

WEST EXTENSION IRRIGATION DISTRICT

**Financial Statements and
Independent Auditors' Report**

December 31, 2022

WEST EXTENSION IRRIGATION DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
West Extension Irrigation District
Irrigon, Oregon

Opinion

We have audited the accompanying financial statements of the business-type activities of West Extension Irrigation District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of West Extension Irrigation District as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standard generally accepted on the United States of America. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We are required to be independent of the West Extension Irrigation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the West Extension Irrigation District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the West Extension Irrigation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the West Extension Irrigation District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules and notes on pages 6-9 and 37-41 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.

Supplementary Information

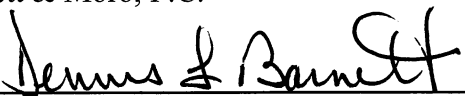
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Extension Irrigation District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financials themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual supplementary information are fairly stated, in material respects, in relation to the basic financial statements as a whole.

Other Matters

Other Reporting By Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated October 30, 2023, 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: 
Dennis L. Barnett, Shareholder
October 30, 2023

WEST EXTENSION IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2022

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, 2022. This annual financial report consist of three parts - Management's Discussion and Analysis (this section), the Basic Financial Statements and the Required Supplementary Information.

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 deferred outflows of resources, and liabilities and deferred inflows of resources, 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, 2022

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 financial statements to prior year's information for the District as a whole:

	December 31,	
	2022	2021
Current and other assets	\$ 624,393	\$ 481,719
Capital assets	1,776,742	1,656,454
Total assets	2,401,135	2,138,173
Deferred outflows	242,100	221,266
Total assets and deferred outflows	2,643,235	2,359,439
Capital debt outstanding	500,309	483,219
Other liabilities	411,045	722,379
Total Liabilities	911,354	1,205,598
Deferred inflows	337,388	77,046
Net Position:		
Investment in capital assets	1,276,433	1,173,235
Restricted	71,101	50,044
Unrestricted	46,959	(146,484)
Total Net Position	1,394,493	1,076,795
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,643,235	\$ 2,359,439
	Year Ending December 31,	
	2022	2021
Revenues:		
Operating revenues		
Incurred Charges	\$ 1,249,050	\$ 1,223,935
Other Billings and Fees	386,103	499,414
Non - Operating Revenues:		
Investment Income	2,631	829
Misc. income (Expense)	26,931	(4,693)
Total Net Revenues	1,664,715	1,719,485
Operating expenses	1,347,017	1,645,349
Change in net position	317,698	74,136
Beginning net position	1,076,795	1,002,659
Ending net position	\$ 1,394,493	\$ 1,076,795

WEST EXTENSION IRRIGATION DISTRICT

Management's Discussion and Analysis (continued)

December 31, 2022

Financial Highlights (cont.)

During the year the District's net position increased by \$317,698. Operating expenses decreased by \$298,332. This decrease is mostly attributed to a decrease in conjunctive use and BPA project expenses. Operating revenue decreased \$88,196 due to a decrease in BPA contract reimbursements in the current year.

Capital Assets

Capital Assets at Year-End
Net of Depreciation

	December 31,	
	2022	2021
Land	\$ 5,042	\$ 5,042
Construction in Progress	72,997	223,283
Machinery, equipment & vehicles	604,659	595,997
Irrigation system and buildings	4,201,692	3,834,032
Accumulated Depreciation	<u>(3,107,648)</u>	<u>(3,001,900)</u>
Total capital assets	<u>\$ 1,776,742</u>	<u>\$ 1,656,454</u>

The District had \$1,776,742 in capital assets net of depreciation at December 31, 2022. Total capital assets increased from the prior year due an constinued improvements to the District's water delivery system. In addition, the increase was also due to capital assets added being being greater than depreciation expense.

Additional information on capital assets can be found in Note 4 to the Financial Statements.

Short-Term Debt

The District drew \$50,000 from the line of credit at Bank of Eastern Oregon in 2022. At December 31, 2022 the loan balance was \$124,949.

