

**WEST EXTENSION IRRIGATION DISTRICT**

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2020**

**WEST EXTENSION IRRIGATION DISTRICT**

**Board of Directors as of December 31, 2020**

**Elected Officials**

**Term Expires**

Division 1	Robert Mueller	December 31, 2023
Division 2	Abe McNamee	December 31, 2021
Division 3	Whitney Coffman	December 31, 2022
Division 4	Vern Fredrickson, Vice Chairperson	December 31, 2021
Division 5	Dalarie Philippi, Chairperson	December 31, 2022

**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, 2020**

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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 the major fund of West Extension Irrigation District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 the major fund of West Extension Irrigation District as of December 31, 2020, 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 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.

*Other 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.


The Schedule of Operating Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Schedule of Operating Expenses 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 29, 2021, 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 29, 2021

# WEST EXTENSION IRRIGATION DISTRICT

## Management's Discussion and Analysis

December 31, 2020

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, 2020. 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, 2020**

**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:

	December 31,	
	2020	2019
Current and other assets	\$ 383,088	\$ 568,825
Capital assets	1,567,092	1,578,291
Total assets	1,950,180	2,147,116
Deferred outflows	221,009	243,140
Total assets and deferred outflows	2,171,189	2,390,256
Capital debt outstanding	441,280	474,241
Other liabilities	647,342	643,700
Total Liabilities	1,088,622	1,117,941
Deferred inflows	79,908	92,794
Net Position:		
Investment in capital assets	1,125,812	1,104,050
Restricted	41,284	41,284
Unrestricted	(164,437)	34,187
Total Net Position	1,002,659	1,179,521
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,171,189	\$ 2,390,256
	Year Ending December 31,	
	2020	2019
Revenues:		
Operating revenues		
Incurred Charges	\$ 1,108,012	\$ 1,100,942
Other Billings and Fees	330,464	404,915
Non - Operating Revenues:		
Investment Income	1,510	6,775
Misc. income (Expense)	7,964	47,152
Total Net Revenues	1,447,950	1,559,784
Operating expenses	1,624,812	1,689,834
Change in net position	(176,862)	(130,050)
Beginning net position	1,179,521	1,309,571
Ending net position	\$ 1,002,659	\$ 1,179,521



**WEST EXTENSION IRRIGATION DISTRICT**

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

**December 31, 2020**

**Financial Highlights (cont.)**

During the year the District's net position decreased by \$176,862. Operating expenses decreased by \$65,022. This was due to an decrease in conjunctive use and BPA project expenses. Operating revenue decreased \$67,381 due to a decrease in BPA contract reimbursements and lack of water right sales in the current year.

**Capital Assets**

Capital Assets at Year-End  
Net of Depreciation

	December 31,	
	2020	2019
Land	\$ 10,563	\$ 10,563
Construction in Progress	146,614	114,983
Machinery, equipment & vehicles	590,497	584,997
Irrigation system and buildings	3,717,331	3,580,503
Accumulated Depreciation	<u>(2,897,913)</u>	<u>(2,712,755)</u>
Total capital assets	<u>\$ 1,567,092</u>	<u>\$ 1,578,291</u>

The District had \$1,567,092 in capital assets net of depreciation at December 31, 2020. Total capital assets decreased from the prior year due to depreciation expense being greater than capital assets added.

