of revenue generation. Our revenues stand well above the five-year average, illustrating the company's robust financial health.

Power generation revenues can oscillate on a year-to-year basis, owing to seasonal variations and the amount of water usage required for power generation. The past year, characterized by a dry spring, saw an uptick in our revenues.

To insulate our revenue streams from such environmental uncertainties, CB Hydropower has entered into contracts with significant entities such as The City of Seattle, Tacoma, and most recently in 2022, The Avista Corporation. These agreements stipulate equal monthly installments for power generation, based on the power generation performance of previous years. This strategic move bolsters our revenue consistency and helps us maintain a solid financial footing regardless of seasonal variations.

CONTACTING MANAGEMENT

All questions regarding CB Hydropower should be directed to CB Hydropower's Manager or Treasurer, both of whom are located at:

Columbia Basin Hydropower
107 D Street NW
Ephrata, WA 98823

COLUMBIA BASIN HYDROPOWER
STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

NONCURRENT ASSETS	
Capital Assets, Net	$ 373,707
Other Noncurrent Assets:	
Net Pension Asset - Restricted	800,577
Total Noncurrent Assets	1,174,284
CURRENT ASSETS	
Cash and Cash Equivalents	2,509,319
Related-Party Receivable	131,105
Prepaid Items	269,422
Total Current Assets	2,909,846
Total Assets	4,084,130
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow of Resources Related to Pensions	863,884
Deferred Outflow of Resources Related to OPEB	15,002
Total Deferred Outflow of Resources	$ 878,886

NET POSITION, LIABILITIES, AND DEFERRED INFLOW OF RESOURCES

NET POSITION	
Net Investment in Capital Assets	$ 87,273
Restricted for Pensions	800,577
Unrestricted Net Position	65,806
Total Net Position	953,656
LONG-TERM LIABILITIES	
Net Pension Liability	459,588
Other Postemployment Benefits Liability	1,211,044
Lease Liability	210,434
Total Long-Term Liabilities	1,881,066
CURRENT LIABILITIES	
Accounts Payable	502,144
Accrued Expenses	643,986
Unearned Revenues	38,489
Lease Liability	76,000
Total Current Liabilities	1,260,619
Total Liabilities	3,141,685
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow of Resources Related to Pensions	$ 867,675

See accompanying Notes to Financial Statements.

COLUMBIA BASIN HYDROPOWER
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUE	
Operating and Maintenance Income from the Cities	$ 6,915,304
Incentive Payments from Purchasers	9,796,200
Project Development Services from Districts	66,476
District Services	337,087
Total Operating Revenue	17,115,067
OPERATING EXPENSES	
Administration and General	2,029,415
Power Generation Operation	1,114,819
Power Generation Maintenance	2,476,840
Incentive Payments to Districts	9,781,276
Extraordinary Maintenance	298,539
Project Development Expenses	66,476
Depreciation	110,429
Total Operating Expenses	15,877,794
OPERATING INCOME	1,237,273
NONOPERATING INCOME (EXPENSE)	
Interest and Other Income	6,543
Interest Expense - Lease	(11,547)
Total Nonoperating Income	(5,004)
CHANGE IN NET POSITION	1,232,269
Net Position – Beginning of Year	(278,613)
NET POSITION – END OF YEAR	$ 953,656

See accompanying Notes to Financial Statements.