Capital Debt

Capital Debt at Year End

	December 31,	
	2022	2021
Lease obligation		
US Bureau of Reclamation	\$ 115,360	\$ 118,321
Note Payable		
US Bank SDAO financing	260,000	290,000
Total long-term debt	<u>\$ 375,360</u>	<u>\$ 408,321</u>

WEST EXTENSION IRRIGATION DISTRICT

Management's Discussion and Analysis (continued)

December 31, 2022

Capital Debt (cont.)

At December 31, 2022, the District had \$375,360 in debt outstanding, a decrease of \$32,961 from the prior year. The District's capital debt consists of a lease obligation with the Bureau of Reclamation and one through US Bank SDAO financing.

Economic Factors

With rising costs of power and aging assets, the District continues to explore ways to be efficient with all phases of District operations. Overall, operations are stable. The District completed its Water Management and Conservation Plan in 2011. 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 US-730, P.O. Box 100, Irrigon, OR 97844.

WEST EXTENSION IRRIGATION DISTRICT

Statement of Net Position

December 31, 2022

ASSETS AND DEFERRED OUTFLOWS

Current assets:

Cash, cash equivalents and investments	\$ 126,246
Accounts receivable	194,534
Inventory	93,375
Prepaid expenses	6,531
	<hr/>
Total current assets	420,686

Noncurrent assets:

Restricted assets	
Cash	71,101
	<hr/>
Capital assets:	
Non-depreciable assets:	
Land	5,042
Construction in Progress	72,997
Depreciable assets, net of accumulated depreciation:	
Irrigation system & buildings	1,666,383
Machinery, equipment and vehicles	32,320
Total capital assets	1,776,742
	<hr/>
Other assets:	
Investment in capital credits	129,267
Net OPEB asset	3,339
Total other assets	132,606
	<hr/>
Total noncurrent assets	1,980,449

Deferred outflows of resources:

Pension deferrals	242,100
	<hr/>
Total assets and deferred outflows of resources	\$ 2,643,235

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

WEST EXTENSION IRRIGATION DISTRICT

Statement of Net Position (continued)

December 31, 2022

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable	\$ 25,113
Accrued interest expense	4,346
Loans payable to bank	124,949
Accrued payroll and benefits payable	4,424
Accrued compensated absences	9,685
Current portion of lease obligations	2,961
Current portion of note payable	30,000
	<hr/>
Total current liabilities	201,478

Long-term liabilities:

Lease obligations	112,399
Notes payable	230,000
Net pension liability	367,477
Total long-term liabilities	<hr/> 709,876
	<hr/>
Total liabilities	911,354

Deferred inflows of resources:

Pension deferrals	<hr/> 337,388
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Net position:

Net investment in capital assets	1,276,433
Restricted	71,101
Unrestricted	46,959
Total net position	<hr/> 1,394,493
	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,643,235</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, 2022

Operating revenues:

Incurring charges	\$ 1,249,050
Contract administration fees	7,042
Customer fees	48,791
Pension income	16,619
Other income	23,519
Power billings and other reimbursable billings	109,433
Grant income	112,718
Reimbursements - Bureau of Reclamation & Bonneville Power Administrations	<u>67,981</u>
Total operating revenues	<u>1,635,153</u>
Total operating expenses	<u>1,347,017</u>
Operating Income	<u>288,136</u>

Non-operating revenues (expenses):

Interest income	2,631
Patronage credits issued	30,935
Finance charges	15,787
Interest expense	<u>(19,791)</u>
Net non-operating revenues (expenses)	<u>29,562</u>
Change in net position	317,698
Net position, Beginning of year	<u>1,076,795</u>
Net position, End of year	<u><u>\$ 1,394,493</u></u>

