

TUMALO IRRIGATION DISTRICT
BEND, OREGON

Financial Statements

For the Year Ended December 31, 2023

TUMALO IRRIGATION DISTRICT
December 31, 2023

BOARD OF DIRECTORS

<u>Name</u>	<u>Zone</u>
Stephan Putnam Bend, Oregon	Division 1
Jack Farley, Vice Chair Bend, Oregon	Division 2
Carol Shull Bend, Oregon	Division 3
Ron Cochran, Chair Bend, Oregon	Division 4
Martin Warbington Bend, Oregon	Division 5

Administration

Chris Schull
District Manager, Secretary

Registered Agent
Chris Schull

Registered Office

64697 Cook Ave
Bend, Oregon 97703
(541) 382-3053

TUMALO IRRIGATION DISTRICT
Financial Statements
For the Year Ended December 31, 2023

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Dougall Conradie LLC
Certified Public Accountants

Geoffrey Dougall, CPA
Heather Jackson, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

Independent Auditor's Report

Board of Directors
Tumalo Irrigation District
Deschutes County, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Tumalo Irrigation District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities the Tumalo Irrigation District as of December 31, 2023, and the respective changes in financial position and its 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 (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 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 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 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.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of

federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2024 on our consideration of Tumalo Irrigation 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 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 Tumalo Irrigation District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated July 9, 2024 on our consideration of Tumalo Irrigation District's internal control over financial reporting and on our procedures to address its compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. 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 internal control over financial reporting or on compliance. That report is required by Oregon State Regulations.

DOUGALL CONRADIE LLC
Portland, Oregon

July 9, 2024



Richard Winkel, Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUMALO IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2023

Management's discussion and analysis presents the highlights of the financial activities and financial position of the Tumalo Irrigation District (the District) for the fiscal year ended December 31, 2023. Our goal is to assist users of these financial statements in interpreting key data found in the pages that follow and in analyzing the results of this fiscal year. Because the information contained in this discussion is necessarily select in nature, it should be read and interpreted in conjunction with the financial statements.

Financial Highlights

- The District's assets exceed its liabilities by \$41,593,184 at December 31, 2023 (net position). Of this amount, \$2,401,100 is considered to be unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were \$1,370,068 in 2023, a decrease of \$107,047 from the prior year.
- Operating expenses were \$2,129,339 in 2023, an increase of \$244,837 from the prior year.
- The District recognized capital construction grants of \$6,472,461 during 2023 for a canal improvement project.

Overview of the Financial Statements

The District's financial statements consist of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the notes to the financial statements.

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position regardless of when cash is received or paid. The Government-wide statements report the District's net position and how they changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial position.

Basic Financial Statements

The basic financial statements are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

In the basic financial statements, the District's activities are shown in one category. The District's basic function is the operation and maintenance of an irrigation facility to provide irrigation water to landowners within the project. These activities are primarily financed through service fees paid by landowners with water rights.

FINANCIAL SUMMARY
SUMMARY STATEMENTS OF NET POSITION AT DECEMBER 31,

	2023	2022
Assets:		
Current assets	\$ 4,768,631	\$ 4,205,328
Capital assets – net of accumulated depreciation	39,495,292	33,669,178
Total assets	44,263,923	37,874,506
Liabilities:		
Current liabilities	2,387,620	1,778,537
Long-term liabilities	277,715	303,208
Total liabilities	2,665,335	2,081,745
Deferred inflows	5,404	5,795
NET POSITION:		
Net invested in capital assets	39,192,084	33,340,477
Unrestricted, available for operations	2,401,100	2,446,489
Total net position	\$ 41,593,184	\$ 35,786,966

SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,

	2023	2022
Operating revenues:		
Assessments	\$ 1,337,877	\$ 1,420,566
Fees and other	32,191	56,549
Total operating revenues	1,370,068	1,477,115
Operating expenses:		
Salaries and payroll costs	748,084	678,970
Administration	187,340	146,882
Maintenance	452,794	314,629
Depreciation	739,609	744,021
Total operating expenses	2,129,339	1,884,502
Net income (loss) from operations	(759,271)	(407,387)
Non-operating revenue (expense)		
Rent, interest and other income	100,977	85,106
Capital construction grants	6,472,461	2,211,740
Interest expense	(7,949)	(8,622)
Total non-operating revenue (expense)	6,565,489	2,288,224
Change in net position	5,806,218	1,880,837
Net position, beginning of year	35,786,966	33,906,129
Net position, end of year	\$ 41,593,184	\$ 35,786,966

Statement of Net Position

This statement provides information that includes all assets and liabilities of the District compared to the previous year. In simple terms, this statement presents a snapshot view of the assets the District patrons own, the liabilities they owe and the net difference. The net difference is further separated into amounts restricted for specific purposes and undesignated amounts.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$41,593,184 at December 31, 2023. The largest portion of the District's assets reflects its investment in capital assets (e.g. land, irrigation system buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide irrigation water to its patrons; consequently, these assets are not available for future spending. The remaining assets consist of cash and cash equivalents, investments, receivables, inventory and prepaid expenses, which are used to meet the District's ongoing obligations to its patrons.

Statement of Revenues, Expenses and Changes in Net Position

This statement presents the operations of the District and information showing how the District's net position changed over the most recent calendar year by tracking revenues and expenses. District activities during the year increased net position in the current year by \$5,806,218. The majority of the increase was due to capital grants of \$6,472,461, which were used for a canal improvement project.

Capital Assets

The District's investment in capital assets includes land and improvements, buildings/housing and improvements, the irrigation system (including dams, canals, pumping plant, pipelines, etc.), vehicles, construction equipment, engineering and office equipment. As of December 31, 2023, the District had invested \$39,495,292 in capital assets, net of depreciation.

Debt Outstanding

As of December 31, 2023, the District had two notes payable to the Oregon Department of Environmental Quality for a total of \$303,208 in debt outstanding.

Budgetary Highlights

The District prepares a budget for its general operation and maintenance fund for management purposes only. State Statutes require that a budget be prepared for this purpose, but no other provisions of the Local Budget Law apply to the District. Therefore, there are no variations between the original and final budget amounts.

Economic Factors and Next Year's Budget

The District's Budget Committee considered many factors when preparing the District's budget for the fiscal year ending December 31, 2024. These factors included estimating the amount of service fees and operating expenses. Both revenues and operating expenses are expected to be stable.

Requests for Information

This financial report is designed to provide a general overview of the District's financial statements. Questions about this report or requests for additional financial information should be directed to Tumalo Irrigation District, 64697 Cook Ave. Bend, Oregon 97703 or by phone at (541) 382-3053.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

Tumalo Irrigation District
Statement of Net Position
December 31, 2023

ASSETS

Current assets:	
Cash and investments	\$ 2,162,306
Assessments receivable	22,235
Grants receivable	2,554,622
Prepaid expenses	<u>29,468</u>
Total current assets	4,768,631
Noncurrent assets:	
Capital assets not being depreciated	62,356
Capital assets being depreciated	50,675,413
Accumulated depreciation	<u>(11,242,477)</u>
Total capital assets	<u>39,495,292</u>
Total assets	<u>44,263,923</u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities:	
Accounts payable	2,309,454
Accrued payroll	21,119
Accrued compensated absences	27,395
Accrued interest payable	4,159
Current portion of long-term debt	<u>25,493</u>
Total current liabilities	2,387,620
Noncurrent liabilities:	
Loans payable, net of current portion	<u>277,715</u>
Total liabilities	2,665,335
Deferred inflows:	
Prepaid rents and assessments	5,404
NET POSITION	
Net invested in capital assets	39,192,084
Unrestricted	<u>2,401,100</u>
Total net position	<u>\$ 41,593,184</u>

