

CENTRAL OREGON IRRIGATION DISTRICT  
REDMOND, OREGON

Financial Statements

For the Year Ended December 31, 2022

CENTRAL OREGON IRRIGATION DISTRICT  
December 31, 2022

BOARD OF DIRECTORS

<u>Name</u>	<u>Division</u>	<u>Term Expires</u>
Paul Kasberger, Board President 4501 N Lone Pine Redmond, Oregon 97756	Division 1	December 31, 2023
Carroll Penhollow 6446 SW 67 <sup>th</sup> St Redmond, Oregon 97756	Division 2	December 31, 2023
Dan Ellingson 22185 E Hwy 20 Bend, Oregon 97701	Division 3	December 31, 2023
Brad Clarno, Vice President 61140 Obernolte Rd Bend, Oregon 97701	Division 4	December 31, 2024
Tom Burke, Treasurer 15663 SW Hwy 126 Powell Butte, Oregon 97756	Division 5	December 31, 2023

**Administration**

Craig Horrell  
District Manager, Secretary

Registered Agent  
Craig Horrell

Registered Office

1055 SW Lake Court  
Redmond, Oregon 97756  
(541) 548-6047  
[www.coid.org](http://www.coid.org)

CENTRAL OREGON IRRIGATION DISTRICT  
Financial Statements  
For the year ended December 31, 2022

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of Net Pension Liability and Related Ratios	29
Schedule of Employer Contributions	30
AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	31
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	35
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	38
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	40
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	41



DOUGALL CONRADIE LLC  
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA  
Heather Jackson, CPA  
Lee Owen, CPA  
Richard Winkel, CPA  
Members of AICPA & OSCPA

## Independent Auditor's Report

Board of Directors  
Central Oregon Irrigation District  
Deschutes County, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the business-type activities of the Central Oregon Irrigation District (the 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities the Central Oregon Irrigation District as of December 31, 2022, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of

federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2023 on our consideration of Central Oregon Irrigation District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Oregon Irrigation District’s internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated July 14, 2023 on our consideration of Central Oregon Irrigation District’s internal control over financial reporting and on our procedures to address its compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is required by Oregon State Regulations.

DOUGALL CONRADIE LLC  
Portland, Oregon

July 14, 2023

  
\_\_\_\_\_  
Richard Winkel, Partner

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

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2022**

Management's discussion and analysis presents the highlights of the financial activities and financial position of the Central Oregon Irrigation District (the District) for the fiscal year ended December 31, 2022. Our goal is to assist users of these financial statements in interpreting key data found in the pages that follow and in analyzing the results of this fiscal year. Because the information contained in this discussion is necessarily select in nature, it should be read and interpreted in conjunction with the financial statements.

**Financial Highlights**

- The District's assets exceed its liabilities by \$72,273,975 at December 31, 2022 (net position). Of this amount, \$9,859,905 is considered to be unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were \$6,228,747 in 2022, an increase of \$994,524 from the prior year due to higher assessment revenue.
- Operating expenses were \$5,994,588 in 2022, an increase of \$8,857 from the prior year.
- During 2022 the District recognized \$15,679,352 of construction grant revenues. This grant revenue was used on the District's canal improvement project.

**Overview of the Financial Statements**

The District's financial statements consist of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the notes to the financial statements.

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Net Position regardless of when cash is received or paid. The Government-wide statements report the District's net position and how they changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial position.

**Basic Financial Statements**

The basic financial statements are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

In the basic financial statements, the District's activities are shown in one category. The District's basic function is the operation and maintenance of an irrigation facility to provide irrigation water to landowners within the project. These activities are primarily financed through service fees paid by landowners with water rights.



**FINANCIAL SUMMARY**  
**SUMMARY STATEMENTS OF NET POSITION AT DECEMBER 31,**

	<b>2022</b>	<b>2021</b>
Assets:		
Current assets	8,268,795	13,842,066
Capital assets – net of accumulated depreciation	70,782,460	56,030,129
Other assets	6,464,806	6,896,913
Total assets	85,516,061	76,769,108
Deferred outflows of resources	1,340,915	1,458,104
Liabilities:		
Current liabilities	2,473,568	8,357,954
Long-term liabilities	13,556,819	11,341,348
Total liabilities	13,556,819	19,699,302
Deferred inflows	1,026,182	1,957,155
Net position:		
Net invested in capital assets	61,685,375	45,993,227
Restricted	728,695	718,893
Unrestricted	9,859,905	9,858,635
Total net position	\$ 72,273,975	\$ 56,570,755

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

	<b>2022</b>	<b>2021</b>
Operating revenues	\$ 6,228,747	\$ 5,234,223
Operating expenses	5,994,588	5,985,731
Net income (loss) from operations	234,159	(751,508)
Other income (expense)	(210,291)	4,402,149
Capital construction grants	15,679,352	14,332,087
Change in net position	\$ 15,703,220	\$ 17,982,728

**Statement of Net Position**

This statement provides information that includes all assets and liabilities of the District compared to the previous year. In simple terms, this statement presents a snapshot view of the assets the District patrons own, the liabilities they owe and the net difference. The net difference is further separated into amounts restricted for specific purposes and undesignated amounts.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$72,273,975 at December 31, 2022. The largest portion of the District's assets reflects its investment in capital assets (e.g. land, irrigation system buildings and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide irrigation water to its patrons;

consequently, these assets are not available for future spending. The remaining assets consist of cash and cash equivalents, investments, receivables, inventory and prepaid expenses, which are used to meet the District's ongoing obligations to its patrons.