COLUMBIA BASIN HYDROPOWER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 16,954,080
Cash Paid to Suppliers	(12,892,295)
Cash Paid to Employees	(3,449,653)
Net Cash Provided by Operating Activities	612,132
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on Lease	(81,300)
Acquisition of Capital Assets	(13,520)
Net Cash Used by Financing Activities	(94,820)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	6,543
Net Cash Provided by Investing Activities	6,543
NET INCREASE IN CASH AND CASH EQUIVALENTS	523,855
Cash and Cash Equivalents - Beginning of Year	1,985,464
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,509,319
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 1,237,273
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	110,429
(Increase) Decrease in Assets and Deferred Outflows of Resources:	
Related-Party Receivable	(117,776)
Prepaid Expenses	(14,890)
Deferred Outflow of Resources Related to Pensions	(537,949)
Deferred Outflow of Resources Related to OPEB	(408)
Net Pension Asset	1,482,723
Increase (Decrease) in Liabilites and Deferred Inflows of Resources:	
Accounts Payable	231,883
Accrued Expenses	79,832
Unearned Revenue	(43,211)
Net Pension Liability	241,708
Other Postemployment Benefits Liability	(486,304)
Deferred Inflow of Resources Related to Pensions	(1,571,178)
Total Adjustments	(625,141)
Net Cash Provided by Operating Activities	$ 612,132

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

On May 10, 1980, an agreement by, between, and among the East Columbia Basin Irrigation District, the Quincy-Columbia Basin Irrigation District, and the South Columbia Basin Irrigation District (the Districts) was entered into providing for the cooperation of the Districts in the development, operation, maintenance, and ownership of hydroelectric generating facilities (the Developments). The agreement established that the ownership of the Developments would be shared on an equal basis and that each District would be a licensee of each project. In addition, the agreement called for the cooperation of the Districts in preparing and supporting the necessary state legislation to form a separate authority for the purposes of development, operation, maintenance, and ownership of the Developments.

On December 10, 1987, an agreement for administering the Developments was entered into between the Districts and the Columbia Basin Hydropower (CB Hydropower). On May 1, 1988, CB Hydropower assumed its development, operation, and maintenance responsibilities as the agent and the representative of the Districts and has since been administering the Developments as a separate entity.

CB Hydropower operates and maintains the Russell D. Smith (P.E.C. 22.7) Hydroelectric Project, the P.E.C. 66 Hydroelectric Project, the E.B.C. 4.6 Hydroelectric Project, the Main Canal Headworks Hydroelectric Project, and the Summer Falls Hydroelectric Project.

Basis of Accounting and Presentation

The accounting records of CB Hydropower are maintained in accordance with methods prescribed by the State Auditor under Chapter 43.09 RCW (Revised Code of Washington). CB Hydropower uses the Federal Energy Regulatory Commission Chart of Accounts. The financial statements of CB Hydropower are prepared utilizing the economic resources measurement focus and full accrual basis of accounting.

The accounts of CB Hydropower are organized on the basis of projects, each of which is accounted for separately in a single proprietary fund.

Cash and Cash Equivalents

CB Hydropower considers all temporary investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due for reimbursement of approved expenses on contracts entered into with the Districts. All receivables are considered to be collectible, and as such, no allowance for uncollectible accounts has been provided.

Investments

Investments are recorded at amortized cost. No change in the fair value of investments has been recognized as revenue or expense in the statements of revenue, expenses, and changes in fund net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are stated at cost, expenses for capital assets exceeding $5,000 are capitalized. Depreciation on capital assets is computed using the straight-line method over an estimated life of seven years. Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Pensions

For purposes of measuring the net pension liability/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, CB Hydropower includes the net pension asset only.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of contributions to the OPEB plan subsequent to the June 30 measurement date, contributions to pension plans subsequent to the June 30 measurement date and CB Hydropower's proportionate share of deferred outflows related to those plans. OPEB and pension plan contributions subsequent to the measurement date are recognized as a reduction of the total OPEB liability and net pension liability, or as an addition to the net pension asset, in the following year. Deferred outflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred outflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of CB Hydropower's proportionate share of deferred inflows related to pension plans. Deferred inflows of resources related to pensions for the net difference between projected and actual earnings on plan investments are amortized over a closed five-year period. The remaining deferred inflows of resources related to pensions are amortized over the average expected service lives of all employees provided with pensions through each plan.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

CB Hydropower accrues the cost of unpaid vacation time earned up to 240 hours for nonbargaining employees and up to 700 hours for bargaining employees. Accrued sick leave is recorded for nonbargaining employees eligible for retirement at 50% of accrued hours up to 400 hours.