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

**Capital Debt**

Capital Debt at Year End

	December 31,	
	2020	2019
Capital Leases		
US Bureau of Reclamation	\$ 121,280	\$ 124,241
Note Payable		
US Bank SDAO financing	320,000	350,000
Total long-term debt	<u>\$ 441,280</u>	<u>\$ 474,241</u>

**WEST EXTENSION IRRIGATION DISTRICT**

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

**December 31, 2020**

**Capital Debt (cont.)**

At December 31, 2020, the District had \$441,280 in debt outstanding, a decrease of \$32,961 from the prior year. The District's capital debt consists of a capital lease with the Bureau of Reclamation and a loan 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 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, 2020**

**ASSETS AND DEFERRED OUTFLOWS**

**Current assets:**

Cash, cash equivalents and investments	\$ 38,388
Accounts receivable	100,722
Inventory	69,036
Prepaid expenses	8,084
	<hr/>
Total current assets	216,230

**Noncurrent assets:**

Restricted assets	
Cash	41,284
	<hr/>
Capital assets:	
Non-depreciable assets:	
Land	10,563
Construction in Progress	146,614
Depreciable assets, net of accumulated depreciation:	
Irrigation system & buildings	1,355,384
Machinery, equipment and vehicles	54,531
Total capital assets	1,567,092
	<hr/>
Other assets:	
Investment in capital credits	117,833
Net OPEB asset	7,741
Total other assets	125,574
	<hr/>
Total noncurrent assets	1,733,950

**Deferred outflows of resources:**

Pension deferrals	221,009
	<hr/>
Total assets and deferred outflows of resources	\$ 2,171,189

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

**WEST EXTENSION IRRIGATION DISTRICT**

**Statement of Net Position (continued)**

**December 31, 2020**

**LIABILITIES AND NET POSITION**

**Current liabilities:**

Accounts payable	\$ 79,978
Accrued payroll and benefits payable	8,178
Accrued compensated absences	20,144
Current portion of capital lease	2,961
Current portion of note payable	30,000
	<hr/>
Total current liabilities	141,261

**Long-term liabilities:**

Capital lease obligations	118,319
Note payable	290,000
Net pension liability	539,042
Total long-term liabilities	947,361
	<hr/>
Total liabilities	1,088,622

**Deferred inflows of resources:**

Pension deferrals	79,908
	<hr/>

**Net position:**

Investment in capital assets	1,125,812
Restricted	41,284
Unrestricted	(164,437)
Total net position	1,002,659
	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 2,171,189

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, 2020**

**Operating revenues:**

Incurring charges	\$ 1,108,012
Contract administration fees	11,275
Customer fees	50,434
Other income	1,735
Power billings and other reimbursable billings	109,988
Grant income	45,000
Reimbursements - Bureau of Reclamation & Bonneville Power Administrations	<u>112,032</u>
Total operating revenues	<u>1,438,476</u>
Total operating expenses	<u>1,624,812</u>
Operating loss	<u>(186,336)</u>

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

Interest income	1,510
Patronage credits issued	13,130
Finance charges	7,617
Interest expense	<u>(12,783)</u>
Net non-operating revenues (expenses)	<u>9,474</u>
Change in net position	(176,862)
Net position, Beginning of year	<u>1,179,521</u>
Net position, End of year	<u><u>\$ 1,002,659</u></u>

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

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

**Year Ended December 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash receipts from customers	\$ 1,237,299
Receipts from contracts and reimbursements	280,030
Payments to employees and related expenses	(601,465)
Payments to vendors and suppliers	(766,299)
	<hr/>
Net cash provided by operating activities	149,565

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Capital credits received	13,130
Interest received	9,127
	<hr/>
Net cash provided by investing activities	22,257

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

Acquisition of capital assets	(173,959)
Principal paid on capital debt	(32,961)
Interest paid on capital debt	(12,783)
	<hr/>
Net cash used in capital and related financing activities	(219,703)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (47,881)

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 127,553

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 79,672

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

**WEST EXTENSION IRRIGATION DISTRICT**  
**Statement of Cash Flows (continued)**

**Year Ended December 31, 2020**

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

Operating income(loss)	\$ (186,336)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	185,158
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	78,853
(Increase) decrease in prepaid costs	(2,128)
(Increase) decrease in inventory	64,838
Increase (decrease) in accounts payable	(75,222)
Increase (decrease) in accrued payroll and benefits	1,163
Increase (decrease) in accrued compensated absences	11,495
Increase (decrease) in net pension deferrals and asset	71,744
	<hr/>
Net cash provided by operating activities	<u>\$ 149,565</u>

