

**WEST EXTENSION IRRIGATION DISTRICT**

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2013**

**WEST EXTENSION IRRIGATION DISTRICT**

**Board of Directors as of December 31, 2013**

**Elected Officials**

**Term Expires**

Division 1	Robert Mueller	December 31, 2014
Division 2	Doug Strebin, Vice-Chairman	December 31, 2015
Division 3	Max Helberg	December 31, 2013
Division 4	Vern Fredrickson	December 31, 2015
Division 5	Dalarie Philippi, Chairperson	December 31, 2013

**Appointed Officials**

District Manager and Registered Agent

Beverly J. Bridgewater  
PO Box 100  
Irrigon, OR 97844

**WEST EXTENSION IRRIGATION DISTRICT**

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**December 31, 2013**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
West Extension Irrigation District  
Irrigon, Oregon

We have audited the accompanying financial statements of the business-type activities and each major fund of West Extension Irrigation District, as of and for the year ended December 31, 2013, 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.

**Auditors' 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. 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 and each major fund of West Extension Irrigation District as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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 5 through 8 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 that collectively comprise the West Extension Irrigation District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Board of Directors  
West Extension Irrigation District  
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*Other Reporting By Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated June 5, 2014, on our consideration of West Extension Irrigation District's 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 compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.

By:   
Kristie L. Shasteen, Shareholder  
June 5, 2014

# WEST EXTENSION IRRIGATION DISTRICT

## Management's Discussion and Analysis

December 31, 2013

This discussion and analysis provides highlights of financial activities of West Extension Irrigation District. The analysis focuses on the District's overall financial position, results of operations, and other important economic factors for the year ended December 31, 2013. This annual financial report consist of two parts - Management's Discussion and Analysis (this section) and the Basic Financial Statements.

### **Overview of the Financial Statements**

The District's basic financial statements are divided into several components. Together, they provide a comprehensive overview of the District's financial position. The components of the basic financial statements include:

1. **Basic financial statements:** The basic financial statements present information about the financial activities of the District as a whole.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected assessments and earned but unused vacation leave).

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories: operating, noncapital financing, capital financing, and investing. This statement differs from the statement of revenues, expenses, and changes in equity by only accounting for transactions that result from cash receipts or cash disbursements.

2. **Notes to Financial Statements:** The notes provide additional information necessary to gain a full understanding of the financial statements.

**WEST EXTENSION IRRIGATION DISTRICT**

**Management's Discussion and Analysis (continued)**

**December 31, 2013**

**Financial Highlights**

Over time, increases or decreases in net position may be useful in determining improvement or deterioration in the financial position of the District. The following tables provide information comparing the current year's government-wide financial statements to prior year's information for the District as a whole:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 688,284	\$ 661,155
Capital assets	1,140,168	1,201,235
Total assets	<u>1,828,452</u>	<u>1,862,390</u>
Capital debt outstanding	142,007	158,655
Other liabilities	100,368	98,140
Total Liabilities	<u>242,375</u>	<u>256,795</u>
Net Position:		
Investment in capital assets	998,161	1,042,580
Restricted	95,000	95,000
Committed	216,897	196,950
Unrestricted	276,019	271,065
Total Net Position	<u>\$ 1,586,077</u>	<u>\$ 1,605,595</u>
Total Liabilities and Net Position	<u>\$ 1,828,452</u>	<u>\$ 1,862,390</u>
	<u>Year Ending December 31,</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Operating revenues		
Incurred Charges	\$ 958,753	\$ 917,532
Other Billings and Fees	406,539	386,787
Non - Operating Revenues:		
Investment Income	2,146	2,014
Misc. income (Expense)	713	14,568
Total Net Revenues	<u>1,368,151</u>	<u>1,320,901</u>
Operating expenses	<u>1,387,669</u>	<u>1,326,699</u>
Operating income (loss)	(19,518)	(5,798)
Beginning net position	1,605,595	1,611,393
Ending net position	<u>\$ 1,586,077</u>	<u>\$ 1,605,595</u>

During the year the District's net position decreased by \$19,518. Operating expenses increased by \$60,234 during the year. Operating revenues increased by \$60,970 during the year.