Net Position

Net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources reduced by the outstanding balances of any related bonds, mortgages, notes, leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and capital related deferred inflows of resources. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted Net Position – This component of net position consists of the net pension asset, without addition for deferred outflows of resources related to pensions or reduction for deferred inflows of resources related to pensions, and assets restricted by external creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments reduced by related liabilities and deferred inflows of resources.

Unrestricted Net Position – This component of net position consists of all net position that does not meet the definition of “restricted” or “net investment in capital assets.”

CB Hydropower applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net resources are available based on management’s discretion.

Revenue and Expenses

The Cities of Seattle and Tacoma (the Cities) pay the estimated annual costs of CB Hydropower in equal monthly payments during the contract year. A reconciliation takes place within 120 days of each year to adjust the payments received for the actual annual costs for the contract year just ended, based on the annual audit of the accounts of each Development. Such payments are reflected as operations and maintenance income on the accompanying statement of revenue, expenses, and changes in fund net position.

The agreements with the Cities and The Avista Corporation call for an amount additional to the operations and maintenance based on the number of net kilowatt-hours of the Development output made available to the Cities at the point of delivery during the preceding month, multiplied by a factor as specified in the agreement. Such payments are reported as incentive payments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Expenses (Continued)

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues result from providing products and operation and maintenance services in connection with CB Hydropower's developments. Operating expenses include the costs associated with providing the products and services, general and administrative expenses and depreciation. All revenues and expenses not meeting these definitions are classified as nonoperating revenues and expenses.

Commitments

CB Hydropower administers the Developments and has the responsibility for collecting revenue from the power generated by the Developments. In addition, CB Hydropower distributes to each District its share of the net revenue from the power from each Development determined in accordance with the Reserved Works Formula. These payments are presented as incentive payments to Districts on the accompanying statement of revenue, expenses, and changes in fund net position.

The Cities each purchase 50% of the output from each hydroelectric development. The Cities have entered into agreements for each Development whereas the Cities agreed to pay the annual power, operation, and maintenance costs resulting from ownership and operation of each of the Developments. Each Development has a separate expiration date, terminating 40 years from the date of the Commercial Operation. P.E.C. 22.7, Main Canal, and the Summer Falls agreements expired in 2020. However, the Cities remain under an implied contract with CB Hydropower as of December 31, 2022. P.E.C. 66 expires in 2022, the E.B.C. 4.6 agreement expires in 2026 and The Avista Corporation agreement expires in 2024.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Adoption of New Accounting Standard

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and outflows of resources recognized based on the payment provisions of the contract. It 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 standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

The District adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. See notes 3 and 8 for more information.

NOTE 2 DEPOSITS AND INVESTMENTS

The carrying amount of CB Hydropower's deposits was $1,944,687 as of December 31, 2022 and bank balances, were $1,863,750.

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. CB Hydropower does not have a formal policy related to custodial credit risk. CB Hydropower's deposits are entirely covered by federal depository insurance corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments in Grant County Investment Pool

CB Hydropower is a participant in the Grant County Treasurer's Investment Pool, an external investment pool. CB Hydropower reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the County Treasurer. The pool is established from RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The county external investment pool does not have a credit rating and had an average maturity of about 900 days as of December 31, 2022.

As of December 31, 2022, CB Hydropower had $564,632 invested in the Grant County Treasurer's Investment Pool.

CB Hydropower reports its investment in Grant County Investment Pool (GCIP) at amortized cost rather than fair value because the difference between amortized cost and fair value is not material. Currently, there are no limitations or restrictions on withdrawals from the GCIP.

