

TUMALO IRRIGATION DISTRICT  
BEND, OREGON

Financial Statements

For the Year Ended December 31, 2020

TUMALO IRRIGATION DISTRICT  
December 31, 2020

BOARD OF DIRECTORS

| <u>Name</u>                                 | <u>Zone</u> |
|---|-------------|
| Stephan Putnam<br>Bend, Oregon              | Division 1  |
| Jack Farley<br>Bend, Oregon                 | Division 2  |
| Wally Zimmerman, Vice Chair<br>Bend, Oregon | Division 3  |
| Ron Cochran, Chair<br>Bend, Oregon          | Division 4  |
| Martin Warbington<br>Bend, Oregon           | Division 5  |

**Administration**

Kenneth Rieck  
District Manager, Secretary

Registered Agent  
Kenneth Rieck

Registered Office

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

TUMALO IRRIGATION DISTRICT  
Financial Statements  
For the Year Ended December 31, 2020

TABLE OF CONTENTS

|  | Page |
|--|------|
| INDEPENDENT AUDITOR’S REPORT   | 1    |
| MANAGEMENT’S DISCUSSION AND ANALYSIS   | 3    |
| BASIC FINANCIAL STATEMENTS:  |      |
| Statement of Net Position  | 6    |
| Statement of Revenues, Expenses and Changes in Net Position  | 7    |
| Statement of Cash Flows  | 8    |
| Notes to Financial Statements  | 9    |
| AUDITOR’S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS   | 15   |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND<br>ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF<br>FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH<br><i>GOVERNMENT AUDITING STANDARDS</i> | 17   |
| REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON<br>INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE<br>OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE                     | 19   |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS   | 21   |
| NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  | 22   |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS  | 23   |

Independent Auditor's Report

Board of Directors  
Tumalo Irrigation District  
Deschutes County, Oregon

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Tumalo Irrigation District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Tumalo Irrigation District as of December 31, 2020, and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Richard Winkel, CPA**  
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Beaverton, OR 97006

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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 consolidated financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 June 8, 2021 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 June 8, 2021 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.



Richard Winkel, CPA  
June 8, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TUMALO IRRIGATION DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2020**

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, 2020. 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 \$30,300,932 at December 31, 2020 (net position). Of this amount, \$1,966,621 is considered to be unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were \$1,342,285 in 2020, a decrease of \$30,093 from the prior year.
- Operating expenses were \$1,757,890 in 2020, an increase of \$52,482 from the prior year.
- The District recognized capital construction grants of \$3,092,970 during 2020 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,**

|  | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
| Assets:  |               |               |
| Current assets                                   | \$ 2,511,267  | \$ 3,740,266  |
| Non-current assets:                              |               |               |
| Capital assets – net of accumulated depreciation | 28,712,010    | 25,980,708    |
| Other assets                                     | -             | 520,000       |
| Total assets                                     | 31,223,277    | 30,240,974    |
| Current liabilities                              | 561,865       | 2,325,075     |
| Long-term liabilities                            | 353,526       | 377,698       |
| Total liabilities                                | 915,391       | 2,702,773     |
| Deferred inflows                                 | 6,954         | 6,622         |
| NET POSITION:                                    |               |               |
| Net invested in capital assets                   | 28,334,311    | 25,586,510    |
| Unrestricted, available for operations           | 1,966,621     | 1,945,069     |
| Total net position                               | \$ 30,300,932 | \$ 27,531,579 |

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

|                                       | <b>2020</b>   | <b>2019</b>   |
|---------------------------------------|---------------|---------------|
| Operating revenues:                   |               |               |
| Assessments                           | \$ 1,296,266  | \$ 1,259,423  |
| Fees and other                        | 46,019        | 112,955       |
| Total operating revenues              | 1,342,285     | 1,372,378     |
| Operating expenses:                   |               |               |
| Salaries and payroll costs            | 826,803       | 809,454       |
| Administration                        | 120,263       | 146,490       |
| Maintenance                           | 217,881       | 228,239       |
| Depreciation                          | 592,943       | 521,225       |
| Total operating expenses              | 1,757,890     | 1,705,408     |
| Net income (loss) from operations     | (415,605)     | (333,030)     |
| Non-operating revenue (expense)       |               |               |
| Rent, interest and other income       | 102,163       | 271,511       |
| Capital construction grants           | 3,092,970     | 5,046,955     |
| Interest expense                      | (10,175)      | (6,571)       |
| Total non-operating revenue (expense) | 3,184,958     | 5,311,895     |
| Change in net position                | 2,769,353     | 4,978,865     |
| Net position, beginning of year       | 27,531,579    | 22,552,714    |
| Net position, end of year             | \$ 30,300,932 | \$ 27,531,579 |



### **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 \$30,300,932 at December 31, 2020. 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.