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

WEST EXTENSION IRRIGATION DISTRICT
Statement of Cash Flows

Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from customers	\$ 1,231,882
Receipts from contracts and reimbursements	320,693
Payments to employees and related expenses	(598,232)
Payments to vendors and suppliers	<u>(713,346)</u>
Net cash provided by operating activities	<u>240,997</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital credits received	11,748
Interest received	<u>18,418</u>
Net cash provided by investing activities	<u>30,166</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(226,037)
Proceeds from sale of capital assets	-
Principal paid on capital debt	(32,961)
Interest paid on capital debt	(15,445)
Loan Proceeds	<u>50,000</u>
Net cash used in capital and related financing activities	<u>(224,443)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 46,720

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 150,627

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 197,347

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

WEST EXTENSION IRRIGATION DISTRICT
Statement of Cash Flows (continued)

Year Ended December 31, 2022

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

Operating income	\$ 288,136
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	105,748
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(65,959)
(Increase) decrease in prepaid costs	1,553
(Increase) decrease in inventory	(13,843)
Increase (decrease) in accounts payable	(47,184)
Increase (decrease) in accrued payroll and benefits	398
Increase (decrease) in accrued compensated absences	(11,233)
Increase (decrease) in net pension deferrals and asset	(16,619)
	<hr/>
Net cash provided by operating activities	<u>\$ 240,997</u>

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

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

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 a 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, 2022

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 net position to actual is not required and has not been included in these financial statements.

Cash, cash equivalents and investments

Cash includes demand deposits 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 does not have any investments.

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).

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, 2022 are recorded as prepaid items.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Inventory

Inventory consists of meters, weed control chemicals, 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 Net Position 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 or 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.

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 six years - 19 hours per month; six to twelve years - 23 hours per month; Twelve years plus - 27 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.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to future periods, and so will not be recognized as an outflow of resources (expense) until that future period. The District has only one item that qualifies for reporting in this category, deferred outflows related to pension liabilities.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that future period. The District has only one item that qualifies for reporting in this category, deferred inflows related to pension liabilities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement Systems (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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. The restrictions used by the District are as follows:

Restricted for contingency - To segregate funds as required by a contract with the United States, Department of Interior, and Bureau of Reclamation.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS:

The District maintains three depository accounts with one financial institution, and deposits in the Oregon Local Government Investment Pool. The cash balances of the District at December 31, 2022 were as follows:

Demand deposits	\$ 92,825
Local government investment pool	104,222
Petty cash	300
Total	<u>\$ 197,347</u>

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

Cash, cash equivalents and investments	\$ 126,246
Restricted assets	71,101
Total cash and investments	<u>\$ 197,347</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District'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, 2022, 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, 2022, the fair value of the District's deposits with LGIP approximates cost. Fair value of the LGIP is the same as the District's value in pool shares. The OSTF financial statements and the OSTF Portfolio Rules can be downloaded at www.ost.state.or.us.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 2 – CASH AND CASH EQUIVALENTS (continued):

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, 2022 the District's investment in Oregon State Treasurer's investment pool is not rated.

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, 2022 consisted of trade accounts receivable of \$194,534. Accounts aged over 90 days included in this balance totaled \$84,550. 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 ensure collection. Therefore, no allowance for doubtful accounts has been made.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements
December 31, 2022

NOTE 4 – CAPITAL ASSETS:

A summary of changes in capital assets during the year ending December 31, 2022 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	\$ 5,042	\$ -	\$ -	\$ 5,042
Construction in Progress	223,283	-	(150,286)	72,997
Total capital assets not being depreciated	<u>228,325</u>	<u>-</u>	<u>(150,286)</u>	<u>78,039</u>
<u>Capital assets being depreciated</u>				
Irrigation system	3,834,032	367,660	-	4,201,692
Equipment	595,997	8,662	-	604,659
Total capital assets being depreciated	<u>4,430,029</u>	<u>376,322</u>	<u>-</u>	<u>4,806,351</u>
Less accumulated depreciation for:				
Irrigation system	(2,444,709)	(90,600)	-	(2,535,309)
Equipment	(557,191)	(15,148)	-	(572,339)
Total accumulated depreciation	<u>(3,001,900)</u>	<u>(105,748)</u>	<u>-</u>	<u>(3,107,648)</u>
Total capital assets being depreciated, net	<u>1,428,129</u>	<u>270,574</u>	<u>-</u>	<u>1,698,703</u>
Total capital assets, net	<u>\$ 1,656,454</u>	<u>\$ 270,574</u>	<u>\$ (150,286)</u>	<u>\$ 1,776,742</u>

