

TUMALO IRRIGATION DISTRICT
BEND, OREGON

Financial Statements

For the Year Ended December 31, 2025

TUMALO IRRIGATION DISTRICT
December 31, 2025

BOARD OF DIRECTORS

<u>Name</u>	<u>Zone</u>
Stephan Putnam Bend, Oregon	Division 1
Edward Galazzo Bend, Oregon	Division 2
Carol Shull Bend, Oregon	Division 3
Ron Cochran, Chair Bend, Oregon	Division 4
Martin Warbington, Vice Chair 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, 2025

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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, 2025, 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, 2025, 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). 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.

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 May 11, 2026 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

May 11, 2026



Richard Winkel, Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUMALO IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2025

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, 2025. 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 \$46,951,185 at December 31, 2025 (net position). Of this amount, \$2,892,874 is considered to be unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were \$1,447,123 in 2025, an increase of \$20,783 from the prior year due to higher assessment revenue.
- Operating expenses were \$2,101,660 in 2025, an increase of \$104,571 from the prior year, due to higher depreciation.

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,

	2025	2024
Assets:		
Current assets	\$ 2,939,367	\$ 2,708,751
Restricted cash	14,394	14,394
Capital assets – net of accumulated depreciation	44,373,473	45,129,087
Total assets	47,327,234	47,852,232
Liabilities:		
Current liabilities	118,517	110,760
Long-term liabilities	255,288	250,147
Total liabilities	373,805	360,907
Deferred inflows	2,244	3,541
Net position:		
Net invested in capital assets	44,058,311	44,852,057
Unrestricted	2,892,874	2,635,727
Total net position	\$ 46,951,185	\$ 47,487,784

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

	2025	2024
Operating revenues	\$ 1,447,123	\$ 1,426,340
Operating expenses	2,101,660	1,997,089
Net income (loss) from operations	(654,537)	(570,749)
Other income (expense)	97,938	79,724
Capital construction grants	20,000	6,385,625
Change in net position	\$ (536,599)	\$ 5,894,600

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 and deferred inflows by \$46,951,185 at December 31, 2025. 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 and prepaid expenses, which are used to meet the District's ongoing obligations to its patrons.

Current liabilities of the District consist largely of accounts payable related to canal improvement expenses and accrued payroll expenses.

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. Operating revenues include assessments paid by District patrons for water delivery and the sale of electricity generated by the District's power plants. District activities during the year decreased net position in the current year by \$536,599.

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, 2025, the District had invested \$44,373,473 in capital assets, net of depreciation.

Debt Outstanding

As of December 31, 2025, the District had \$315,162 in debt outstanding, an increase of \$38,132 from the prior year.

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, 2026. These factors included estimating the amount of service fees and operating expenses and capital improvement projects. Both revenues and operating expenses are expected to be stable.

The District's board of directors has designated \$2,750,000 of net position for future capital purchases, improvements and major repairs to the facilities and equipment.

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, 2025

ASSETS

Current assets:

Cash and investments	\$ 2,897,460
Assessments receivable	17,806
Prepaid expenses	<u>24,101</u>
Total current assets	2,939,367

Noncurrent assets:

Capital assets not being depreciated	62,356
Capital assets being depreciated	57,308,059
Accumulated depreciation	<u>(12,996,942)</u>
Total capital assets	<u>44,373,473</u>

Restricted cash	<u>14,394</u>
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Total assets	<u><u>47,327,234</u></u>
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LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities:

Accounts payable	17,875
Accrued payroll	5,826
Accrued compensated absences	31,512
Accrued interest payable	3,430
Current portion of financing lease	32,267
Current portion of long-term debt	<u>27,607</u>

Total current liabilities	118,517
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Noncurrent liabilities:

Financing lease, net of current portion	32,748
Loans payable, net of current portion	<u>222,540</u>

Total liabilities	373,805
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Deferred inflows:

Prepaid rents and assessments	2,244
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NET POSITION

Net invested in capital assets	44,058,311
Unrestricted	<u>2,892,874</u>
Total net position	<u><u>\$ 46,951,185</u></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, 2025

Operating revenues:	
Assessments	\$ 1,393,006
Fees and other	<u>54,117</u>
Total operating revenues	1,447,123
Operating expenses:	
Salaries and payroll expenses	768,460
Administration	177,510
System maintenance	127,324
Real estate maintenance	24,106
Equipment maintenance	54,245
Shop expenses	3,455
Depreciation	<u>946,560</u>
Total operating expenses	<u>2,101,660</u>
Operating income (loss)	(654,537)
Non-operating revenue (expense):	
Rent income	61,448
Interest income	44,479
Interest expense	<u>(7,989)</u>
Total non-operating revenue (expense)	<u>97,938</u>
Income (loss) before capital grants	(556,599)
Capital construction grants	<u>20,000</u>
Change in net position	(536,599)
Net position - beginning of year	<u>47,487,784</u>
Net position - end of year	<u><u>\$ 46,951,185</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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from users	\$ 1,444,358
Cash paid for goods and services	(386,815)
Cash paid to employees	(786,150)
Gain on sale of capital assets	(5,498)
	265,895
Net cash provided by operating activities	265,895