Current liabilities of the District consist largely of accounts payable related to canal improvement 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. District activities during the year increased net position in the current year by \$2,769,353. The majority of the increase was due to capital grants of \$3,092,970, 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, 2020, the District had invested \$28,712,010 in capital assets, net of depreciation.

### **Debt Outstanding**

As of December 31, 2020, the District had \$377,699 in debt outstanding. This is two notes payable to the Oregon Department of Environmental Quality.

### **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. The District budget with a comparison to actual is included in this report under additional supplementary information. The budget isn't used to control the operation of the District but is included as part of this report to provide extra information.

### **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, 2021. 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, 2020**

ASSETS

|                                      |                    |
|--------------------------------------|--------------------|
| Current assets:                      |                    |
| Cash and cash equivalents            | \$ 1,289,895       |
| Grants receivable                    | 682,963            |
| Accounts receivable                  | 13,981             |
| Notes receivable                     | 520,000            |
| Prepaid expenses                     | <u>4,428</u>       |
| Total current assets                 | 2,511,267          |
| Noncurrent assets:                   |                    |
| Capital assets not being depreciated | 62,356             |
| Capital assets being depreciated     | 37,887,104         |
| Accumulated depreciation             | <u>(9,237,450)</u> |
| Total capital assets                 | <u>28,712,010</u>  |
| Total assets                         | <u>31,223,277</u>  |

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

|                                      |                      |
|--------------------------------------|----------------------|
| Current liabilities:                 |                      |
| Current portion of long-term debt    | 24,173               |
| Accounts payable                     | 452,274              |
| Accrued payroll                      | 28,641               |
| Accrued compensated absences         | 54,809               |
| Accrued interest payable             | <u>1,968</u>         |
| Total current liabilities            | 561,865              |
| Noncurrent liabilities:              |                      |
| Loan payable, net of current portion | <u>353,526</u>       |
| Total liabilities                    | <u>915,391</u>       |
| Deferred inflows                     |                      |
| Prepaid rents and assessments        | <u>6,954</u>         |
| NET POSITION:                        |                      |
| Net invested in capital assets       | 28,334,311           |
| Unrestricted                         | <u>1,966,621</u>     |
| Total net position                   | <u>\$ 30,300,932</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, 2020**

|                                      |                             |
|--------------------------------------|-----------------------------|
| Operating revenues:                  |                             |
| Assessments                          | \$ 1,296,266                |
| Fees and other                       | <u>46,019</u>               |
| Total operating revenues             | <u>1,342,285</u>            |
| Operating expenses:                  |                             |
| Salaries and payroll costs           | 826,803                     |
| Administration                       | 120,263                     |
| System maintenance                   | 135,553                     |
| Real estate maintenance              | 21,887                      |
| Equipment maintenance                | 58,711                      |
| Shop expenses                        | 1,730                       |
| Depreciation                         | <u>592,943</u>              |
| Total operating expenses             | <u>1,757,890</u>            |
| Operating income (loss)              | (415,605)                   |
| Non-operating revenue (expense):     |                             |
| Rent income                          | 53,030                      |
| Interest income                      | 49,133                      |
| Interest expense                     | <u>(10,175)</u>             |
| Total non-operating income (expense) | <u>91,988</u>               |
| Income (loss) before capital grants  | (323,617)                   |
| Capital construction grants          | <u>3,092,970</u>            |
| Change in net position               | 2,769,353                   |
| Net position - beginning of year     | <u>27,531,579</u>           |
| Net position - end of year           | <u><u>\$ 30,300,932</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, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|   |                    |
|---|--------------------|
| Cash received from users                      | \$ 1,339,178       |
| Cash paid for goods and services              | (331,853)          |
| Cash paid to employees                        | <u>(824,308)</u>   |
| <br>Net cash provided by operating activities | <br><u>183,017</u> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