The accompanying notes are an integral part of these financial statements

Tumalo Irrigation District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

Operating revenues:	
Assessments	\$ 1,337,877
Fees and other	<u>32,191</u>
Total operating revenues	1,370,068
Operating expenses:	
Salaries and payroll expenses	748,084
Administration	187,340
System maintenance	375,004
Real estate maintenance	17,227
Equipment maintenance	60,563
Shop expenses	1,512
Depreciation	<u>739,609</u>
Total operating expenses	<u>2,129,339</u>
Operating income (loss)	(759,271)
Non-operating revenue (expense):	
Rent income	71,506
Interest income	12,971
Gain on sale of capital assets	16,500
Interest expense	<u>(7,949)</u>
Total non-operating revenue (expense)	<u>93,028</u>
Income (loss) before capital grants	(666,243)
Capital construction grants	<u>6,472,461</u>
Change in net position	5,806,218
Net position - beginning of year	<u>35,786,966</u>
Net position - end of year	<u><u>\$ 41,593,184</u></u>

The accompanying notes are an integral part of these financial statements

Tumalo Irrigation District
Statement of Cash Flows
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from users	\$ 1,353,061
Cash paid for goods and services	(599,309)
Cash paid to employees	(741,387)
	(741,387)

Net cash provided by operating activities 12,365

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Construction grants received	5,949,579
Proceeds from sale of capital assets	16,500
Acquisition of capital assets	(6,030,319)
Principal payments on long term debt	(25,493)
Interest paid on long term debt	(8,299)
	(8,299)

Net cash used by capital and related financing activities (98,032)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	12,971
Rent received	71,506
	71,506

Net cash provided by investing activities 84,477

Net change in cash and cash equivalents (1,190)

Cash and cash equivalents, beginning of year 2,163,496

Cash and cash equivalents, end of year \$ 2,162,306

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$ (759,271)
Noncash items included in income:	
Depreciation expense	739,609
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	(16,616)
Prepaid expenses	(24,995)
Accounts payable	67,332
Accrued payroll and compensated balances	6,697
Prepaid assessments	(391)
	(391)

Net cash provided by operating activities \$ 12,365

The accompanying notes are an integral part of these financial statements

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies

Reporting Entity

Tumalo Irrigation District (the “District”) is an Oregon municipal corporation organized in 1922 to supply water to the users in the District. The District was organized and operates under the Irrigation District Laws of Oregon, as defined in ORS 545. The District is governed by a board of five officials elected by water users in the area and a manager who is employed by the Board of Directors who administers its affairs at their discretion.

The District is a primary government. As required by generally accepted accounting principles, the reporting entity consists of the primary government, any organization for which the primary government is financially accountable, and any other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity.

The District is financially independent of other state and local governmental units. Based on these criteria, the District is not a component unit of another entity, nor is any other entity required to be included in the financial statements of the District.

Basic Financial Statements

The District is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. The District’s financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District are charges to customers for water. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation

The financial transactions of the District are reported in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balance, revenues and expenditures. The District reports one fund, the General Operating and Maintenance Fund (a proprietary fund), which accounts for all administrative and operational activities of the District. The principal source of revenue is from water use assessments. Expenditures are for payroll related costs, materials and services.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The District has defined cash and cash equivalents to include cash on hand, demand deposits and short term investments with original maturities of three months or less for purposes of the statement of cash flows. The carrying amount of the cash and cash equivalents approximate fair value due to the short term maturities of these instruments.

Receivables

Assessed and uncollected receivables for water service can be attached as an enforceable lien on customer property. No allowance for doubtful accounts is considered necessary for assessments receivable. Assessments receivable are written off at such time when they are deemed uncollectible and a lien has been filed against the customer property. User fees received in advance of the period for which they are assessed are reported as liabilities.

Grants receivable represent expenses incurred prior to year end to be reimbursed under grant agreements.