Construction in progress assets includes the accumulated costs for enclosing lateral ditch 15 and 17 at December 31, 2022. The lateral ditch 15 piping project was started in 2021 and expected to be completed in 2023. The lateral ditch 17 piping project has been delayed and is expected to be completed in 2025 and cost an additional \$750,000.

NOTE 5 – LINE OF CREDIT:

The District opened a line of credit with Bank of Eastern Oregon in August 2020 to help finance operations costs and the lateral piping projects. The credit limit is \$400,000 and carries a fixed interest rate of 5.0%. Outstanding borrowings at December 31, 2022 was \$124,949.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements
December 31, 2022

NOTE 6 – LEASE OBLIGATIONS:

Changes in capital lease obligations during the fiscal year ended December 31, 2022, were as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Bureau of Reclamation	\$ 118,321	\$ -	\$ (2,961)	\$ 115,360
			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 2061 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.

	\$ 115,360	\$ 2,961
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Future debt requirements are as follows:

December 31,	Total
2023	\$ 2,961
2024	2,961
2025	2,961
2026	2,961
2027-2031	14,805
2032-2036	14,805
2037-2041	14,805
2042-2046	14,805
2047-2051	14,805
2052-2056	14,805
2057-2061	14,686
Total	\$ 115,360

Lease assets of \$233,617 associated with this lease obligation are included in the Irrigation system assets listed in Note 4. These assets are fully depreciated at December 31, 2022.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 7 – LONG-TERM DEBT:

Changes in long-term debt during the fiscal year ended December 31, 2022 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
US Bank Series 2016A	\$ 290,000	\$ -	\$ (30,000)	\$ 260,000	\$ 30,000

The District borrowed \$500,000 from U.S. Bank in 2015 to make major improvements on the Irrigon Pump Station. The US Bank SDAO Financing certificates of participation for the Project carries an interest rate of 1% to 4.6% with annual principal payments (periodically adjusted) plus interest due each January 1 and interest only due each July 1. This debt matures January 1, 2030.

Future debt service requirements are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	35,000	9,993	44,993
2024	35,000	8,785	43,785
2025	35,000	7,543	42,543
2026	35,000	6,248	41,248
2027-2031	120,000	9,860	129,860
Total	\$ 260,000	\$ 42,429	\$ 302,429

NOTE 8 – PENSION PLAN:

The District is a participating employer in the Oregon Public Employees Retirement System ("PERS"). The Oregon Public Employees Retirement System consists of a single cost-sharing multiple employer defined benefit pension 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.

Tier One/Tier Two Retirement Benefit (Chapter 238).

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 8 – PENSION PLAN (continued):

Pension Benefits

The PERS retirement allowance is payable monthly for life. The basic benefit is based on years of service and final average salary. Generally, a percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier Two members are eligible for full benefits at age 60.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, if certain conditions are met.

Disability Benefits

Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in fair value of the underlying global equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA is 2.0 percent.

OPSRP Pension Program (ORS Chapter 238A)

Pension Benefits

The Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are based on years of service and final average salary.

For police and fire, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire member, is age 60 or age 53 with 25 years of retirement credit.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 8 – PENSION PLAN (continued):

For general service, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 1/2 years.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA will vary: 1.25 percent for beneficiaries receiving yearly benefits below \$60,000 or \$750 plus 0.15 percent for beneficiaries receiving yearly benefits above \$60,000.

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements
December 31, 2022

NOTE 8 – PENSION PLAN (continued):

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuations. Covered employees are required to contribute 6.00% of wages and the employer is required to contribute 10.86% of wages for Tier 1/Tier 2 and 6.55% for OPSRP general service. Some employers have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended December 31, 2022 were \$55,290, excluding amounts to fund employer specific liabilities.