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

### **Statement of Revenues, Expenses and Changes in Net Position**

This statement presents the operations of the District and information showing how the District's net position changed over the most recent calendar year by tracking revenues and expenses. Operating revenues include assessments paid by District patrons for water delivery and the sale of electricity generated by the District's power plants. District activities during the year increased net position in the current year by \$15,703,220. The majority of the increase was due to the construction grant revenues recognized during the year.

### **Capital Assets**

The District's investment in capital assets includes land and improvements, buildings/housing and improvements, the irrigation system (including dams, canals, pumping plant, pipelines, etc.), vehicles, construction equipment, engineering and office equipment. As of December 31, 2022, the District had invested \$70,782,460 in capital assets, net of depreciation.

### **Debt Outstanding**

As of December 31, 2022, the District had \$9,097,085 in debt outstanding, a decrease of \$939,817 from the prior year.

### **Budgetary Highlights**

The District prepares a budget for its general operation and maintenance fund for management purposes only. State Statutes require that a budget be prepared for this purpose, but no other provisions of the Local Budget Law apply to the District. Therefore, there are no variations between the original and final budget amounts.

### **Economic Factors and Next Year's Budget**

The District's Budget Committee considered many factors when preparing the District's budget for the fiscal year ending December 31, 2023. These factors included estimating the amount of service fees and operating expenses and capital improvement projects. Both revenues and operating expenses are expected to be stable. The District is beginning large system improvement projects that will be funded with grants.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's financial statements. Questions about this report or requests for additional financial information should be directed to Central Oregon Irrigation District, 1055 SW Lake Ct, Redmond, Oregon 97756 or by phone at (541) 548-6047.

## **FINANCIAL SECTION**

## **BASIC FINANCIAL STATEMENTS**

Central Oregon Irrigation District  
Statement of Net Position  
December 31, 2022

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,202,805
Investments	4,036,604
Assessments receivable	136,317
Grants receivable	2,281,917
Contracts receivable, current	500,000
Inventory	24,615
Prepaid expenses	<u>86,537</u>
Total current assets	8,268,795
Noncurrent assets:	
Capital assets not being depreciated	38,091,183
Capital assets being depreciated, net of accumulated depreciation	<u>32,691,277</u>
Total capital assets	<u>70,782,460</u>
Restricted cash	844,973
Contract receivable, net of current portion	4,000,000
Intangibles, net of amortization	<u>1,619,833</u>
Total assets	<u>85,516,061</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts related to pensions	<u>1,340,915</u>
--------------------------------------	------------------

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities:	
Current portion of long-term debt	975,331
Accounts payable	1,238,189
Accrued payroll	177,442
Accrued compensated absences	<u>82,606</u>
Total current liabilities	2,473,568
Noncurrent liabilities:	
Loans payable, net of current portion	8,121,754
Net pension liability	<u>2,961,497</u>
Total liabilities	13,556,819

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to pensions	<u>1,026,182</u>
--------------------------------------	------------------

NET POSITION

Net invested in capital assets	61,685,375
Restricted - debt service	844,973
Unrestricted	<u>9,743,627</u>
Total net position	<u>\$ 72,273,975</u>

The accompanying notes are an integral part of these financial statements

Central Oregon Irrigation District  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2022

Operating revenues:	
Assessments	\$ 3,043,361
Power sales	2,240,605
Fees and other	<u>944,781</u>
Total operating revenues	6,228,747
Operating expenses:	
Salaries and payroll expenses	3,280,240
Contract labor	354,205
Materials and supplies	385,474
Administration expenses	389,541
Occupancy expenses	386,294
Professional services	157,182
Depreciation and amortization	<u>1,041,652</u>
Total operating expenses	<u>5,994,588</u>
Operating income (loss)	234,159
Non-operating revenue (expense):	
Rent and other income	271,559
Interest and investment income (loss)	(168,265)
Gain on sale of capital assets	24,700
Interest expense	<u>(338,285)</u>
Total non-operating revenue (expense)	<u>(210,291)</u>
Income (loss) before capital grants	23,868
Capital construction grants	<u>15,679,352</u>
Change in net position	15,703,220
Net position - beginning of year	<u>56,570,755</u>
Net position - end of year	<u><u>\$ 72,273,975</u></u>

The accompanying notes are an integral part of these financial statements

Central Oregon Irrigation District  
Statement of Cash Flows  
For the Year Ended December 31, 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from users	\$ 6,113,558
Cash paid for goods and services	(1,749,798)
Cash paid to employees	<u>(3,379,279)</u>
Net cash provided by operating activities	984,481
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Construction grants received	20,484,328
Proceeds from sale of capital assets	24,700
Proceeds from recovery of theft loss	254,869
Acquisition of capital assets and intangibles	(21,603,968)
Additions to restricted cash	(116,278)
Additions to long term debt	5,901,078
Principal payments on long term debt	(6,840,895)
Interest paid on long term debt	<u>(338,285)</u>
Net cash used by capital and related financing activities	(2,234,451)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	164,147
Receipt of payment on note receivable	500,000
Purchase of investments	(635,000)
Rent received	<u>16,690</u>
Net cash provided by investing activities	<u>45,837</u>
Net change in cash and cash equivalents	(1,204,133)
Cash and cash equivalents, beginning of year	<u>2,406,938</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,202,805</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income (loss)	\$ 234,159
Noncash items included in income:	
Depreciation and amortization expense	1,041,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	(115,189)
Prepaid expenses and inventory	(27,863)
Accounts payable	(47,161)
Accrued payroll and compensated balances	(4,875)
Pension accruals	<u>(96,242)</u>
Net cash provided by operating activities	<u><u>\$ 984,481</u></u>