NOTE 3 CAPITAL ASSETS

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

	Balance 1/1/2022*	Increases	Decreases	Balance 12/31/2022
Capital Assets Being Depreciated:				
Right of Use Asset - Building	$ 356,187	$ -	$ -	$ 356,187
Vehicles	112,504	13,520	-	126,024
Office Equipment	7,442	-	-	7,442
Total Capital Assets Being Depreciated	476,133	13,520	-	489,653
Less: Accumulated Depreciation:				
Right of Use Asset - Building	-	82,197	-	82,197
Vehicles	5,021	25,999	-	31,020
Office Equipment	496	2,233	-	2,729
Total Accumulated Depreciation	5,517	110,429	-	115,946
Total Capital Assets Being Depreciated, Net	470,616	(96,909)	-	373,707
Capital Assets, Net	$ 470,616	$ (96,909)	$ -	$ 373,707

*Balance restated to reflect the implementation of GASB 87.

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year ended December 31, 2022:

OPEB Liabilities	$ 1,211,044
Deferred Outflows of Resources	15,002
Deferred Inflows of Resources	-
OPEB Expense	(455,478)

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

General Information About the OPEB Plan

Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees and their dependents as a single employer plan. CB Hydropower employees who end public employment are eligible to continue PEBB insurance coverage as a retiree if they retire under the public employees’ retirement system and are vested in that system.

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

General Information About the OPEB Plan (Continued)

Benefits Provided

The Washington State Health Care Authority (HCA) administers PEBB plan benefits. For medical insurance coverage, the HCA has two claims pools: one covering employees and non-Medicare eligible retirees, and the other covering retirees enrolled in Medicare Parts A and B. Each participating employer pays a portion of the premiums for active employees.

For retirees, participating employers provide two different subsidies: an explicit subsidy and an implicit subsidy.

The explicit subsidies are monthly amounts paid per post-65 retiree and spouse. As of the valuation date, the explicit subsidy for post-65 retirees and spouses is the lesser of $183 or 50% of the monthly premiums. The retirees and spouses currently pay the premium minus $183 when the premium is over $366 per month and pay half the premium when the premium is lower than $366.

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

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	8
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	22

Funding Policy

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

Contributions

The OPEB relationship between PEBB employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Total OPEB Liability

CB Hydropower's total OPEB liability was measured as of June 30, 2022, and was determined using the alternative measurement method as of that date. All significant assumptions utilized in the alternative measurement were provided by the Washington State Actuary.

The alternative measurement was based on the following methods and assumptions:

Methodology:	
Actuarial Cost Method	Entry Age
Amortization Method	Recognized Immediately
Assumptions:	
Discount Rate	
Beginning of Measurement Year	2.16%
End of Measurement Year	3.54%
Projected Salary Changes	3.50% Plus Service-Based Increases
Healthcare Trend Rates	Initial Rate is Approximately 2-11%, reaching an ultimate rate of approximately 4.3% in 2075

Trend rate assumptions vary slightly by medical plan. For additional detail on the healthcare trend rates, see Office of the State Actuary's PEBB OPEB Healthcare Trend Assumptions.

Mortality Rates:	
Base Mortality Table	PubG.H-2010 (General)
Age Setback	0 Years
Mortality Improvements	MP-2017 Long-Term Rates
Projection Period	Generational
Inflation Rate	2.75%
Postretirement Participation Percentage	65.00%
Percentage with Spouse Coverage	45.00%

Changes in the Total OPEB Liability

Balance - June 30	$ 1,697,348
Service Cost	66,122
Interest Cost	37,760
Changes in Experience and Data Assumptions	(559,360)
Benefit Payments	(30,826)
Total	$ 1,211,044

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Sensitivity of the Total OPEB Liability

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

The following presents the total OPEB liability of CB Hydropower calculated using a discount rate and healthcare cost trend rates that are one-percentage point lower or one-percentage-point higher than the current discount rate and health care cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
Discount Rate	$ 1,411,395	$ 1,211,044	$ 1,049,553
Healthcare Trend	1,034,092	1,211,044	1,435,721

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

CB Hydropower recognized OPEB expense for the year ended December 31, 2022, as follows:

Service Cost	$ 66,122
Interest Cost	37,760
Changes in Experience and Data Assumptions	(559,360)
Total	$ (455,478)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB:		
Differences Between Expected and Actual Experience	$ -	$ -
Changes of Assumptions	-	-
Contributions Subsequent to the Measurement Date	15,002	-
Total OPEB	$ 15,002	$ -

Deferred outflows of resources resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2023.