**WEST EXTENSION IRRIGATION DISTRICT**

**Management's Discussion and Analysis (continued)**

**December 31, 2013**

**Capital Assets**

Capital Assets at Year-End  
Net of Depreciation

	December 31,	
	2013	2012
Land	\$ 10,563	\$ 10,563
Machinery, equipment & vehicles	522,285	517,286
Irrigation system and buildings	2,529,622	2,516,272
Accumulated Depreciation	<u>(1,922,302)</u>	<u>(1,842,886)</u>
Total capital assets	<u>\$ 1,140,168</u>	<u>\$ 1,201,235</u>

The District had \$1,140,168 in capital assets net of depreciation at December 31, 2013, this amount represents *a decrease* from the prior year.

Additional information on capital assets can be found in Note 5 to the Financial Statements.

**Capital Debt**

Capital Debt at Year End

	December 31,	
	2013	2012
Notes Payable		
Banner Bank	-	10,742
Capital Leases		
US Bureau of Reclamation	<u>142,007</u>	<u>147,913</u>
Total Debt	<u>\$ 142,007</u>	<u>\$ 158,655</u>

At December 31, 2013, the District had \$142,007 in debt outstanding, *a decrease* from the prior year.

## **WEST EXTENSION IRRIGATION DISTRICT**

### **Management's Discussion and Analysis (continued)**

**December 31, 2013**

#### **Economic Factors**

With rising costs of power and fuel, the District continues to explore way to be efficient with all phases of District operations. Overall, operations are stable. The District continues to incur legal fees with regard to water rights issues. The District has completed its Water Management and Conservation Plan. This provides direction and prioritization as the District seeks to further conserve water and streamline operations.

#### **Requests for Information**

This financial report is designed to provide our citizens, land owners, water users, customer, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the West Extension Irrigation District, 840 E. Highway 730, P.O. Box 100, Irrigon, OR 97844.

**WEST EXTENSION IRRIGATION DISTRICT**

**Statement of Net Position**  
**December 31, 2013**

**ASSETS**

**Current assets:**

Cash, cash equivalents and investments	\$ 281,176
Accounts receivable	148,701
Inventory	76,048
Prepaid expenses	7,491
	<hr/>
Total current assets	513,416

**Noncurrent assets:**

Restricted cash	95,000
	<hr/>
Capital assets:	
Non-depreciable assets:	
Land	10,563
Depreciable assets, net of accumulated depreciation:	
Irrigation system & buildings	1,026,711
Machinery, equipment and vehicles	102,894
Total capital assets	<hr/> 1,140,168
Other assets:	
Investment in capital credits	79,868
Total other assets	<hr/> 79,868
Total noncurrent assets	<hr/> 1,315,036
Total assets	<hr/> <hr/> \$ 1,828,452

See accompanying independent auditors' report  
and notes to financial statements.

**WEST EXTENSION IRRIGATION DISTRICT**

**Statement of Net Position (continued)**

**December 31, 2013**

**LIABILITIES AND NET POSITION**

**Current liabilities:**

Accounts payable	\$ 91,126
Accrued compensated absences	9,242
Current portion of capital lease obligations	<u>2,961</u>
Total current liabilities	<u>103,329</u>

**Long-term liabilities:**

Capital lease obligations	<u>139,046</u>
Total liabilities	<u>242,375</u>

**Net position:**

Investment in capital assets	998,161
Restricted	95,000
Committed	216,897
Unrestricted	<u>276,019</u>
Total net position	<u>1,586,077</u>
Total liabilities and net position	<u><u>\$ 1,828,452</u></u>

See accompanying independent auditors' report  
and notes to financial statements.