The accompanying notes are an integral part of these financial statements

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**1. Summary of Significant Accounting Policies**

Reporting Entity

Central Oregon Irrigation District (the “District”) is an Oregon municipal corporation organized in 1918 to operate and maintain the irrigation water system. The District was organized and operates under the Irrigation District Laws of Oregon, as defined in ORS 545. The District operates an irrigation system for delivering irrigation water to the District users. The District also operates two hydroelectric facilities, Siphon Power Plant and Juniper Ridge Hydroelectric Project. The District is governed by a board of five officials elected by water users in the area and a manager who is employed by the Board of Directors who administers its affairs at their discretion.

The District is a primary government. As required by generally accepted accounting principles, the reporting entity consists of the primary government, any organization for which the primary government is financially accountable, and any other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity.

The District is financially independent of other state and local governmental units. Based on these criteria, the District is not a component unit of another entity, nor is any other entity required to be included in the financial statements of the District.

Measurement Focus and Basis of Accounting

All financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basic Financial Statements

The District is considered to be a single enterprise similar to a commercial entity for financial reporting purposes. The District’s financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District are charges to customers for water. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

The District has defined cash and cash equivalents to include cash on hand, demand deposits and short term investments with original maturities of three months or less for purposes of the statement of cash flows. Investments maintained in the Oregon Local Government Investment Pool (LGIP) are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the LGIP are the same as the value of the pool shares. The carrying amount of the cash and cash equivalents approximate fair value due to the short term maturities of these instruments.



**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**1. Summary of Significant Accounting Policies (continued)**

Investments

Investments are carried at fair value and include securities with maturities over three months from the date of purchase.

Assessments and Accounts Receivable

Assessed and uncollected receivables for water service can be attached as an enforceable lien on customer property. No allowance for doubtful accounts is considered necessary for assessments receivable. Assessments receivable are written off at such time when they are deemed uncollectible and a lien has been filed against the customer property.

Inventories

Inventories of supplies are valued using the average cost method. Water rights that the District purchased that are available for sale are included in inventory at cost.

Capital Assets

Capital assets, which include property, plant and equipment are stated at historical cost. The District defines capital assets as assets with an estimated useful life in excess of one year and an initial, individual cost exceeding limits as follows: buildings and system improvements \$5,000; machinery and equipment \$2,500; computers and software \$1,000; office equipment \$2,500. Additions or improvements that significantly extend the useful life of an assets, or that significantly increase the capacity of an assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Depreciation of capital assets has been recognized and reflected in the basic financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and system improvements	50
Equipment and vehicles	3 to 5

Intangibles

Easements are capitalized at cost and are amortized over the contract life of the easement using the straight-line method.

Start-up costs, which includes capitalized cost of interest, easements, legal services, fish and wildlife mitigation, and other administrative costs, are recorded at cost and amortized over thirty years using straight-line amortization.

Comprehensive plan costs are amortized over a twenty-year period using the straight-line method. Water quality study costs are amortized over a five year life using the straight-line method.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**1. Summary of Significant Accounting Policies (continued)**

Accrued Compensated Absences

District employees are allowed to accumulate earned but unused paid time off. A liability for the vested portion of such leave is reported in the financial statements.

Retirement Plans

Substantially all employees are participants in the Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

Net Pension Liability

The District accounts for its pension using GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68)*.

The District reports its proportionate share of the Net Pension Liability of the Oregon Public Employees Retirement System (OPERS). A negative Net Pension Liability is reported as a Net Pension Asset. For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 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 benefit terms. Investments are reported at fair value.

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, these are deferred amounts related to pensions, and they are reported only on the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Under the accrual basis of accounting, deferred amounts related to pensions are reported only on the Statement of Net Position and represent benefits that apply to future periods and so will not be recognized until that time.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**1. Summary of Significant Accounting Policies (continued)**

Restricted Revenue

District policy is to expend restricted revenues, such as grants and donations, before other resources are expended.

Budget Policy

The District is organized under the provision of Oregon Revised Statute 545, and is exempt from Local Budget Law, ORS 294.305 to 294.530 as provided in ORS 294.316 (4). However, the District does adopt a budget for management purposes and to determine the annual operation and maintenance charges necessary to operate the District.