The employer contribution rates effective July 1, 2021, through June 30, 2023, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources:

At December 31, 2022, the District reported a liability of \$367,477 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. At June 30, 2021, the District's proportion was 0.00307089%, compared to its proportion of 0.00286429% measured as of June 30, 2020.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 8 – PENSION PLAN (continued):

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources (cont.):

For the year ended December 31, 2022, the District recognized pension income of \$17,750, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,398	
Changes of assumptions	91,991	967
Net differences between projected and actual earnings	-	272,041
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,640	63,434
Contributions subsequent to the measurement date	61,408	-
	<u>\$ 239,437</u>	<u>\$ 336,442</u>
Net deferred outflow / (inflow) of resources		<u>\$ (97,005)</u>

Contributions subsequent to the measurement date will be expensed in the year ended December 31, 2022. Other deferred inflow of resources and deferred outflow of resources will be recognized in pension expense/(income) in the following years.

	<u>Year</u>	<u>Amount</u>
	2023	\$ (21,705)
	2024	(33,848)
	2025	(45,951)
	2026	(66,125)
	2027	9,216
		<u>(158,413)</u>
Contributions subsequent to the measurement date		61,408
Net deferred outflow / (inflow) of resources		<u>\$ (97,005)</u>

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 8 – PENSION PLAN (continued):

Actuarial Valuations:

The employer contribution rates effective July 1, 2021, through June 30, 2023, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability:

Actuarial Methods:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial cost method	Entry Age Normal

Actuarial assumptions:

Inflation rate	2.40 percent
Long-term Expected Rate of Return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.4 percent

Mortality

Healthy retirees and beneficiaries:

Pub-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-back as described in the valuation.

Active members:

Pub-2010 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-back as described in the valuation.

Disabled retirees:

Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Date Scale, with job category adjustments and set-backs as described in the valuation.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 8 – PENSION PLAN (continued):

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far in to the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumptions is based on a consistent set of underlying assumptions, and includes adjustments for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

OIC Assumed Asset Allocation:

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Debt Securities	15.0 %	25.0 %	20.0 %
Public Equity	27.5	37.5	32.5
Real Estate	9.5	15.5	12.5
Private Equity	14.0	21.0	17.5
Alternative Equity	7.5	17.5	15.0
Opportunity Portfolio	-	5.0	-
Risk Parity	-	2.5	2.5
Total			<u>100.0 %</u>

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 8 – PENSION PLAN (continued):

Long-Term Expected Rate of Return (continued):

<u>Asset Class</u>	<u>Target %</u>	<u>Compound Annual Return (Geometric) %</u>
Global Equity	30.62	5.85
Private Equity	25.50	7.71
Core Fixed Income	23.75	2.73
Real Estate (Property)	12.25	5.66
Master Limited Partnerships	0.75	5.71
Infrastructure	1.50	6.26
Commodities	0.63	3.10
Hedge Fund of Funds - Multistrategy	1.25	5.11
Hedge fund of Equity - Hedge	0.63	5.31
Hedge Fund - Macro	5.62	5.06
US Cash	(2.50)	1.76
	<u>100.00</u>	
		<u>2.40%</u>

Depletion Date Projection:

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 8 – PENSION PLAN (continued):

Depletion Date Projection (continued):

- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis:

	1% Decrease (5.9%)	Current Discount Rate	1% Increase (7.9%)
Employers' Net Pension Liability			
Defined Benefit Pension Plan:	<u>\$ 721,638</u>	<u>\$ 367,477</u>	<u>\$ 71,174</u>

Changes in Plan Provisions:

GASB 68 requires employers to briefly describe any changes between the measurement date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

We are not aware of any changes that meet this disclosure requirement.

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 9 – POSTEMPLOYMENT HEALTH INSURANCE PLAN:

Retirement Health Insurance Account (RHIA):

Plan description:

ORS 238.420 established the Retirement Health Insurance Account (RHIA) and authorizes a payment of up to \$60 from RHIA toward the monthly cost of health insurance for eligible PERS members. RHIA is a cost-sharing multiple-employer Other Postemployment Benefit (OPEB) plan. The plan was closed to new entrants hired on or after August 29, 2003. 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.