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

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2020

#### 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, 2020**

**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, 2020 are recorded as prepaid items.

## WEST EXTENSION IRRIGATION DISTRICT

### Notes to Financial Statements

December 31, 2020

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

##### 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 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, 2020**

**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.

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, 2020, contractually restricted net position consisted of the following:

O&M emergency funds	\$ 9,284
Conjunctive use emergency funds	<u>32,000</u>
Total	<u>\$ 41,284</u>

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**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, 2020 were as follows:

Demand deposits	\$ 60,594
Local government investment pool	18,778
Petty cash	300
Total	<u>\$ 79,672</u>

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

Cash, cash equivalents and investments	\$ 38,388
Restricted assets	41,284
Total cash and investments	<u>\$ 79,672</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, 2020, 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, 2020, 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](http://www.ost.state.or.us).

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**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, 2020 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, 2020 consisted of trade accounts receivable of \$100,722. Accounts aged over 90 days included in this balance totaled \$34,223. 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, 2020**

**NOTE 4 – CAPITAL ASSETS:**

A summary of changes in capital assets during the year ending December 31, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b><u>Capital assets not being depreciated:</u></b>				
Land	\$ 10,563	\$ -	\$ -	\$ 10,563
Construction in Progress	114,983	98,504	(66,873)	146,614
Total capital assets not being depreciated	<u>125,546</u>	<u>98,504</u>	<u>(66,873)</u>	<u>157,177</u>
<b><u>Capital assets being depreciated</u></b>				
Irrigation system	3,580,503	136,828	-	3,717,331
Equipment	584,997	5,500	-	590,497
Total capital assets being depreciated	<u>4,165,500</u>	<u>142,328</u>	<u>-</u>	<u>4,307,828</u>
Less accumulated depreciation for:				
Irrigation system	(2,201,008)	(160,939)	-	(2,361,947)
Equipment	(511,747)	(24,219)	-	(535,966)
Total accumulated depreciation	<u>(2,712,755)</u>	<u>(185,158)</u>	<u>-</u>	<u>(2,897,913)</u>
Total capital assets being depreciated, net	<u>1,452,745</u>	<u>(42,830)</u>	<u>-</u>	<u>1,409,915</u>
Total capital assets, net	<u>\$ 1,578,291</u>	<u>\$ 55,674</u>	<u>\$ (66,873)</u>	<u>\$ 1,567,092</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, 2020.

Construction in progress assets include amounts for enclosing Lateral 12, 13 and 15. Lateral 12 was started in 2019 and is expected to be completed in 2021 and cost an additional \$39,000. Lateral 13 was started in 2019 and expected to be completed in 2021 and cost an additional \$8,000. Lateral 15 was started in 2020 and is expected to be completed in 2022 and cost an additional \$235,000. Construction in progress reductions relate to amounts for a shop building finished in March 2020, the total building cost of \$123,990 is included in additions to irrigation system capital assets.

**NOTE 5 – LINE OF CREDIT:**

The District opened a line of credit with Bank of Eastern Oregon in August 2020 to help finance operations and lateral projects. The line has a limit of \$400,000 and a fixed interest rate of 5.0%. The District did not access the line of credit in 2020. There were no outstanding borrowings at December 31, 2020.

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**  
**December 31, 2020**

**NOTE 6 – CAPITAL LEASE OBLIGATIONS:**

Changes in capital lease obligations during the fiscal year ended December 31, 2020, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Bureau of Reclamation	<u>\$ 124,241</u>	<u>\$ -</u>	<u>\$ (2,961)</u>	<u>\$ 121,280</u>
			<u>Total</u>	<u>Due Within One Year</u>

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.