|   |                     |
|---|---------------------|
| Acquisition of capital assets                                 | (5,103,526)         |
| Construction grants   | 5,036,008           |
| Principal payments on long term debt                          | (16,499)            |
| Interest paid on long term debt                               | <u>(10,333)</u>     |
| <br>Net cash used in capital and related financing activities | <br><u>(94,350)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|   |                    |
|---|--------------------|
| Interest received                             | 49,133             |
| Rent received                                 | <u>53,030</u>      |
| <br>Net cash provided by investing activities | <br><u>102,163</u> |

Net change in cash and cash equivalents 190,830

Cash and cash equivalents, beginning of year 1,099,065

Cash and cash equivalents, end of year \$ 1,289,895

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

|   |                              |
|---|------------------------------|
| Operating income (loss)   | \$ (415,605)                 |
| Noncash items included in income:   |                              |
| Depreciation expense  | 592,943                      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                              |
| Accounts receivable   | (3,439)                      |
| Prepaid expenses  | 230                          |
| Prepaid user fees   | 332                          |
| Accounts payable  | 6,061                        |
| Accrued expenses  | <u>2,495</u>                 |
| <br>Net cash provided by operating activities   | <br><u><u>\$ 183,017</u></u> |

**Summary of non-cash capital and related financing activities:**

Capital asset purchases in accounts payable at year end \$ 432,502

The accompanying notes are an integral part of these financial statements

**TUMALO IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**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, 2020**

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**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, 2020**

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**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, 2020:

|                      |                     |
|----------------------|---------------------|
| Checking accounts    | \$ 161,476          |
| Money market account | 1,128,019           |
| Petty cash           | <u>400</u>          |
| Total                | <u>\$ 1,289,895</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 is 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, 2020, 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.

**3. Notes Receivable**

In 2009 the Board approved the sale of several parcels of land owned by the District. As a result of the sale of these parcels in early 2017 the District now holds two notes receivables for loans made to buyers of these parcels for the sum of \$520,000. Each of the loans charges interest at 8.0% per annum with the buyers required to make minimum monthly interest payments and a balloon payment for the principal amount due no later than February 15, 2021. The minimum monthly interest payments due to the District under the notes receivable is \$3,467.

**TUMALO IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

**4. Capital Assets**

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

|                                       | Balance<br><u>January 1, 2020</u> | <u>Additions</u>    | <u>Disposals</u> | Balance<br><u>December 31, 2020</u> |
|---------------------------------------|-----------------------------------|---------------------|------------------|-------------------------------------|
| Capital assets not being depreciated: |                                   |                     |                  |                                     |
| Land                                  | \$ 48,568                         | \$ -                | \$ -             | \$ 48,568                           |
| Water rights and easements            | 13,788                            | -                   | -                | 13,788                              |
|                                       | <u>62,356</u>                     | <u>-</u>            | <u>-</u>         | <u>62,356</u>                       |
| Capital assets being depreciated:     |                                   |                     |                  |                                     |
| Buildings                             | 122,554                           | -                   | -                | 122,554                             |
| Canals and ditches                    | 33,615,122                        | 3,307,382           | -                | 36,922,504                          |
| Equipment                             | 825,183                           | 16,863              | -                | 842,046                             |
|                                       | <u>34,562,859</u>                 | <u>3,324,245</u>    | <u>-</u>         | <u>37,887,104</u>                   |
| Total depreciable capital assets      |                                   |                     |                  |                                     |
| Accumulated depreciation              |                                   |                     |                  |                                     |
| Buildings                             | (105,303)                         | (6,128)             | -                | (111,431)                           |
| Canals and ditches                    | (7,787,078)                       | (559,243)           | -                | (8,346,321)                         |
| Equipment                             | (752,126)                         | (27,572)            | -                | (779,698)                           |
|                                       | <u>(8,644,507)</u>                | <u>\$ (592,943)</u> | <u>\$ -</u>      | <u>(9,237,450)</u>                  |
| Total accumulated depreciation        |                                   |                     |                  |                                     |
| Net depreciable capital assets        | <u>25,918,352</u>                 |                     |                  | <u>28,649,654</u>                   |
| Net book value                        | <u>\$ 25,980,708</u>              |                     |                  | <u>\$ 28,712,010</u>                |

Depreciation expense of \$592,943 is recorded as an operating expense in the accompanying Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2020.