NOTE 5 PENSION PLAN

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

Aggregate Pension Amounts – All Plans		
Pension Liabilities	$	459,588
Pension Assets		(800,577)
Deferred Outflows of Resources		863,884
Deferred Inflows of Resources		867,675
Pension Expense		(100,387)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available 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.

NOTE 5 PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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:

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 2 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 5 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 1 of 2 provisions:

- With a benefit that is reduced by 3 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.

NOTE 5 PENSION PLAN (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service 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 3 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 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 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% and escalate to 15% with a choice of 6 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:

Actual Contribution Rates	Employer	Employee
January - June 2021:		
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 %
July - December 2021:		
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 %

CB Hydropower's actual PERS plan contributions were $105,597 to PERS Plan 1 and $178,711 to PERS Plan 2/3 for the year ended December 31, 2022.

NOTE 5 PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability/(asset) (TPL/A) 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/A was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities/(assets) were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

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

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

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

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.

- OSA updated the economic assumptions based on the 2021 action of the Pension Funding Council. The investment return assumption was reduced from 7.5% 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.

NOTE 5 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability/(asset) 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/(asset).

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	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20 %	1.50 %
Tangible Assets	7	4.70
Real Estate	18	5.40
Global Equity	32	5.90
Private Equity	23	8.90
Total Allocation	100 %	

NOTE 5 PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability/(Asset)

The table below presents CB Hydropower's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.00%, as well as what CB Hydropower's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current rate.

	Decrease (6%)	Discount Rate (7%)	Increase (8%)
PERS 1	$ 614,003	$ 459,588	$ 324,819
PERS 2/3	942,785	(800,577)	(2,232,860)

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 December 31, 2022, CB Hydropower reported its proportionate share of the net pension liability/(asset) as follows (measured as of June 30, 2022):

	Liability/Asset
PERS 1	$ 459,588
PERS 2/3	(800,577)

At June 30, 2022, CB Hydropower's proportionate share of the collective net pension liabilities/(assets) were as follows:

	Proportionate 6/30/2021	Proportionate 6/30/2022	Change in Proportion
PERS 1	0.017841%	0.016506%	-0.001335%
PERS 2/3	0.022921%	0.021586%	-0.001335%

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.

NOTE 5 PENSION PLAN (CONTINUED)

Pension Expense

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

	Pension Expense
PERS 1	$ 177,260
PERS 2/3	(277,647)
Total	$ (100,387)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, CB Hydropower 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	-	(76,167)
Changes of Assumptions	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	-	-
Contributions Subsequent to the Measurement Date	53,293	-
Total	$ 53,293	$ (76,167)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 198,364	$ (18,123)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	(591,873)
Changes of Assumptions	446,211	(116,834)
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	76,613	(64,678)
Contributions Subsequent to the Measurement Date	89,403	-
Total	$ 810,591	$ (791,508)

Deferred outflows of resources related to pensions resulting from CB Hydropower contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or an addition to net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 5 PENSION PLAN (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Year Ending December 31,	PERS 1
2023	(32,232)
2024	(29,275)
2025	(36,725)
2026	22,065
Total	$ (76,167)

Year Ending December 31,	PERS 2/3
2023	(196,418)
2024	(164,233)
2025	(182,421)
2026	279,381
2027	97,186
Thereafter	96,185
Total	$ (70,320)

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the long-term transactions of CB Hydropower for the year ended December 31, 2022:

	12/31/21*	Additions	Reductions	12/31/2022	Due Within One Year
PERS 1 - Pension Liability	$ 217,880	$ 241,708	$ -	$ 459,588	$ -
OPEB Liability	1,697,348	103,882	590,186	1,211,044	-
Lease Liability	356,187	-	69,753	286,434	76,000
Total	$ 2,271,415	$ 345,590	$ 659,939	$ 1,957,066	$ 76,000

*Balance restated to reflect the implementation of GASB 87.