**2. Cash and Cash Equivalents**

Cash and investments of the District consisted of the following at December 31, 2022:

Checking accounts	\$ 137,225
Local Government Investment Pool (LGIP)	1,181,158
Small Energy Loan Reserve	728,695
Cash on hand	700
Less: restricted cash	<u>(844,973)</u>
Total	<u><u>\$ 1,202,805</u></u>

**Deposits**

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal Deposit Insurance Corporation (FDIC) insurance of \$250,000 applies to total deposits at each financial institution. When balances exceed \$250,000, Oregon Revised Statutes (ORS) 295.002 requires the bank depository to enter into an agreement described in ORS 295.008(2)(b) and to deposit securities pursuant to ORS 295.015(1). The Oregon State Treasurer's Office facilitates these agreements and maintains a list of qualified depositories. Well capitalized depository banks must pledge securities with a value of at least 10 percent of their quarter-end public fund deposits, unless otherwise directed by the Oregon State Treasurer. Adequately capitalized or undercapitalized bank depositories are required to pledge collateral valued at 110 percent of their uninsured public fund deposits. The securities are held by a custodian for the benefit of the State of Oregon. Any balances in excess of the FDIC insurance plus 10 percent are considered exposed to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will be unable to recover deposits or collateral securities in the hands of an outside party. At December 31, 2022, deposits per the bank statements were federally insured and collateralized by the Oregon Public Collateralization Program.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The District's policy, in compliance with state statutes, requires that the deposits be covered by the FDIC and deposited in a qualified depository for public funds.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**2. Cash and Cash Equivalents (continued)**

The District’s investment in the LGIP is carried at cost of \$1,181,158, which approximates fair value. The state of Oregon’s investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury’s investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as would a prudent investor, exercising reasonable care, skill, and caution.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its fair value will decline if interest rates rise. In order to manage the interest rate risk of its investments, the District only invests in the LGIP. The LGIP has rules that require at least 50 percent of its investments to mature within 93 days, not more than 25 percent may mature in over a year, and all other investments must mature in no more than three years.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investments in the LGIP are not required to be rated for credit risk.

*Custodial Credit Risk – Investments.* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The LGIP’s portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the state of Oregon’s name.

**3. Investments**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

ORS 294.035 authorizes the District to invest in general obligations of the U.S. government and its agencies, bankers’ acceptances, commercial paper rated A-2 or better by Standard & Poor’s Corporation or P-2 by Moody’s Investors Service, and the state of Oregon Local Government Investment Pool (LGIP), among others. The District’s investments are in cash, fixed income government securities and municipal bonds. The fair value of the investments is as follows at December 31, 2022:

	Level 1
Cash	\$ 363,919
Fixed income funds:	
U.S. Treasury securities	1,325,822
Government sponsored equity securities	563,343
Municipal bonds	1,562,814
Corporate bonds	220,706
	\$ 4,036,604

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

**3. Investments (continued)**

The District's investments had the following maturities at December 31, 2022:

	Investment Maturity (in Years)			
	Fair Value	Less than 1	1 – 7	7 – 14
Fixed income funds	\$ 3,672,685	\$ 381,738	\$ 3,010,343	\$ 280,604

Investment activity for 2022 was as follows:

Balance, beginning of year	\$ 3,743,818
Interest and dividends	96,444
Unrealized loss	(400,291)
Expenses	(38,367)
Net investment loss	(342,214)
Deposits	635,000
Balance, end of year	\$ 4,036,604

**4. Restricted Cash**

The District's agreements with the Oregon Department of Energy (ODOE) and the Oregon Department of Environmental Quality (ODEQ) requires certain amounts be established as cash reserves to ensure repayment of the debt. At December 31, 2022, the restricted cash balances with ODOE are \$652,400 for the Juniper Ridge Project and \$192,573 with ODEQ for the Siphon Power Plant, Smith Rock and King Way Canal, and the Juniper Ridge Project loans.

**5. Contract Receivable**

During 2021 the Board approved the sale of land owned by the District for \$5,900,000. As a result of the sale of this land the District issued a note receivable collateralized by the land for a loan made to the buyer of this land for the sum of \$5,000,000. The loan was made with a 2.70% per annum interest rate with the buyer required to make annual payments of principal and interest and an annual management fee of \$12,000. Future receipts of principal and interest under the terms of this contract receivable are as follows:

Year ended December 31:	Principal	Interest	Total
2023	\$ 500,000	\$ 120,000	\$ 620,000
2024	500,000	105,000	605,000
2025	3,500,000	-	3,500,000
	\$ 4,500,000	\$ 225,000	\$ 4,725,000

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

**6. Intangible Assets**

A summary of intangible assets at December 31, 2022 is as follows:

	Life	Cost	Accumulated Amortization	Net Value	2022 Expense
Water Rights	N/A	\$ 170,001	\$ -	\$ 170,001	\$ -
Comprehensive Plan	20	95,522	(95,522)	-	-
Easements, Screens & Start-up					
Siphon Project	30	3,082,060	(3,082,060)	-	-
Juniper Ridge Hydro	30	2,448,405	(998,573)	1,449,832	81,614
		<u>\$ 5,795,988</u>	<u>\$ (4,176,155)</u>	<u>\$ 1,619,833</u>	<u>\$ 81,614</u>

Amortization expense of \$81,614 is recorded as an operating expense in the accompanying Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2022.