**WEST EXTENSION IRRIGATION DISTRICT**

**Statement of Revenues, Expenses, and Changes in net position**  
**Year Ended December 31, 2013**

**Operating revenues:**

Incurring charges	\$ 958,753
Contract administration fees	25,093
Customer fees	60,444
Grants received	27,000
Other income	4,010
Power billings and other reimbursable billings	100,007
Reimbursements - Bureau of Reclamation & Bonneville Power Administrations	<u>168,584</u>
Total operating revenues	<u>1,343,891</u>
Total operating expenses	<u>1,386,956</u>
Operating income	<u>(43,065)</u>

**Non-operating revenues (expenses):**

Interest income	\$ 2,146
Patronage credits issued	8,912
Finance charges	12,402
Gain (loss) on disposal of assets	800
Interest expense	<u>(713)</u>
Net non-operating revenues (expenses)	<u>23,547</u>
Change in net position	<u>(19,518)</u>
Net position, Beginning of year	<u>1,605,595</u>
Net position, End of year	<u><u>\$ 1,586,077</u></u>

See accompanying independent auditors' report  
and notes to financial statements.

**WEST EXTENSION IRRIGATION DISTRICT**  
**Statement of Cash Flows**

**Year Ended December 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash receipts from customers	\$ 1,052,441
Receipts from contracts and reimbursements	324,694
Payments to employees and related expenses	(548,317)
Payments to vendors and suppliers	(725,275)
	<hr/>
Net cash provided by operating activities	103,543

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Capital credits received	4,966
Interest received	14,548
	<hr/>
Net cash provided by investing activities	19,514

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

Acquisition of capital assets	(31,650)
Receipts from sale of capital assets	800
Principal paid on capital debt	(16,648)
Interest paid on capital debt	(970)
	<hr/>
Net cash used in capital and related financing activities	(48,468)

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 74,589

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 301,587

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 376,176

See accompanying independent auditors' report  
and notes to financial statements.

**WEST EXTENSION IRRIGATION DISTRICT**  
**Statement of Cash Flows**

**Year Ended December 31, 2013**

**RECONCILIATION OF OPERATING**  
**INCOME(LOSS) TO NET CASH PROVIDED**  
**BY OPERATING ACTIVITIES:**

Operating income(loss)	\$ (43,065)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	92,717
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	33,244
(Increase) decrease in prepaid costs	137
(Increase) decrease in inventory	18,025
Increase (decrease) in accounts payable	7,738
Increase (decrease) in accrued compensated absences	<u>(5,253)</u>
Net cash provided by operating activities	<u>\$ 103,543</u>

See accompanying independent auditors' report  
and notes to financial statements.

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2013

#### NOTE 1 -- SIGNIFICANT ACCOUNTING POLICIES:

West Extension Irrigation District was organized on June 16, 1919, for the purpose of distributing irrigation water to customers in specified areas of Umatilla and Morrow Counties. The District is governed by a five-member board of directors who are water users of the District. Board members are elected for three-year terms. Terms expire December 31 of each year, three years from the beginning of the term for each director. The District charges annually for water usage based upon the irrigable acres within its respective areas for the purpose of raising funds with which to pay the current operating and maintenance expenses.

The financial statements of West Extension Irrigation District have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections on these notes.

#### Reporting entity

A component unit is a separate legal organization for which the District is considered to be financially accountable. The District has determined that no other organization meets the criteria to be included as a component unit of the District's financial statements.

#### Measurement focus, basis of accounting, and financial statement presentation:

The financial statements are reported using the economic resources measurement focus and are presented on the full accrual basis of accounting. Under the accrual basis of accounting revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period, with the exception of federal and state grants. Expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The District's resources are allocated to and accounted for in these basic financial statements as an business-type of the proprietary fund group. Proprietary funds distinguish 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 principle ongoing operations. The principle operating revenues of the District are operation and maintenance fees generally based on acreage.

Operating expenses for business-type funds include costs of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2013

#### NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

##### Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Budgets and budgetary accounting

The District is not subject to Oregon Budget Law and its budget, therefore, is a non-appropriated budget adopted for assessment setting and management purposes. The District prepares its financial information for budgetary purposes on the cash basis, which recognizes revenue when cash is received and expenses when cash is paid out. Because the District's budget is not legally adopted, a statement comparing budgeted revenues, expenses, and changes in retained earnings to actual is not required and has not been included in these financial statements.

##### Cash, cash equivalents and investments

Cash includes demand deposits, short-term cash investments, and deposits in the Oregon Local Government Investment Pool (LGIP).