NOTE 7 RISK MANAGEMENT

CB Hydropower is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. CB Hydropower has contracted with Wells Fargo Insurance Services Northwest, Inc. for insurance broker-related services. The Insurance Broker of Record Service Agreement entered into May 27, 2008, is between East Columbia Basin Irrigation District, Quincy-Columbia Basin Irrigation District, South Columbia Basin Irrigation District, Grand Coulee Project Hydroelectric, CB Hydropower, and Wells Fargo Insurance Services Northwest, Inc. The Insurance Broker of Record Service Agreement requires the Broker of Record to provide services including marketing and underwriting strategy; estimates of insurable values for replacement costs; claims assistance; contract review; recommendations as to insurance coverages; reports of loss trends, accident analysis and risk; insurance, risk financing and loss funding; review of insurance policies; monitoring of insurance policies; maintenance of insurance-related records; early warning of changes to pending rates, coverages or renewal status of major insurers or reinsurers; brokerage services; risk management services and claims management services. The Broker's recommendations are subject to review and approval by CB Hydropower's board of directors. In the past 3 years there have been no claim settlements that have exceeded insurance coverage provided.

NOTE 8 LEASES

CB Hydropower leases office space in Ephrata Washington. The main office lease was effective May 2, 2020 and expires on April 30, 2026. Annual rent payments under the lease agreement are $75,600, payable in advance on or before the 30th of June each year of the lease, increasing $3,600 each May.

Principal and interest requirements to maturity under lease agreements are as follows:

	Principal	Interest	Total
2023	$ 76,000	$ 8,900	$ 84,900
2024	82,477	6,024	88,501
2025	89,192	2,908	92,100
2026	38,765	235	39,000
Total	$ 286,434	$ 18,067	$ 304,501

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Right of Use Asset - Building	$ 356,187
Less: Accumulated Amortization	82,197
Net Right to Use Asset Balance	$ 273,990

NOTE 9 COLLECTIVE BARGAINING AGREEMENT

At December 31, 2022, approximately 59% of CB Hydropower's employees worked under a collective bargaining agreement that will expire July 31, 2024.

NOTE 10 CONCENTRATION

CB Hydropower has power purchase and power sale contracts in place with the City of Tacoma and the City of Seattle for all five of its power plants. Each city has agreed to purchase 50% of the power generated by the power plants. Each city pays CB Hydropower for 50% of operations and maintenance expenses for the five plants. Each city also pays incentive payments to CB Hydropower for 50% of the power generated at each plant based on the annual rate agreed to by CB Hydropower and the Cities. Revenue generated from the Cities for the year ended December 31, 2022, was $16,711,504, which is 98% of total operating revenue.

NOTE 11 RELATED PARTIES

As discussed in Note 1, CB Hydropower was formed by the Districts to develop, operate, and maintain the power plants. CB Hydropower performs common project services for the Districts which are fully reimbursed and split between each district at 33⅓. At December 31, 2022, the amount receivable from the Districts was $131,105.

In addition, CB Hydropower performs project development for the Districts which are outside the scope of the operating and maintenance agreements with the Cities. The Districts advance funds for board approved projects. These funds are recorded as unearned revenue. Revenue is recognized as project development costs are incurred. Each District advances 33-1/3% of the board approved project development budget. As of December 31, 2022, unearned revenue from project development was $38,489 and revenue and expenses related to project development were $66,476.

NOTE 12 CONTINGENCIES

CB Hydropower has recorded in its financial statements all material liabilities.