**7. Capital Assets**

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

	Balance Jan 1, 2022	Additions	Disposals	Balance Dec 31, 2022
Capital assets not being depreciated:				
Land	\$ 1,608,969	\$ -	\$ -	\$ 1,608,969
Construction in process	20,883,277	15,598,937	-	36,482,214
	22,492,246	15,598,937	-	38,091,183
Capital assets being depreciated:				
Land improvements	498,133	40,792	-	538,925
Buildings	7,373,890	-	-	7,373,890
System	40,503,605	-	-	40,503,605
Equipment	15,656,455	72,640	(65,000)	15,664,095
Total depreciable capital assets	64,032,083	113,432	(65,000)	64,080,515
Accumulated depreciation				
Land improvements	(184,184)	(28,811)	-	(212,995)
Buildings	(3,873,229)	(99,430)	-	(3,972,659)
System	(15,240,302)	(603,028)	-	(15,843,330)
Equipment	(11,196,485)	(228,769)	65,000	(11,360,254)
Total accumulated depreciation	(30,494,200)	\$ (960,038)	\$ 65,000	(31,389,238)
Net depreciable capital assets	33,537,883			32,691,277
Net book value	<u>\$ 56,030,129</u>			<u>\$ 70,782,460</u>

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**7. Capital Assets (continued)**

Depreciation expense of \$960,038 is recorded as an operating expense in the accompanying Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2022.

**8. Long-Term Debt**

Juniper Ridge Hydro Project

The District entered into several obligations for the construction of the Juniper Ridge Hydro Project. The first note payable is due to the Department of Environmental Quality (DEQ) for \$2,000,000. The note is to be repaid \$102,476 per year with no interest due. The balance of the debt as of December 31, 2022 is \$768,566.

The District also obligated itself with the Oregon Department of Energy (ODOE) for \$17,000,000 for the Project. The loan agreement provides that revenues from the Juniper Ridge Project and the District's Siphon Power Plant were used as collateralization for the loan. The interest rate for the life of the loan is 5.15%. Monthly payments of principal and interest started January 1, 2011, with the final payment to be made December 1, 2028. The balance of this note as of December 31, 2022 is \$4,346,278.

Another obligation was issued to DEQ in 2011 to finance, in part, the note reduction on the ODOE note to \$12,000,000. This note is payable in semi-annual payments of \$37,582 plus an annual fee of 0.5% on the outstanding balance. The interest rate is 2.88% on the unpaid principal and is scheduled to be retired in 2030. The balance of this note is \$503,755 as of December 31, 2022.

A third note payable of \$100,000, with a zero interest rate, is due to the Oregon Parks Department for the purchase of land for the Juniper Ridge Hydro Project. This note is payable on October 1, 2030.

Siphon Power Project

The District has a loan with the DEQ to finance improvements to the Siphon Power Project Canal. The loan was for \$3,113,311 and requires semi-annual payments of \$81,705 plus interest at 2.06% and an annual fee of 0.5%. The balance owed under this loan is \$2,158,879 as of December 31, 2022.

Smith Rock and King Way Canal Project

The District has a loan with the DEQ to finance improvements to the Smith Rock and King Way Canal. The loan was for \$1,772,615 and will require semi-annual payments of principal plus interest at 2.18% beginning in 2021 with maturity on June 1, 2041. The balance due under this loan was \$1,219,607 at December 31, 2022.

Business Oregon

The District took out a loan from Business Oregon to provide temporary funding for the piping improvement project. The loan allowed draws of up to \$9,000,000 with interest at 0.55% and a maturity date of three years after the contract date. During the year ended December 31, 2022 the District drew \$5,901,078 and this amount was paid back prior to year end. There are no amounts owed under this loan at December 31, 2022.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

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

All debt is classified as direct borrowings and direct placements. During the year ended December 31, 2022, long-term liability activity was as follows:

	Jan 1, 2022	Additions	Reductions	Dec 31, 2022
Juniper Ridge Hydro Project				
DEQ #1	\$ 871,042	\$ -	\$ (102,476)	\$ 768,566
ODOE	4,954,118	-	(607,840)	4,346,278
DEQ #2	563,125	-	(59,370)	503,755
Oregon Parks	100,000	-	-	100,000
Total Juniper Ridge Hydro Project	<u>6,488,285</u>	<u>-</u>	<u>(769,686)</u>	<u>5,718,599</u>
Siphon Power Project				
DEQ #3	2,276,002	-	(117,124)	2,158,879
Smith Rock & King Way Canal Project				
DEQ #4	1,272,615	-	(53,008)	1,219,607
Business Oregon	<u>-</u>	<u>5,901,078</u>	<u>(5,901,078)</u>	<u>-</u>
Total long-term debt	<u>\$ 11,390,650</u>	<u>\$ 5,901,078</u>	<u>\$ (6,840,896)</u>	<u>\$ 9,097,085</u>

Future payment obligations on the notes payable as of December 31, 2022 are as follows:

Year ending December 31,	Principal	Interest	Fees	Total
2023	\$ 975,331	\$ 283,735	\$ 23,102	\$ 1,282,168
2024	1,012,808	246,258	21,411	1,280,477
2025	1,052,023	207,043	19,693	1,278,759
2026	1,093,060	166,006	17,948	1,277,014
2027	1,136,007	123,059	16,172	1,275,238
2028-2032	2,361,670	244,005	55,364	2,661,039
2033-2037	1,116,236	103,134	25,742	1,245,112
2038-2041	349,949	12,713	3,516	366,178
	<u>\$ 9,097,085</u>	<u>\$ 1,385,952</u>	<u>\$ 182,948</u>	<u>\$ 10,665,985</u>



**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan**

Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. The Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003.