Contributions:

PERS employers contributed 0.06 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At December 31, 2022, the District reported an asset of \$3,339 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019 and rolled forward to the measurement date of June 30, 2021. The basis for the employer's proportion is determined by comparing the employer's actual, legally required contributions made during the fiscal year to the Plan with the total actuarial contributions in the fiscal year of all employers. At June 30, 2021, the District's proportion was 0.00097221% compared to its proportion of 0.00236634% measured as of June 30, 2021.

For the year ended December 31, 2022, the District recognized OPEB expense of \$1,131. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience and changes of assumptions	\$ -	\$ 93
Change of assumptions	66	50
Net differences between projected and actual earnings on investments	-	793
Changes in proportionate share	2,501	10
Contributions subsequent to the measurement date	96	-
	\$ 2,663	\$ 946
Net deferred Outflow / (Inflow) of resources		\$ 1,717

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 9 – POSTEMPLOYMENT HEALTH INSURANCE PLAN:

Contributions subsequent to the measurement date will be expensed in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ -
2024	1,509
2025	544
2026	(181)
2027	(251)
	<u>1,621</u>
Contributions subsequent to the measurement date	96
Net deferred Outflow / (Inflow) of resources	<u>\$ 1,717</u>

Actuarial assumptions:

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions are based on the 2018 experience study, which reviewed the experience for the four-year period ended on December 31, 2018. The Retirement Health Insurance Account is a benefit of the Oregon Public Employees Retirement System. Actuarial methods and assumptions, including the long-term expected rate of return, are the same as reported for the District's pension plan.

Discount rate:

The discount rate used to measure the total OPEB liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 9 – POSTEMPLOYMENT HEALTH INSURANCE PLAN (continued):

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current discount rate:

	1% Decrease (5.9%)	Current Discount Rate	1% Increase (7.9%)
Employers' Net Pension Liability			
Defined Benefit Pension Plan:	\$ (2,952)	\$ (3,339)	\$ (3,668)

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

NOTE 10 - PENSION AND OPEB DEFERRALS:

Deferrals resulting from pension and OPEB deferrals described in Notes 7 and 8 are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension deferrals	\$ 239,437	\$ 336,442
Other postemployment benefit deferrals - RHIA	2,663	946
Totals	\$ 242,100	\$ 337,388

NOTE 11 – 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, 2022.

NOTE 12 – RISK MANAGEMENT:

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. 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.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Financial Statements

December 31, 2022

NOTE 13 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

WEST EXTENSION IRRIGATION DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

December 31,

	2016	2017	2018	2019	2020	2021	2022
Proportion of the net pension liability (asset)	0.003322%	0.002998%	0.002161%	0.003121%	0.003116%	0.002864%	0.003071%
Proportionate share of the net pension liability (asset)	\$ 190,706	\$ 450,102	\$ 291,322	\$ 472,837	\$ 539,042	\$ 625,087	\$ 367,477
Covered employee payroll	\$ 293,822	\$ 237,448	\$ 353,933	\$ 411,928	\$ 458,298	\$ 432,327	\$ 372,308
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	64.91%	189.56%	82.31%	114.79%	117.62%	144.59%	98.70%
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.88%	80.53%	83.12%	82.07%	80.20%	75.80%	87.60%

Note:

The District implemented GASB 68, which requires that ten years of comparative information be presented, in 2015. Over time, ten years of information will be presented.