**5. 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, 2020 is \$204,969.

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. The Department of Environmental Quality forgave \$172,730 of the loan principal during the year ended December 31, 2019. Payments of \$5,461 are due semi-annually beginning in February 2021 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, 2020 is \$172,730.

**TUMALO IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**5. Long-Term Debt (continued)**

During the year ended December 31, 2020, long-term liability activity was as follows:

|                            | Balance<br>January 1,<br>2020 | Draws       | Payments           | Balance<br>December 31,<br>2020 |
|----------------------------|-------------------------------|-------------|--------------------|---------------------------------|
| Notes payable              |                               |             |                    |                                 |
| DEQ #1                     | \$ 221,468                    | \$ -        | \$ (16,499)        | \$ 204,969                      |
| DEQ #2                     | 172,730                       | -           | -                  | 172,730                         |
| <b>Total notes payable</b> | <b>\$ 394,198</b>             | <b>\$ -</b> | <b>\$ (16,499)</b> | <b>\$ 377,699</b>               |

Future payment obligations on the note payable as of December 31, 2020 are as follows:

| Year ending<br>December<br>31, | Principal         | Interest         | Total             |
|--------------------------------|-------------------|------------------|-------------------|
| 2021                           | \$ 24,173         | \$ 9,509         | \$ 33,682         |
| 2022                           | 24,825            | 8,857            | 33,682            |
| 2023                           | 25,493            | 8,189            | 33,682            |
| 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             |
|                                | <b>\$ 377,699</b> | <b>\$ 74,242</b> | <b>\$ 451,941</b> |

**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 \$16,633 for 2020.

**TUMALO IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020**

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**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, 2020, the District paid \$72,677 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, 2020 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 June 8, 2021, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020.

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

## **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, 2020 and have issued our report thereon dated June 8, 2021. 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)

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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.

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.

*Richard Winkel, CPA*

June 8, 2021



ACCOUNTING AND ADVISORY SERVICES

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*

Independent Auditor's Report

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 Tumalo Irrigation District, which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Tumalo Irrigation District's internal control over financial reporting (internal control) to determine the 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 Tumalo Irrigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tumalo Irrigation 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 may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tumalo Irrigation 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 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. 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.

*Richard Winkel, CPA*

June 8, 2021

Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors  
Tumalo Irrigation District  
Bend, Oregon

**Report on Compliance for Each Major Federal Program**

We have audited Tumalo Irrigation District's compliance with the types of compliance requirements described 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, 2020. Tumalo Irrigation District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Tumalo Irrigation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tumalo Irrigation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tumalo Irrigation District's compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, Tumalo Irrigation District complied, in all material respects, with the types of 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, 2020.

### **Report on Internal Control Over Compliance**

Management of Tumalo Irrigation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tumalo Irrigation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tumalo Irrigation District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Richard Winkel, CPA*

June 8, 2021

TUMALO IRRIGATION DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program Title</u>    | <u>Federal CFDA<br/>Number</u> | <u>Pass-Through<br/>Entity Identifying<br/>Number</u> | <u>Provided to<br/>Subrecipients</u> | <u>Total<br/>Federal<br/>Expenditures</u> |
|---|--------------------------------|---|--------------------------------------|---|
| <b>U.S. Department of Agriculture Pass-Through Programs From:</b> |                                |   |                                      |   |
| Deschutes Basin Board of Control                                  |                                |   |                                      |   |
| Watershed Flood Prevention Operations                             | 10.904                         | NR180436XXXXC007                                      | \$ -                                 | \$ 1,632,869                              |
| Watershed Flood Prevention Operations                             | 10.904                         | NR200436XXXXC005                                      | -                                    | 528,208                                   |
| <b>Total Expenditures of Federal Awards</b>                       |                                |   | <u>\$ -</u>                          | <u>\$ 2,161,077</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, 2020

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, 2020. 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.

TUMALO IRRIGATION DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2020

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**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 (CFDA #10.904) – Watershed Flood Prevention Operations
- The threshold for distinguishing Types A and B programs was \$750,000.
  
  - Qualified as a low-risk auditee    No