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Construction grants received	220,000
Acquisition of capital assets	(127,266)
Proceeds from sale of capital assets	38,627
Principal payments on long term debt	(26,883)
Principal payments on finance lease	(31,794)
Interest paid on long term debt	(8,359)
	64,325
Net cash provided by capital and related financing activities	64,325

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	44,479
Rent received	61,448
	105,927
Net cash provided by investing activities	105,927

Net change in cash and cash equivalents 436,147

Cash and cash equivalents, beginning of year 2,461,313

Cash and cash equivalents, end of year \$ 2,897,460

Non-cash capital and financing activities:

Purchase of equipment financed with a financing lease \$ 96,809

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$ (654,537)
Noncash items included in income:	
Depreciation expense	946,560
Gain on sale of capital assets	(5,498)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	(1,468)
Prepaid expenses	6,999
Accounts payable	(7,174)
Accrued payroll and compensated balances	(17,690)
Prepaid assessments	(1,297)
	265,895
Net cash provided by operating activities	\$ 265,895

The accompanying notes are an integral part of these financial statements

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2025

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, 2025

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, 2025

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 investments of the District consisted of the following at December 31, 2025:

Checking accounts	\$ 38,725
Money market account	2,872,729
Cash on hand	400
Less: restricted cash	<u>(14,394)</u>
Total	<u>\$ 2,897,460</u>

As of December 31, 2025 the District has \$14,394 of restricted cash. This cash is restricted for loan reserves on the DEQ loans. The reserve requirements end when the loans mature.

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, 2025, 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, 2025

3. Capital Assets

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

	Balance Jan 1, 2025	Additions	Disposals	Balance Dec 31, 2025
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	122,553	-	-	122,553
Canals and ditches	56,136,680	58,910	-	56,195,590
Equipment	881,545	165,165	(56,794)	989,916
Total depreciable capital assets	57,140,778	224,075	(56,794)	57,308,059
Accumulated depreciation				
Buildings	(122,554)	-	-	(122,554)
Canals and ditches	(11,193,569)	(899,715)	-	(12,093,284)
Equipment	(757,923)	(46,845)	23,664	(781,104)
Total accumulated depreciation	(12,074,046)	(946,560)	23,664	(12,996,942)
Net depreciable capital assets	45,066,732	(722,485)	(33,130)	44,311,117
Net book value	\$ 45,129,088	\$ (722,485)	\$ (33,130)	\$ 44,373,473

Depreciation expense of \$946,560 is recorded as an operating expense in the accompanying Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2025.

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, 2025 is \$115,007.

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, 2025 is \$135,140.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2025

4. Long-Term Debt (continued)

During the year ended December 31, 2025, long-term liability activity was as follows:

	Balance January 1, 2025	Draws	Payments	Balance December 31, 2025
Notes payable				
DEQ #1	\$ 134,043	\$ -	\$ (19,036)	\$ 115,007
DEQ #2	142,987	-	(7,847)	135,140
Total notes payable	<u>\$ 277,030</u>	<u>\$ -</u>	<u>\$ (26,883)</u>	<u>\$ 250,147</u>

Future payment obligations on the notes payable as of December 31, 2025 are as follows:

Year ending December 31,	Principal	Interest	Total
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
2031-2035	57,912	8,079	65,990
2036-2040	<u>46,556</u>	<u>2,575</u>	<u>49,131</u>
	<u>\$ 250,147</u>	<u>\$ 33,384</u>	<u>\$ 283,531</u>

The DEQ loans have loan reserve amounts that mature when the debt is fully repaid. These required loan reserve amounts are \$14,394 at December 31, 2025.

5. Financing Lease

During the year ended December 31, 2025 the District leased equipment under the terms of a financing lease. The lease requires annual payments of \$33,236 and matures in January 2027. The lease has a remaining life of 2 years and a discount rate of 1.5%.

Finance Lease	
Equipment	\$ 96,809
Accumulated depreciation	<u>(14,237)</u>
Equipment, net of depreciation	<u>\$ 82,572</u>
Current portion of finance lease liability	\$ 32,267
Long-term portion of finance lease liability	<u>32,748</u>
Financing lease liability	<u>\$ 65,015</u>

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2025

5. Financing Lease (continued)

The District had depreciation expense of \$14,237, principal payments of \$31,794 and interest of \$1,442 during the year ended December 31, 2025 related to this financing lease.

Future payment obligations on the financing lease as of December 31, 2025 are as follows:

Year ending December 31,	Payment
2026	\$ 33,236
2027	33,236
	66,472
Less interest	(1,457)
	\$ 65,015

6. 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 \$14,594 for 2025.

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, 2025, the District paid \$42,657 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, 2025 that exceeded the District's insurance coverage.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2025

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 May 11, 2026, 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, 2025.

**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, 2025 and have issued our report thereon dated May 11, 2026. 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

May 11, 2026



Richard Winkel, Partner