WEST EXTENSION IRRIGATION DISTRICT

Schedule of Pension Contributions
December 31,

	2016	2017	2018	2019	2020	2021	2022
Contractually required contributions	\$ 34,973	\$ 49,479	\$ 58,825	\$ 78,188	\$ 81,677	\$ 69,330	\$ 70,108
Contributions in relation to contractually required contributions	<u>(34,973)</u>	<u>(49,479)</u>	<u>(58,825)</u>	<u>(78,188)</u>	<u>(81,677)</u>	<u>(69,330)</u>	<u>(70,108)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 237,448	\$ 353,933	\$ 411,928	\$ 458,298	\$ 432,327	\$ 372,308	\$ 335,197
Contributions as a percentage of covered employee payroll	14.73%	13.98%	14.28%	17.06%	18.89%	18.62%	20.92%

Note:
The District implemented GASB 68 in 2015, which requires that ten years of comparative information be presented. Over time, ten years of information will be presented.

WEST EXTENSION IRRIGATION DISTRICT

Schedule of Proportionate Share of the Net OPEB Liability - RHIA

December 31,

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Proportion of the net OPEB liability (asset)	0.00361509%	0.00400574%	0.00236634%	0.09722100%
Proportionate share of the net pension OPEB (asset)	\$ (4,035)	\$ (7,741)	\$ (4,822)	\$ (3,339)
Covered employee payroll	\$ 411,928	\$ 458,298	\$ 432,327	\$ 372,308
Proportionate share of the net pension OPEB (asset) as a percentage of its covered employee payroll	-0.98%	-1.69%	-1.12%	-0.90%
Plan fiduciary net position as a percentage of the total OPEB	123.99%	144.40%	150.10%	183.90%

Note:

The District implemented GASB 75, which requires that ten years of comparative information be presented, in 2018. Over time, ten years of information will be presented.

WEST EXTENSION IRRIGATION DISTRICT

Schedule of OPEB Contributions - RHIA

December 31,

	2019	2020	2021	2022
Contractually required contributions	\$ 2,291	\$ 2,594	\$ 2,234	\$ 2,011
Contributions in relation to contractually required contributions	<u>(2,291)</u>	<u>(2,594)</u>	<u>(2,234)</u>	<u>(2,011)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 458,298	\$ 432,327	\$ 372,308	\$ 335,197
Contributions as a percentage of covered employee payroll	0.50%	0.60%	0.60%	0.60%

Note:

The District implemented GASB 75, which requires that ten years of comparative information be presented, in 2018. Over time, ten years of information will be presented.

WEST EXTENSION IRRIGATION DISTRICT

Notes to Required Supplementary Information
December 31, 2022

Change in Benefit Terms

GASB 68 and 75 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

We are not aware of any changes that meet this disclosure requirement.

SUPPLEMENTARY INFORMATION

WEST EXTENSION IRRIGATION DISTRICT

Schedule of Operating Expenses
Year Ended December 31, 2022

Operating Expenses:

Personal services expense	\$ 587,397
Administrative	48,695
Professional fees	33,944
Dues, fees and licenses	23,893
Office supplies and postage	9,888
Travel	5,942
Utilities	94,481
Communications	9,808
Conjunctive use	71,721
Pumping	26,750
Water measurement	2,470
Safety and shop	17,857
Equipment repairs and maintenance	24,105
Equipment fuel	8,774
Building, office and system repairs	955
Lateral repairs	14,633
Main canal repairs	28,438
Pump station repairs	15,854
Miscellaneous	13,831
Meters	15,105
Weed control	85,491
Vehicle fuel	24,285
Vehicle repairs and maintenance	9,501
Depreciation expense	105,748
	<hr/>
	1,279,566
Bureau of Reclamation Project Expenses	1,338
Bonneville Power Administration Project Expenses	66,113
	<hr/>
Total operating expenses	<u><u>\$ 1,347,017</u></u>

See accompanying independent auditors' report.

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, 2022, and have issued our report thereon dated October 30, 2023. 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.
- 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 Corporation.

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.

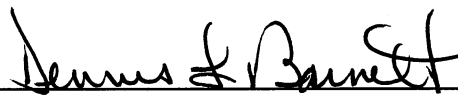
Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls over financial reporting that might be significant deficiencies or material weaknesses and therefore, 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: 
Dennis L. Barnett, Shareholder
Hermiston, Oregon
October 30, 2023