Capital Assets

Capital assets, which include property, plant and equipment are stated at historical cost. The District defines capital assets as assets with an estimated useful life in excess of one year and an initial, individual cost of \$500 or more. Additions or improvements that significantly extend the useful life of an assets, or that significantly increase the capacity of an assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Depreciation of capital assets has been recognized and reflected in the basic financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20
Canals and ditches	20 to 65
Equipment and vehicles	5 to 10

Accrued Compensated Absences

District employees are allowed to accumulate earned but unused paid time off. A liability for the vested portion of such leave is reported in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Actual results could differ from those estimates.

Restricted Revenue

District policy is to expend restricted revenues, such as grants and donations, before other resources are expended.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies (continued)

Budget Policy

The District is organized under the provision of Oregon Revised Statute 545, and is exempt from Local Budget Law, ORS 294.305 to 294.530 as provided in ORS 294.316 (4). However, the District does adopt a budget for management purposes and to determine the annual operation and maintenance charges necessary to operate the District.

2. Cash and Cash Equivalents

Cash and cash equivalents of the District consisted of the following at December 31, 2023:

Checking accounts	\$ 111,694
Money market account	2,050,212
Petty cash	<u>400</u>
Total	<u>\$ 2,162,306</u>

Deposits

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal Deposit Insurance Corporation (FDIC) insurance of \$250,000 applies to total deposits at each financial institution. When balances exceed \$250,000, Oregon Revised Statutes (ORS) 295.002 requires the bank depository to enter into an agreement described in ORS 295.008(2)(b) and to deposit securities pursuant to ORS 295.015(1). The Oregon State Treasurer's Office facilitates these agreements and maintains a list of qualified depositories. Well capitalized depository banks must pledge securities with a value of at least 10 percent of their quarter-end public fund deposits, unless otherwise directed by the Oregon State Treasurer. Adequately capitalized or undercapitalized bank depositories are required to pledge collateral valued at 110 percent of their uninsured public fund deposits. The securities are held by a custodian for the benefit of the State of Oregon. Any balances in excess of the FDIC insurance plus 10 percent are considered exposed to custodial credit risk. Custodial credit risk for deposits in the risk that, in the event of bank failure, the District will be unable to recover deposits or collateral securities in the hands of an outside party. At December 31, 2023, deposits per the bank statements were federally insured and collateralized by the Oregon Public Collateralization Program.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The District's policy, in compliance with state statutes, requires that the deposits be covered by the FDIC and deposited in a qualified depository for public funds.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2023

3. Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

	Balance January 1, 2023	Additions	Disposals	Balance December 31, 2023
Capital assets not being depreciated:				
Land	\$ 48,568	\$ -	\$ -	\$ 48,568
Water rights and easements	13,788	-	-	13,788
	62,356	-	-	62,356
Capital assets being depreciated:				
Buildings	122,554	-	-	122,554
Canals and ditches	43,189,779	6,481,535	-	49,671,314
Equipment	865,987	84,188	(68,630)	881,545
Total depreciable capital assets	44,178,320	6,565,723	(68,630)	50,675,413
Accumulated depreciation				
Buildings	(117,559)	-	-	(122,555)
Canals and ditches	(9,661,806)	(700,511)	-	(10,362,317)
Equipment	(787,137)	(39,098)	68,630	(757,605)
Total accumulated depreciation	(10,571,498)	(739,609)	68,630	(11,242,477)
Net depreciable capital assets	33,606,822	5,825,755	-	39,432,936
Net book value	\$ 33,669,178	\$ 5,825,755	\$ -	\$ 39,495,292

Depreciation expense of \$739,609 is recorded as an operating expense in the accompanying Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2023.

4. Long-Term Debt

The District has long-term debt to finance part of the piping project. A note was issued in 2011 with the Department of Environmental Quality for \$325,772 with an interest rate of 2.88% plus an annual fee of 0.5% of the unpaid principal. Payments of \$11,380 are due semi-annually and the loan matures in March 2031. The note is secured by a pledge of net operating revenues of the District. The balance as of December 31, 2023 is \$152,542.