<u>\$ 121,280</u>	<u>\$ 2,961</u>
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Future debt requirements are as follows:

<u>December 31,</u>	<u>Total</u>
2021	\$ 2,961
2022	2,961
2023	2,961
2024	2,961
2025	2,961
2026-2030	14,805
2031-2035	14,805
2036-2040	14,805
2041-2045	14,805
2046-2050	14,805
2051-2055	14,805
2056-2060	14,805
2061-2065	2,840
Total	<u>\$ 121,280</u>

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, 2020.

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**NOTE 7 – LONG-TERM DEBT:**

Changes in long-term debt during the fiscal year ended December 31, 2020 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	\$ 350,000	\$ -	\$ (30,000)	\$ 320,000	\$ 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>
2021	\$ 30,000	\$ 11,898	\$ 41,898
2022	30,000	10,968	40,968
2023	35,000	9,993	44,993
2024	35,000	8,785	43,785
2025	35,000	7,543	42,543
2026-2030	155,000	16,108	171,108
Total	<u>\$ 320,000</u>	<u>\$ 65,293</u>	<u>\$ 385,293</u>

**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, 2020**

**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 the market value of 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, 2020

#### **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.

#### **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, 2020**

**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, 2017 actuarial valuations. Covered employees are required to contribute 6.00% of wages and the employer is required to contribute 16.74% of wages for Tier 1/Tier 2 and 12.44% 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, 2020 were \$61,089, excluding amounts to fund employer specific liabilities.

The employer contribution rates effective July 1, 2019, through June 30, 2021, 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, 2020, the District reported a liability of \$539,042 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. At June 30, 2019, the District's proportion was 0.00311628%, compared to its proportion of 0.00312131% measured as of June 30, 2018.

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**  
**December 31, 2020**

**NOTE 8 – PENSION PLAN (continued):**

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

For the year ended December 31, 2020, the District recognized pension expense of \$73,002, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,727	\$ -
Changes of assumptions	73,127	-
Net differences between projected and actual earnings on investments	-	15,281
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,244	62,871
Contributions subsequent to the measurement date	56,707	-
	<u>\$ 220,805</u>	<u>\$ 78,152</u>
Net deferred outflow / (inflow) of resources		<u>\$ 142,653</u>

Contributions subsequent to the measurement date will be expensed in the year ended December 31, 2021. Other deferred inflow of resources and deferred outflow of resources will be recognized in pension expense/(income) in the following years.

	Year	Amount
	2021	\$ 45,235
	2022	3,354
	2023	24,670
	2024	12,483
	2025	204
		<u>85,946</u>
Contributions subsequent to the measurement date		56,707
Net deferred outflow / (inflow) of resources		<u>\$ 142,653</u>

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**NOTE 8 – PENSION PLAN (continued):**

**Actuarial Valuations:**

The employer contribution rates effective July 1, 2019, through June 30, 2021, 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, 2017
Experience Study Report	2016, published July 2017
Actuarial cost method	Entry Age Normal
Amortization method	SB 1049 signed into law in June 2019 requires a one-time re-amortization of Tier 1/Tier 2 UAL over a closed period of 22 years. OPSRP pension UAL is amortized over a closed period of 16 years.
Asset valuation method	Market value of assets, excluding reserves

**Actuarial assumptions:**

Inflation rate	2.50 percent
Investment rate of return	7.20 percent
Projected salary increases	3.5 percent
Mortality	

**Healthy retirees and beneficiaries:**

RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustment and set-back as described in the valuation.

**Active members:**

RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustment and set-back as described in the valuation.

**Disabled retirees:**

RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Date Scale.

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.20 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.