COLUMBIA BASIN HYDROPOWER
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
PENSION PLANS, PERS 1, PERS 2/3
AS OF JUNE 30, 2022 (MEASUREMENT DATE)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022	2021	2020	2019	2018	2017	2016	2015
PERS Plan 1								
Employer's Proportion of the Net Pension Liability	0.016506%	0.017841%	0.018470%	0.016904%	0.015270%	0.017176%	0.019612%	0.017638%
Employer's Proportionate Share of the Net Pension Liability	$ 459,588	$ 217,880	$ 652,091	$ 650,019	$ 681,963	$ 815,015	$ 1,053,257	$ 922,631
Employer's Covered Payroll	$ 2,726,681	$ 2,557,253	$ 2,776,321	$ 2,298,248	$ 2,361,978	$ 2,165,333	$ 2,208,666	$ 2,079,657
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	16.86%	8.52%	23.49%	28.28%	28.87%	37.64%	47.69%	44.36%
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								
Employer's Proportion of the Net Pension Liability/(Asset)	0.021586%	0.022921%	0.023711%	0.021846%	0.019610%	0.022093%	0.025091%	0.022784%
Employer's Proportionate Share of the Net Pension Liability/(Asset)	$ (800,577)	$ (2,283,300)	$ 303,250	$ 212,199	$ 334,823	$ 767,626	$ 1,263,312	$ 814,086
Employer's Covered Payroll	$ 2,726,681	$ 2,557,253	$ 2,776,321	$ 2,298,248	$ 2,361,978	$ 2,165,333	$ 2,208,666	$ 2,079,657
Employer's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-29.36%	-89.29%	10.92%	9.23%	14.18%	35.45%	57.20%	39.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	106.73%	120.99%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled Columbia Basin Hydropower will present information for only those years for which it is available.

COLUMBIA BASIN HYDROPOWER
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS, PERS 1, PERS 2/3
AS OF DECEMBER 31, 2022 (EMPLOYER REPORTING DATE)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022	2021	2020	2019	2018	2017	2016	2015
PERS Plan 1								
Statutorily or Contractually Required Contributions	$ 105,597	$ 112,798	$ 127,777	$ 128,044	$ 110,765	$ 106,763	$ 100,887	$ 93,827
Contributions in Relation to the Statutorily or Contractually Required Contributions	(105,597)	(112,798)	(127,777)	(128,044)	(110,765)	(106,763)	(100,887)	(93,827)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,809,920	$ 2,629,480	$ 2,655,417	$ 2,587,909	$ 2,188,098	$ 2,177,727	$ 2,115,027	$ 2,073,207
Contributions as a Percentage of Covered Payroll	3.76%	4.29%	4.81%	4.95%	5.06%	4.90%	4.77%	4.53%
PERS Plan 2/3								
Statutorily or Contractually Required Contributions	$ 178,711	$ 187,741	$ 209,573	$ 199,709	$ 164,100	$ 149,658	$ 131,766	$ 117,473
Contributions in Relation to the Statutorily or Contractually Required Contributions	(178,711)	(187,741)	(209,573)	(199,709)	(164,100)	(149,658)	(131,766)	(117,473)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,809,920	$ 2,629,480	$ 2,655,417	$ 2,587,909	$ 2,188,098	$ 2,177,727	$ 2,115,027	$ 2,073,207
Contributions as a Percentage of Covered Payroll	6.36%	7.14%	7.89%	7.72%	7.50%	6.87%	6.23%	5.67%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled Columbia Basin Hydropower will present information for only those years for which it is available.