The Individual Account Program (IAP) was created by the Oregon legislature in 2003 to provide an individual account-based retirement benefit for new workers hired on or after August 29, 2003, and for Tier One / Tier Two members active on or after January 1, 2004. The IAP benefit is a defined contribution plan, and it is in addition to the member's defined benefit plan (i.e., Tier One, Tier Two, or OPSRP Pension Programs). OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

Benefits Provided

*Tier One/Tier Two Retirement Benefit:*

**Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. 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. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

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. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**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, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan (continued)**

**Disability Benefits**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 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 (COLA) changes. The COLA is capped at 2.0 percent.

*OPSRP Pension Program:*

**Pension Benefits**

The OPSRP Pension Program (ORS Chapter 238A) 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 calculated by formula for members who attain normal retirement age. For general service members, 1.5% 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. For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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 for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan (continued)**

*OPSRP Pension Program*

**Pension Benefits**

The Pension Program (ORS Chapter 238A) 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 calculated by formula for members who attain normal retirement age. For general service members, 1.5% 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. For police and fire members, 1.8% is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

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 for creditable service earned before October 2013 is 2.00%. The COLA for creditable service earned after October 2013 is calculated as 1.25% on the first \$60,000 of annual benefit and 0.15% on amounts above \$60,000 of annual benefit.

*OPSRP Individual Account Program (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.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan (continued)**

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.

**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**

OPERS 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. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2020 actuarial valuation. The rates based on a percentage of payroll first became effective July 1, 2021. Employer contributions for the year ended December 31, 2022 were \$478,449, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended December 31, 2022 were 27.39 percent for Tier One/Tier Two General Service Member, 23.34 percent for OPSRP Pension Program General Service Members, and 6 percent for OPSRP Individual Account Program.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the District reported a liability of \$2,961,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the District's proportion was 0.01934 percent, which was an increase from its proportion of 0.01875 percent measured as of June 30, 2021.

The contributions to the OPSRP IAP defined contribution plan are funded entirely by employees, not the employer; therefore, there is no expense and liability outstanding at December 31, 2022 related to the 6 percent OPSRP IAP.

For the year ended December 31, 2022, the District recognized pension expense of \$382,207.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan (continued)**

At December 31, 2022, the District 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	\$ 143,757	\$ 18,468
Changes of assumptions	464,675	4,245
Net difference between projected and actual earnings on investments	-	529,458
Changes in proportionate share	225,392	168,326
Differences between employer contributions and employer's proportionate share of system contributions	28,642	305,685
Total (prior to post-Measurement Date contributions)	<u>862,466</u>	<u>1,026,182</u>
Contributions subsequent to the Measurement Date	<u>478,449</u>	<u>-</u>
 Total	 <u>\$ 1,340,915</u>	 <u>\$ 1,026,182</u>

Deferred outflows of resources reported as related to pensions includes \$478,449 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Deferred Outflows (Inflows)</u>	
Amortization Period	
FY 2023	\$ (41,778)
FY 2024	(106,887)
FY 2025	(229,829)
FY 2026	230,493
FY 2027	<u>(15,716)</u>
 Total	 <u>\$ (163,716)</u>

Actuarial Methods and Assumptions

The employer contribution rates effective during 2022 were set using the entry age normal method.

For the ORS 238 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), and (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 ORS 238A OPSRP Pension Program 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 actuarially determined amount for funding a disability benefit component, and (3) 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.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan (continued)**

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Experience Study	2020, published July 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40%
Investment Rate of Return	6.90%
Discount Rate	6.90%
Projected Salary Increases	3.40%
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.  Active members: Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.  Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into 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 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

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. The OIC's description of each asset class was used to map the target allocation to the asset classes. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan (continued)**

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.
- 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 of 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 PERS' 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 Benefit 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.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**9. Pension Plan (continued)**

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability (asset)	\$ 5,251,958	\$ 2,961,497	\$ 1,044,486

Pension Plan Fiduciary Net Position

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

Changes in Plan Provisions During the Measurement Period

There were no changes during the June 30, 2022 measurement period that require disclosure.

**10. Other Post-Employment Health Benefits**

Retirement Health Insurance Account

**Plan Description** – As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statue (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA resides with the Oregon Legislature. The plan is closed to new entrants hired after August 29, 2003. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

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



**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**10. Other Post-Employment Health Benefits (continued)**

**Contributions** – Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District’s contributions for the year ended December 31, 2022 equaled the required contributions for the year and is considered by management to be immaterial to the basic financial statements.

At December 31, 2022, the District’s net OPEB liability and deferred inflows and outflows for RHIA were not considered material to the basic financial statements by management and were not accrued on the accompanying financial statements.

**11 Risk Management and Contingent Liabilities**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. During the year ended December 31, 2021 the District had a theft loss of \$1,443,991 which exceeds the District’s insurance coverage which has a limit of \$250,000 for this type of loss. No other losses were incurred during the prior three years ended December 31, 2022 that exceeded the District’s insurance coverage.

**12. Power Sales Agreement**

The District has agreements with PacifiCorp to sell power generated by the Siphon Power Project (SPP) and the Juniper Ridge (JR) hydroelectric facilities. These agreements include the kilowatt rates to be paid by PacifiCorp for each facility. The SPP purchase agreement ended on December 31, 2020 and the District filed an extension for December 31, 2022 at 10.00 cents per kilowatt. Extensions can be filed for five years through December 31, 2025 and then a new contract will be negotiated. At SPP the District must generate a minimum of 6 million kilowatt hours to meet the terms of the agreement. The JR purchase agreement runs through September 1, 2025, and defines an increasing rate to be paid for both On-Peak and Off-Peak generation. The On-Peak rate was 9.03 cents per kilowatt in 2022 and reaches a high of 9.04 cents per kilowatt in 2024 and remains at that rate through the term date. The Off-Peak rate was 6.83 cents per kilowatt in 2022 and reduces to 6.72 cents per kilowatt in 2025. Currently SPP averages 13.3 million kilowatt hours per year and JR averages 11.0 million kilowatt hours per year.