**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	32.5	42.5	37.5
Private Equity	14.0	21.0	17.5
Real Estate	9.5	15.5	12.5
Alternative Equity	-	12.5	12.5
Opportunity Portfolio	-	3.0	-
Total			100.0 %

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**NOTE 8 – PENSION PLAN (continued):**

**Long-Term Expected Rate of Return:**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 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. 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. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target %</u>	<u>Compound Annual Return (Geometric) %</u>
Core Fixed Income	8.00	3.49
Short-Term Bonds	8.00	3.38
Bank/Leveraged loans	3.00	5.09
High Yield Bonds	1.00	6.45
Large Cap US Equities	15.75	6.30
Small Cap US Equities	1.31	6.69
Micro Cap US Equities	1.31	6.80
Developed Foreign Equities	13.13	6.71
Emerging Foreign Equities	4.13	7.45
Non-US Small Cap Equities	1.88	7.01
Private Equity	17.50	7.45
Real Estate (Property)	10.00	5.51
Real Estate (REITS)	2.50	6.37
Hedge Fund of Funds - Diversified	2.50	4.09
Hedge Fund - Event-driven	0.63	5.86
Timber	1.88	5.62
Farmland	1.88	6.15
Infrastructure	3.75	6.60
Commodities	1.88	3.84
Assumed Inflation - Mean		2.50

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**NOTE 8 – PENSION PLAN (continued):**

**Sensitivity Analysis:**

	<b>1% Decrease (6.2%)</b>	<b>Current Discount Rate</b>	<b>1% Increase (8.2%)</b>
<b>Employers' Net Pension Liability</b>			
<b>Defined Benefit Pension Plan:</b>	<u>\$ 863,228</u>	<u>\$ 539,042</u>	<u>\$ 267,743</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.

Oregon PERS produces an independently audited CAFR which can be found at: <http://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

**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.



**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**NOTE 9 – POSTEMPLOYMENT HEALTH INSURANCE PLAN:**

**Contributions:**

PERS employers contributed 0.07 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. PERS employers contributed 0.43 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability.

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

At December 31, 2020, the District reported an asset of \$7,741 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2019. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017 and rolled forward to the measurement date of June 30, 2019. 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, 2019, the District's proportion was 0.00400574% compared to its proportion of 0.00361509% measured as of June 30, 2018.

For the year ended December 31, 2020, the District recognized OPEB income of \$1,258. At December 31, 2020, 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	\$ -	\$ 1,029
Net differences between projected and actual earnings on investments	-	478
Changes in proportionate share	35	249
Contributions subsequent to the measurement date	169	-
	<u>\$ 204</u>	<u>\$ 1,756</u>
Net deferred Outflow / (Inflow) of resources		<u>\$ (1,552)</u>

**WEST EXTENSION IRRIGATION DISTRICT**

**Notes to Financial Statements**

**December 31, 2020**

**NOTE 9 – POSTEMPLOYMENT HEALTH INSURANCE PLAN:**

Contributions subsequent to the measurement date will be expensed in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Amount
2021	\$ (869)
2022	(802)
2023	(98)
2024	49
2025	-
	<hr style="border-top: 1px solid black;"/>
	(1,721)
Contributions subsequent to the measurement date	169
	<hr style="border-top: 1px solid black;"/>
Net deferred Outflow / (Inflow) of resources	\$ (1,552)
	<hr style="border-top: 3px double black;"/>

**Actuarial assumptions:**

Experience studies are performed as of December 31 of even numbered years. The methods and assumptions are based on the 2016 experience study, which reviewed the experience for the four-year period ended on December 31, 2016. 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 7.20 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, 2020**

**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:

	<b>1% Decrease (6.2%)</b>	<b>Current Discount Rate</b>	<b>1% Increase (8.2%)</b>
<b>Employers' Net Pension Liability</b>			
<b>Defined Benefit Pension Plan:</b>	<u>\$ (6,001)</u>	<u>\$ (7,741)</u>	<u>\$ (9,223)</u>

Oregon PERS produces an independently audited CAFR which can be found at: <http://www.oregon.gov/pers/Documents/Financials/CAFR/2019-CAFR.pdf>.