Oregon Revised Statutes authorize districts to invest in obligations of the U.S. Treasury, agencies and instrumentalities of the United States, bankers acceptances guaranteed by a qualified financial institution, repurchase agreements, interest bearing bonds of any city, county, or port, among others. The District's investments consist of time certificates of deposit. Time certificates of deposit are stated at cost which approximates fair value.

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits, and the State of Oregon's Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in pool shares.

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2013

#### NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

##### Assessments and accounts receivable

No allowance for doubtful accounts is considered necessary for the assessment of accounts receivable. These accounts have been adjusted for all known uncollectible accounts. Real property is attached by lien for delinquent assessments and accrued interest, which the District believes is sufficient to insure collection.

##### Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2013 are recorded as prepaid items.

##### Inventory

Inventory consists of meters, weed control chemicals, fuel, irrigation supplies and irrigation pipe, and is valued at the cost and identified individually. A physical count of inventory is conducted annually.

##### Capital assets

Capital assets, which include infrastructure, buildings and improvements, and equipment and vehicles, are reported in the financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the District as assets with an initial, individual cost of \$2,500 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Equity with accumulated depreciation reflected in the Balance Sheet and is provided on the straight-line basis over the estimated useful lives, ranging from 5-40 years dependent upon the asset. One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales of retirements of capital assets are included in operations of the current period.

##### Umatilla Electric Coop Credits

Capital credits are from an electric cooperative and are recorded as income in the year notification of the credit is received. These assets are not converted to cash until the cooperative elects to pay them.

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2013**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Accrued compensated absences

After employees complete six consecutive months of full time services, they become eligible to accumulate annual paid leave benefits. Paid leave is accumulated as follows: Six months to eight years - 17.5 hours per month; Eight years plus - 19.5 hours per month. Employees may accumulated up to 35 days or 280 hours of paid time off. All outstanding paid time off is payable upon resignation, retirement, or death. Accordingly, the District accrues a liability for paid time off. Cash payment in lieu of paid leave time off is not permitted, except in the case of termination.

Net position

The District records restrictions to indicate that a portion of net position is legally segregated for a specific future use. When both restricted and unrestricted resources are available for appropriation, the District's policy is to use restricted resources first.

Due to the nature of the District's operations, certain legal or contractual requirements state that net position must be restricted for a specific future purpose. At December 31, 2013, contractually restricted net position consisted of the following:

O&M emergency funds	\$ 35,000
Conjunctive use emergency funds	<u>60,000</u>
Total	<u>\$ 95,000</u>

**NOTE 2 – CASH AND CASH EQUIVALENTS:**

The District maintains two depository accounts and two time certificates of deposit with one financial institution, and deposits in the Oregon Local Government Investment Pool. The cash balances of the District at December 31, 2013 were as follows:

Demand deposits	\$ 29,476
Time certificates of deposit	35,000
Local government investment pool	311,500
Petty cash	<u>200</u>
Total	<u>\$ 376,176</u>

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2013

#### NOTE 2 – CASH AND CASH EQUIVALENTS (continued):

Cash, cash equivalents and investments are shown in the financial statements as:

Cash, cash equivalents and investments	\$ 281,176
Restricted assets	<u>95,000</u>
Total cash and investments	<u>\$ 376,176</u>

#### Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. ORS 295 requires the qualified depository to pledge collateral against any public funds deposits in excess of deposit insurance amounts. As of December 31, 2013, the total bank balance was insured by federal depository insurance. It is the District's policy to maintain its funds at a financial institution deemed to be a qualified depository by the Office of the State Treasurer.

#### Local Government Investment Pool (LGIP)

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. The OSTF is a cash and investment pool available for use by all state funds and eligible local governments. The OSTF is managed by the Investment Division of the Oregon State Treasury within the guidelines established in the OSTF Portfolio Rules. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. At December 31, 2013, the fair value of the District's deposits with LGIP approximates cost. The OSTF financial statements and the OSTF Portfolio Rules can be downloaded at [www.ost.state.or.us](http://www.ost.state.or.us).

#### Interest rate risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. The District has a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value losses arising from changes in market rates.

#### Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Oregon Revised Statutes authorizes the District to invest primarily in general obligations of the US Government and its agencies, certain bonded obligation of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The District's investment policy has been approved by the Board of Directors and specifies the District's investment objectives, required diversification, certain limitations, and reporting requirements. As of December 31, 2013 the District's investment in Oregon State Treasurer's investment pool is not rated.