**14. Commitments**

Mitigation Payments

The District entered into an agreement in 1987 with the Oregon Department of Fish and Wildlife (ODFW) to maintain minimum stream flows and to make annual payments to the State for fish and wildlife mitigation and enhancement through the year 2037, when the District license with the Federal Energy Regulation Commission expires. During 2022 the District signed an amendment to the contract and paid ODFW \$127,992. Payments for the years from 2023 to 2025 will be based on actual expenses at the ODFW for this project but will be a minimum of \$98,000 each.

**CENTRAL OREGON IRRIGATION DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022**

---

**14. Commitments (continued)**

Fish Passage

In late 2009 the Oregon Department of Fish & Wildlife (ODFW) filed comments requiring upstream fish passage at the North Canal Dam in response to the in conduit hydroelectric project applications filed by COID and Swalley Irrigation District (SID) with the Oregon Water Resources Department for their respective hydroelectric projects already under construction. Both COID and SID considered ODFW's comments an expansive interpretation of the Oregon Revised Statutes (ORS) and contested ODFW's fish passage requirements. As the ODFW ORS interpretation would impact North Unit Irrigation District's (NUID) intent to develop hydroelectric projects in its canal system as NUID also diverts water into its canal from the North Canal Dam location, NUID joined with COID and SID in negotiations with ODFW on the issue. The negotiations resulted in a voluntary agreement (Agreement) in early 2010 between these irrigation districts and ODFW on a cost-share arrangement for the development and construction of a fish ladder. The parties agreed that ODFW would fund 60% of the fish passage project costs and the Districts agreed to fund 40% on the basis of an estimated total project cost of \$1,000,000. The Agreement stipulates that the Districts would make five equal annual payments of \$80,000 collectively into an account controlled by the Districts commencing in April 2011 and ending no later than April 2015. The \$80,000 payment is prorated with COID and NUID each paying \$36,000 and SID paying \$8,000.

**15. Jointly Governed Organization**

The District is a member of the Deschutes Basin Board of Control (DBBC), a jointly governed organization. The DBBC is a separate legal entity and the District has no equity interest in it. The DBBC manages joint projects for the benefit of the eight irrigation district members and the Manager of each member district serves as a member of the DBBC board of directors. Costs incurred for services and expenses on these projects are allocated among the member irrigation districts and they pay their share to the DBBC. During the year ended December 31, 2022, the District paid \$124,948 to the DBBC.

**16. Subsequent Events**

The District has evaluated subsequent events through June 14, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2022.

Subsequent to year-end, the District has continued construction on the piping project. After year end, the District has incurred an additional \$1,932,048 for the piping project which was reimbursed by grant revenues.

Subsequent to year end the District entered into a coordination agreement with North Unit Irrigation District (NUID) for conservation projects. As part of this agreement, NUID agreed to reimburse the District for the Siphon Power Plant Canal piping project and to take responsibility for the amounts owing on the loan. Beginning with the June 2023 loan payment, NUID will reimburse the District for the semi-annual loan payments until the loan is repaid in full. After the loan is paid in full, NUID will pay the District \$870,000 in ten semi-annual payments to reimburse the District for amounts incurred prior to June 30, 2023.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CENTRAL OREGON IRRIGATION DISTRICT**

**Schedule of Proportionate Share of Net Pension Liability and Related Ratios**

<u>Year Ended</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
12/31/2022	0.01934%	\$ 2,961,497	\$ 2,089,287	141.7%	84.5%
12/31/2021	0.01875%	\$ 2,243,955	\$ 1,889,310	118.8%	87.6%
12/31/2020	0.01748%	\$ 3,814,678	\$ 1,974,177	193.2%	75.8%
12/31/2019	0.02016%	\$ 3,486,694	\$ 1,949,861	178.8%	82.1%
12/31/2018	0.01996%	\$ 3,023,576	\$ 1,800,955	167.9%	83.1%
12/31/2017	0.01950%	\$ 2,628,047	\$ 1,815,152	144.8%	80.5%
12/31/2016	0.02028%	\$ 3,044,242	\$ 1,766,230	172.4%	91.9%
12/31/2015	0.02104%	\$ 1,207,989	\$ 1,680,117	71.9%	103.6%
12/31/2014	0.02040%	\$ (462,420)	\$ 1,517,165	(30.5%)	92.0%

The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CENTRAL OREGON IRRIGATION DISTRICT**

**Schedule of the Employer Contributions  
Oregon Public Employees Retirement System**

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/2022	\$ 478,449	\$ 478,449	\$ -	\$ 2,089,287	22.9%
12/31/2021	\$ 438,858	\$ 438,858	\$ -	\$ 1,889,310	23.2%
12/31/2020	\$ 456,119	\$ 456,119	\$ -	\$ 1,974,177	23.1%
12/31/2019	\$ 388,409	\$ 388,409	\$ -	\$ 1,949,861	19.9%
12/31/2018	\$ 298,391	\$ 298,391	\$ -	\$ 1,800,955	16.6%
12/31/2017	\$ 308,108	\$ 308,108	\$ -	\$ 1,815,152	17.0%
12/31/2016	\$ 273,597	\$ 273,597	\$ -	\$ 1,766,230	15.5%
12/31/2015	\$ 259,769	\$ 259,769	\$ -	\$ 1,680,117	15.5%
12/31/2014	\$ 200,278	\$ 200,278	\$ -	\$ 1,517,165	13.2%

The schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

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



DOUGALL CONRADIE LLC  
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA  
Heather Jackson, CPA  
Lee Owen, CPA  
Richard Winkel, CPA  
Members of AICPA & OSCPA

## **Independent Auditor's Report Required by Oregon State Regulations**

To the Board of Directors  
Central Oregon Irrigation District  
Deschutes County, Oregon

We have audited the accompanying basic financial statements of Central Oregon Irrigation District (the District) as of and for the year ended December 31, 2022 and have issued our report thereon dated July 14, 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 Central Oregon Irrigation District's financial statements are free of material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of Public Funds with Financial Institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- Authorized investment of surplus funds (ORS Chapter 294)

In connection with our testing nothing came to our attention that caused us to believe Central Oregon Irrigation District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.


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

In planning and performing our audit, we considered Central Oregon Irrigation District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Oregon Irrigation District internal control over financial reporting.

### **Restriction on Use**

This report is intended for the information of Central Oregon Irrigation District's board of directors and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

DOUGALL CONRADIE LLC  
Portland, Oregon  
July 14, 2023

  
\_\_\_\_\_  
Richard Winkel, Partner





DOUGALL CONRADIE LLC  
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA  
Heather Jackson, CPA  
Lee Owen, CPA  
Richard Winkel, CPA  
Members of AICPA & OSCPA

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors  
Central Oregon Irrigation District  
Bend, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Central Oregon Irrigation District (the 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, and have issued our report thereon dated July 14, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### District's Response to Findings


*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DOUGALL CONRADIE LLC  
Portland, Oregon

July 14, 2023

  
\_\_\_\_\_  
Richard Winkel, Partner



DOUGALL CONRADIE LLC  
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA  
Heather Jackson, CPA  
Lee Owen, CPA  
Richard Winkel, CPA  
Members of AICPA & OSCPA

Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors  
Central Oregon Irrigation District  
Bend, Oregon

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

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

We have audited Central Oregon Irrigation District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Central Oregon Irrigation District's major federal programs for the year ended December 31, 2022. Central Oregon Irrigation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Central Oregon Irrigation District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Central Oregon Irrigation District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Central Oregon Irrigation District's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Central Oregon Irrigation District's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Central Oregon Irrigation District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Central Oregon Irrigation District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Central Oregon Irrigation District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Central Oregon Irrigation District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Central Oregon Irrigation District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

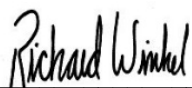
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DOUGALL CONRADIE LLC

Portland, Oregon

July 14, 2023

A handwritten signature in black ink that reads "Richard Winkel". The signature is written in a cursive style with a large initial "R".

---

Richard Winkel, Partner

CENTRAL OREGON IRRIGATION DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>				
Deschutes Basin Board of Control				
Watershed Flood Prevention Operations	10.904	NR180436XXXXC007	\$ -	\$ 7,682,896
Watershed Flood Prevention Operations	10.904	NR200436XXXXC011	-	158,225
Total U.S. Department of Agriculture			-	7,841,121
<b>U.S. Department of Interior</b>				
Developing a Water Transaction Program	15.507	R17AP00313	-	157,066
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ 7,998,187</u>

See accompanying notes to the schedule of expenditures of federal awards

CENTRAL OREGON IRRIGATION DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activity of Central Oregon Irrigation District under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Central Oregon Irrigation District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Central Oregon Irrigation District. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recorded when a liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

The District did not elect to use the 10% de minimis indirect cost rate.

During the year ended December 31, 2022, the District capitalized \$7,841,121 of expenditures of federal funds as capital assets.

CENTRAL OREGON IRRIGATION DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2022

---

**Summary of Audit Results**

*Financial Statements*

- Type of auditor’s report issued on the financial statements                      Unmodified
  
- Internal control over financial reporting:
  - Material weaknesses identified?    No
  - Significant deficiencies identified?    None reported
  
- Noncompliance material to the financial statements noted?                      No

*Federal Awards*

- Internal control over program awards:
  - Material weaknesses identified?    No
  - Significant deficiencies identified?    None reported
  
- Type of auditor’s report issued on compliance for the major federal award programs                      Unmodified
  
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                      No
  
- The program tested as a major program was U.S. Department of Agriculture (CFDA #10.904) – Watershed Flood Prevention Operations
  
- The threshold for distinguishing Types A and B programs was \$750,000.
  
- Qualified as a low-risk auditee    No



CENTRAL OREGON IRRIGATION DISTRICT  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Year Ended December 31, 2022

---

Finding: 2021-001

Condition:

The District was the victim of a fraud theft during 2021 by an outside entity pretending to be an existing vendor. A requested change to the vendor payment method was processed without verifying the change with the vendor.

Status:

Fully Corrected. A control was put in place requiring all changes to vendors and vendor terms be reviewed and approved by the District Manager and also verified with the vendor.