**NOTE 10 - PENSION AND OPEB DEFERRALS:**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension deferrals	\$ 220,805	\$ 78,152
Other postemployment benefit deferrals - RHIA	204	1,756
Totals	<u>\$ 221,009</u>	<u>\$ 79,908</u>

**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, 2020.

**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, 2020**

**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,

	2015	2016	2017	2018	2019	2020
Proportion of the net pension liability (asset)	0.003166%	0.003322%	0.002998%	0.002161%	0.003121%	0.003116%
Proportionate share of the net pension liability (asset)	\$ (71,775)	\$ 190,706	\$ 450,102	\$ 291,322	\$ 472,837	\$ 539,042
Covered employee payroll	\$ 266,102	\$ 293,822	\$ 237,448	\$ 353,933	\$ 411,928	\$ 458,298
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(24.43%)	64.91%	189.56%	82.31%	114.79%	117.62%
Plan fiduciary net position as a percentage of the total pension liability (asset)	103.59%	91.88%	80.53%	83.12%	82.07%	80.20%

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,**

	2015	2016	2017	2018	2019	2020
Contractually required contributions	\$ 42,212	\$ 34,973	\$ 49,479	\$ 58,825	\$ 78,188	\$ 81,677
Contributions in relation to contractually required contributions	<u>(42,212)</u>	<u>(34,973)</u>	<u>(49,479)</u>	<u>(58,825)</u>	<u>(78,188)</u>	<u>(81,677)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 293,822	\$ 237,448	\$ 353,933	\$ 411,928	\$ 458,298	\$ 432,327
Contributions as a percentage of covered employee payroll	14.37%	14.73%	13.98%	14.28%	17.06%	18.89%

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,**

	2018	2019	2020
Proportion of the net OPEB liability (asset)	0.00320800%	0.00361509%	0.00400574%
Proportionate share of the net pension OPEB (asset)	\$ (1,339)	\$ (4,035)	\$ (7,741)
Covered employee payroll	\$ 353,933	\$ 411,928	\$ 458,298
Proportionate share of the net pension OPEB (asset) as a percentage of its covered employee payroll	-0.38%	-0.98%	-1.69%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	108.90%	123.99%	144.40%

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,

	2018	2019	2020
Contractually required contributions	\$ 2,183	\$ 2,291	\$ 169
Contributions in relation to contractually required contributions	(2,183)	(2,291)	(169)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 411,928	\$ 458,298	\$ 432,327
Contributions as a percentage of covered employee payroll	0.53%	0.50%	0.04%

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, 2020**

**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, 2020**

Operating Expenses:

Personal services expense	\$ 614,123
Administrative	40,301
Professional fees	36,318
Dues, fees and licenses	26,823
Office supplies and postage	15,928
Travel	6,955
Utilities	91,999
Communications	3,833
Conjunctive use	92,139
Pumping	40,719
Water measurement	1,393
Safety and shop	15,453
Equipment repairs and maintenance	34,763
Equipment fuel	6,320
Building, office and system repairs	25,086
Lateral repairs	10,975
Main canal repairs	51,063
Pump station repairs	7,390
Miscellaneous	18,784
Meters	7,577
Weed control	89,066
Vehicle fuel	14,315
Vehicle repairs and maintenance	6,564
Pension expense	71,744
Depreciation expense	185,158
	<hr/>
	1,514,789
Bureau of Reclamation Project Expenses	1,171
Bonneville Power Administration Project Expenses	108,852
	<hr/>
Total operating expenses	<u>\$ 1,624,812</u>

See accompanying independent auditors' report.

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

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MITCHELL L. BOYLAN, C.P.A.  
.....  
GERALD J. MORO, C.P.A. EMERITUS

**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, 2020, and have issued our report thereon dated June 29, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether 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:   
\_\_\_\_\_  
Kristie L. Shasteen, Shareholder  
Hermiston, Oregon  
June 29, 2021