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2013

#### NOTE 2 – CASH AND CASH EQUIVALENTS (continued):

##### Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the government will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The District's investment policy provides that brokers/dealers and financial institutions meet certain qualifications, which are reviewed annually. The Local Government Investment Pool is not subject to custodial risk because it is not evidenced by securities that exist in physical or book entry form.

##### Restricted cash balances

The restricted assets as reported on the Statement of Net Position consist of cash restricted by statute or contract.

#### NOTE 3 -- ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 2013 consisted of trade accounts receivable of \$148,701. Accounts aged over 90 days included in this balance total \$31,937. These accounts have been adjusted for all known uncollectible accounts. Real property is attached by lien for delinquent assessments and accrued interest, which the District believes is sufficient to insure collection. Therefore, no allowance for doubtful accounts has been made.

#### NOTE 4 -- CAPITAL ASSETS:

A summary of changes in capital assets during the year ending December 31, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 10,563	\$ -	\$ -	\$ 10,563
Total capital assets not being depreciated	10,563	-	-	10,563
<u>Capital assets being depreciated</u>				
Irrigation system	2,516,272	13,350	-	2,529,622
Equipment	517,286	18,300	(13,301)	522,285
Total capital assets being depreciated	<u>3,033,558</u>	<u>31,650</u>	<u>(13,301)</u>	<u>3,051,907</u>
Less accumulated depreciation for:				
Irrigation system	(1,443,280)	(59,631)	-	(1,502,911)
Equipment	(399,606)	(33,086)	13,301	(419,391)
Total accumulated depreciation	<u>(1,842,886)</u>	<u>(92,717)</u>	<u>13,301</u>	<u>(1,922,302)</u>
Total capital assets being depreciated, net	<u>1,190,672</u>	<u>(61,067)</u>	<u>-</u>	<u>1,129,605</u>
Total capital assets, net	<u>\$ 1,201,235</u>	<u>\$ (61,067)</u>	<u>\$ -</u>	<u>\$ 1,140,168</u>

Capital lease improvement assets of \$233,617 associated with the capital lease described in Note 5 are included in the Irrigation system assets above. These assets are fully depreciated at December 31, 2013.

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2013**

**NOTE 5 – CAPITAL LEASE OBLIGATIONS:**

Changes in capital lease obligations during the fiscal year ended December 31, 2013, were as follows:

	Beginning Balance	New Borrowing	Payments	Ending Balance
Bureau of Reclamation	\$ 147,914	\$ -	\$ (5,907)	\$ 142,007
			Total	Due Within One Year

Capital lease contract with the United States of America. The contract remains in force past the date of the final payment in the year 2163 at which time title is still retained by the United States. Implicit interest rate of the lease is zero percent. Therefore, the total lease payments are also the net and present value of the net minimum payments. Payments totaling \$2,961 are due annually.

\$ 142,007	\$ 2,961
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Future debt requirements are as follows:

December 31,	Total
2014	2,961
2015	2,961
2016	2,961
2017	2,961
2018	2,961
2019-2023	14,805
2024-2028	14,805
2029-2033	14,805
2034-2038	14,805
2039-2043	14,805
2044-2048	14,805
2049-2053	14,805
2054-2058	14,805
2059-2063	8,762
Total	\$ 142,007

Capital lease improvement assets of \$233,617 associated with this capital lease are included in the Irrigation system assets listed in Note 4. These assets are fully depreciated at December 31, 2013.

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2013

#### NOTE 6 -- DEFINED BENEFIT PENSION PLAN:

##### Plan description

The District is a participating employer in the Oregon Public Employees Retirement System ("PERS"), a cost-sharing multiple employer plan established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to member and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution program (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

West Extension Irrigation District had been a member of the State and Local Government Rate Pool (SLGRP) since January 1, 2002.

##### Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan. The District is required by ORS 238.225 to contribute at an actuarially determined rate. The rates for July 1, 2011 to June 30, 2013 are 9.34% of salary covered for PERS and 5.49% for General Service salary covered for OPSRP. The rates for July 1, 2013 to June 30, 2015 are 15.06% of salary covered for PERS and 10.81% for General Service salary covered for OPSRP. The contribution requirements for plan members and the employer are established by ORS Chapter 238 and may be amended by an act of the Oregon legislature.

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2013**

**NOTE 6 -- DEFINED BENEFIT PENSION PLAN (continued):**

Annual Pension Cost

All participating employers are required by law to submit the contributions adopted by OPERB. For the year ended December 31, 2013, West Extension Irrigation District's annual pension costs for PERS was equal to the District's required and actual contributions.

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 17,547	100%	\$ -
2012	25,569	100%	-
2013	26,672	100%	-

**NOTE 7 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN:**

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statue (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

## **WEST EXTENSION IRRIGATION DISTRICT**

### **Notes to Financial Statements**

**December 31, 2013**

#### **NOTE 7 -- POSTEMPLOYMENT HEALTH INSURANCE PLAN (continued):**

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA for the years ended December 31, 2013, 2012 and 2011 were \$1,570, \$1,575, and \$2,037, which equaled the required contributions each year.

#### **NOTE 8 -- COMMITMENTS AND CONTINGENCIES:**

The District is periodically involved in legal actions, claims and assessments that arise as a result of events that occur in the normal course of operations. The ultimate resolution of these actions is not expected to have a material adverse effect on the District's financial position as of December 31, 2013.

#### **NOTE 9 -- RISK MANAGEMENT:**

The District is exposure 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded commercial coverage for any of the past three years. There were no significant reductions in insurance coverage from the prior year.

#### **NOTE 10 -- SUBSEQUENT EVENTS:**

Management evaluated all activity of the District through the date of this report, which is the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

**SUPPLEMENTAL INFORMATION**

**WEST EXTENSION IRRIGATION DISTRICT**

**Schedule of Operating Expenses**  
**Year Ended December 31, 2013**

Operating Expenses:

Personal services and related expense	\$ 411,713
Administrative	29,977
Professional fees	172,879
Grants expended	27,000
Legal and boundary	21,986
Office supplies and postage	11,930
Travel	6,720
Utilities	66,667
Communications	5,885
Conjunctive use	96,595
Pumping	108,072
Safety	4,602
Shop	3,982
Diversion work	2,423
Equipment repairs and maintenance	4,649
Equipment rent	4,755
Equipment fuel	7,857
Improvements	15,679
Lateral repairs	3,330
Main canal repairs	36,277
Pump station repairs	8,743
Miscellaneous	3,861
Mitigation water	7,106
Meters	5,014
Weed control	41,450
Vehicle fuel	17,993
Vehicle repairs and maintenance	4,400
Depreciation expense	92,717
	<hr/>
	1,224,262
 Bureau of Reclamation Project Expenses	 128
Bonneville Power Administration Project Expenses	159,241
Reimbursable Operating Expenses	3,325
	<hr/>
Total operating expenses	<u>\$ 1,386,956</u>

See accompanying independent auditors' report.

**BARNETT & MORO, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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PAUL A. BARNETT, C.P.A.

**INDEPENDENT AUDITORS' REPORT**  
**REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors  
West Extension Irrigation District  
Irrigon, Oregon

We have audited the basic financial statements of the West Extension Irrigation District as of and for the year ended December 31, 2013, and have issued our report thereon dated June 5, 2014. 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 West Extension 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 the 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, noncompliance with which could have a direct and material effect on the determination of financial statements 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.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe the West Extension Irrigation District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the 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 except as follows:

The District did not maintain written records of competitive price quotes required by ORS 279B.

**OAR 162-10-0230 Internal Control**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 material weakness in overall internal accounting control exists because the functions of handling cash and the recording of financial transactions are not adequately separated due to the small number of staff employed by the District. The District Manager reviews bank reconciliations, signed checks and related documents. The District has determined adequate mitigating controls are in place and does not plan to hire additional staff to segregate duties further.

This report is intended solely for the information and use of management, the 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 specified parties.

Barnett & Moro, P.C.

By: Kristie L. Shasteen  
Kristie L. Shasteen, Shareholder  
Hermiston, Oregon  
June 5, 2014