A second note with the Department of Environmental Quality was issued in 2018 for \$345,459 with an interest rate of 2.18% plus an annual fee of 0.5% of the unpaid principal. Payments of \$5,461 are due semi-annually and the loan matures in February 2040. This note is secured by a pledge of net revenues of the District. The balance as of December 31, 2023 is \$150,666.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2023

4. Long-Term Debt (continued)

During the year ended December 31, 2023, long-term liability activity was as follows:

	Balance January 1, 2023	Draws	Payments	Balance December 31, 2023
Notes payable				
DEQ #1	\$ 170,520	\$ -	\$ (17,978)	\$ 152,542
DEQ #2	158,181	-	(7,515)	150,666
Total notes payable	<u>\$ 328,701</u>	<u>\$ -</u>	<u>\$ (25,493)</u>	<u>\$ 303,208</u>

Future payment obligations on the notes payable as of December 31, 2023 are as follows:

Year ending December 31,	Principal	Interest	Total
2024	26,178	7,504	33,682
2025	26,883	6,799	33,682
2026	27,607	6,075	33,682
2027	28,351	5,331	33,682
2028	29,115	4,567	33,682
2029	29,900	3,782	33,682
2030	30,707	2,975	33,682
2031	20,158	2,144	22,302
2032	9,134	1,788	10,922
2033	9,334	1,588	10,922
2034	9,538	1,384	10,922
2035	9,747	1,175	10,922
2036	9,962	960	10,922
2037	10,179	743	10,922
2038	10,402	520	10,922
2039	10,630	292	10,922
2040	5,383	60	5,443
	<u>\$ 303,208</u>	<u>\$ 47,687</u>	<u>\$ 350,895</u>

5. Employee Retirement Plan

The District sponsors a Simple IRA plan for the benefit of employees. The plan allows employees to defer compensation up to IRS limits. The District matches employee contributions up to 3% of gross pay. The District made matching contributions of \$11,865 for 2023.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2023

6. Supplemental Schedule of Noncash Investing Activities

During the year ended December 31, 2023 the acquisition of capital assets on the statement of cash flows was reduced by \$535,404 for the noncash impact of capital asset acquisitions in accounts payable.

7. Jointly Governed Organization

The District is a member of the Deschutes Basin Board of Control (DBBC), a jointly governed organization. The DBBC is a separate legal entity and the District has no equity interest in it. The DBBC manages joint projects for the benefit of the eight irrigation district members and the Manager of each member district serves as a member of the DBBC board of directors. Costs incurred for services and expenses on these projects are allocated among the member irrigation districts and they pay their share to the DBBC. During the year ended December 31, 2023, the District paid \$51,543 to the DBBC.

8. Risk Management and Contingent Liabilities

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. From time to time the District is party to litigation that arises in the normal course of operations. Management is not aware of any litigation where the potential loss would have a material adverse effect on the District's operations.

No losses were incurred during the prior three years ended December 31, 2023 that exceeded the District's insurance coverage.

9. Post-Employment Benefits Other Than Pension

Governmental Accounting Standards Board (GASB) Statement 45 requires the District to determine the extent of its liability for other post-retirement benefits (OPEB) and record the liability in its financial statements on an accrual basis. This includes the requirement of ORS 243.303 of offering the same healthcare benefits for current employees to all retirees and their dependents until such times as the retirees are eligible for Medicare. This is referred to as an "implied subsidy" under GASB 45. The District does not have any OPEB other than the implied subsidy. The amount of OPEB cannot be determined and is not reported as a liability in the financial statements.