COLUMBIA BASIN HYDROPOWER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2022 (MEASUREMENT DATE)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022	2021	2020	2019	2018
Service Cost	$ 66,122	$ 57,390	$ 46,203	$ 44,177	$ 51,671
Interest Cost	37,760	39,668	47,850	52,171	48,304
Changes in Experience Data and Assumptions	(559,360)	(123,454)	349,946	(51,411)	(69,350)
Benefit Payments	(30,826)	(27,450)	(27,262)	(28,792)	(19,654)
Net Change in Total OPEB Liability	(486,304)	(53,846)	416,737	16,145	10,971
Total OPEB Liability - Beginning	1,697,348	1,751,194	1,334,457	1,318,312	1,307,341
Total OPEB Liability - Ending	$ 1,211,044	$ 1,697,348	$ 1,751,194	$ 1,334,457	$ 1,318,312
Covered-Employee Payroll	$ 2,789,776	$ 2,748,150	$ 2,686,683	$ 2,456,203	$ 2,209,915
Total OPEB Liability as a Percentage of Covered-Employee Payroll	43.41%	61.76%	65.18%	54.33%	59.65%

Notes to Schedule:

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, CB Hydropower will present information for only those years for which information is available.

CB Hydropower implemented GASB 75 effective January 1, 2018.

There are no assets accumulated in a qualified trust to provide benefits under the plan.

COLUMBIA BASIN HYDROPOWER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2022 (MEASUREMENT DATE)
(SEE INDEPENDENT AUDITORS' REPORT)

Types of Coverage	Limit of Liability	Explanation	Company	Policy Number	Expiration
LIABILITY					
General Liability	$ 2,000,000	Aggregate	Great Northern Insurance	37103622	4/23/23
Property	250,000	Each Occurrence/Aggregate	Great Northern Insurance	37103622	4/23/23
Auto Liability	1,000,000	Combined Single Limit	Federal Insurance Co	73191397	4/23/23
Professional Liability (Architects & Engineers)	1,000,000	Each Loss/Annual Limit	Underwriters at Lloyds	PLC-00673-00	4/23/23
Excess Umbrella (Primary 10M x $10M)	10,000,000	Each Occurrence/Aggregate	Federal Insurance Co	79071095	4/23/23
Excess Umbrella (1st XS 10M x $20M)	10,000,000	Each Occurrence/Aggregate	Gotham Insurance Co	EX202200002294	4/23/23
Excess Umbrella (2nd XS 10M x $30M)	10,000,000	Each Occurrence/Aggregate	Hamilton Insurance	ENVXSH1203594	4/23/23
PROPERTY					
Property	100,000,000	Each Occurrence/Aggregate	Ace American	EUTN18225189	4/23/23
Hull and Machinery	103,697	Limit Per Accident	Navigators	SE20CFT00715501	4/23/23
BONDS					
Public Official Bonds:					
				107393551	4/23/23
Darvin Fales (Tim Culbertson - lapsed)	250,000	Secretary-Manager	Travelers		
Jacob Taylor	250,000	Treasurer	RLI Insurance	LSM0894886	11/1/23
Public Employee	1,000	Each Employee	Hartford Fire Insurance	52BSBFL9200	4/23/23
OTHER					
Public Officials	3,000,000	Directors	Illinois Union Insurance	G25657433	4/23/23
Multimedia Liability - see below	1,000,000	Aggregate	Houston Casualty Co	660871202	4/23/23
Privacy Liability Policy	1,000,000	Aggregate	Houston Casualty Co	660871202	4/23/23

Note: The above information is a summary of certain insurance information obtained from CB Hydropower's insurance broker. Only the policies in their entirety should be relied upon for information about CB Hydropower's insurance coverage, terms, and provisions.

INDEPENDENT AUDITORS' 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*

Board of Directors
Columbia Basin Hydropower
Ephrata, Washington

We have audited, in accordance with the 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 Columbia Basin Hydropower, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Columbia Basin Hydropower's basic financial statements, and have issued our report thereon dated March 7, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Columbia Basin Hydropower'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 Columbia Basin Hydropower's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Basin Hydropower'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Columbia Basin Hydropower'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
March 7, 2024

COLUMBIA BASIN HYDROPOWER
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 30, 2022

SECTION I Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards.*