10. Subsequent Events

The District has evaluated subsequent events through July 9, 2024, which is the date the financial statements were available to be issued, noting no events requiring recording or disclosure in the financial statements for the year ended December 31, 2023.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**



Dougall Conradie LLC
Certified Public Accountants

Geoffrey Dougall, CPA
Heather Jackson, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

**Independent Auditor's Report
Required by Oregon State Regulations**

To the Board of Directors
Tumalo Irrigation District
Deschutes County, Oregon

We have audited the accompanying basic financial statements of Tumalo Irrigation District (the District) as of and for the year ended December 31, 2023 and have issued our report thereon dated July 9, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Tumalo Irrigation District's financial statements are free of material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of Public Funds with Financial Institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- Authorized investment of surplus funds (ORS Chapter 294)

In connection with our testing nothing came to our attention that caused us to believe Tumalo Irrigation District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Tumalo Irrigation District's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tumalo Irrigation District internal control over financial reporting.

Restriction on Use

This report is intended for the information of Tumalo Irrigation District's board of directors and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

DOUGALL CONRADIE LLC
Portland, Oregon

July 9, 2024



Richard Winkel, Partner



Dougall Conradie LLC
Certified Public Accountants

Geoffrey Dougall, CPA
Heather Jackson, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

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*

To the Board of Directors
Tumalo Irrigation District
Bend, Oregon

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 the business-type activities of Tumalo Irrigation District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 9, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 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.

DOUGALL CONRADIE LLC
Portland, Oregon

July 9, 2024

A handwritten signature in black ink that reads "Richard Winkel". The signature is written in a cursive, slightly slanted style.

Richard Winkel, Partner



Dougall Conradie LLC
Certified Public Accountants

Geoffrey Dougall, CPA
Heather Jackson, CPA
Richard Winkel, CPA
Members of AICPA & OSCPA

Independent Auditor's Report on Compliance For Each Major Federal Program and
on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Tumalo Irrigation District
Bend, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Tumalo Irrigation District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Tumalo Irrigation District's major federal programs for the year ended December 31, 2023. Tumalo Irrigation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Tumalo Irrigation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tumalo Irrigation District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tumalo Irrigation District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Tumalo Irrigation District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tumalo Irrigation District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tumalo Irrigation District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Tumalo Irrigation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Tumalo Irrigation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Tumalo Irrigation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DOUGALL CONRADIE LLC
Portland, Oregon

July 9, 2024

A handwritten signature in black ink that reads "Richard Winkel". The signature is written in a cursive, slightly slanted style.

Richard Winkel, Partner

TUMALO IRRIGATION DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures			Passed Through to Subrecipients
			From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Agriculture Pass-Through Programs From:						
Watershed Flood Prevention Operations	10.904	NR230436XXXXC006	\$ -	\$ 816,161	\$ 816,161	\$ -
Deschutes Basin Board of Control Watershed Flood Prevention Operations	10.904	NR200436XXXXC010	3,942,483	-	3,942,483	-
Total Expenditures of Federal Awards			<u>\$ 3,942,483</u>	<u>\$ 816,161</u>	<u>\$ 4,758,644</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards

TUMALO IRRIGATION DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activity of Tumalo Irrigation District under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tumalo Irrigation District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Tumalo Irrigation District. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recorded when a liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

The District did not elect to use the 10% de minimis indirect cost rate.

NOTE C – CAPITALIZED GRANT EXPENDITURES

During the year ended December 31, 2023 the District capitalized \$4,758,644 of federal expenditures as canal system improvements.

TUMALO IRRIGATION DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2023

Summary of Audit Results

Financial Statements

- Type of auditor’s report issued on the financial statements Unmodified

- Internal control over financial reporting:
 - Material weaknesses identified? No
 - Significant deficiencies identified? None reported

- Noncompliance material to the financial statements noted? No

Federal Awards

- Internal control over program awards:
 - Material weaknesses identified? No
 - Significant deficiencies identified? None reported

 - Type of auditor’s report issued on compliance for the major federal award programs Unmodified

 - Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No
- The program tested as a major program was U.S. Department of Agriculture (ALN #10.904) – Watershed Flood Prevention Operations
- The threshold for distinguishing Types A and B programs was \$750,000.

 - Qualified as a low-risk auditee Yes