



ARNOLD IRRIGATION DISTRICT

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2020**

ARNOLD IRRIGATION DISTRICT

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ARNOLD IRRIGATION DISTRICT

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ARNOLD IRRIGATION DISTRICT

DISTRICT OFFICIALS
DECEMBER 31, 2020

Board of Directors

Bren Hirschberg, President – Zone 2

Robert Schuur, Vice-president – Zone 5

Walt Warchol, Secretary – Zone 1

Robert Rastovich, Director – Zone 4

Vacant – Zone 3

District Office

19604 Buck Canyon Road
Bend, Oregon 97702

Registered Agent

Mark G. Reinecke
Bryant, Lovlien & Jarvis, PC
591 SW Mill View Way
Bend, Oregon 97702



Wesley B. Price III, CPA
Kara L. Pardue, CPA
Adam M. Barnett, CPA
Heather McMeekin, CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinions

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the Schedule of District Proportionate Share of Net OPEB Liability and Schedule of Contributions on page 26 and the Schedule of Changes in OPEB Liability – Implicit Rate Subsidy on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Arnold Irrigation District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior-year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed qualified audit opinions on the respective financial statements of the business type activities in our report dated June 12th, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Standards*, we have also issued a report titled "Independent Auditor's Report Required by State Regulations" dated June 30, 2021, which is also not a required part of the financial statements. The purpose of that report is to address specific matters required by the State of Oregon.

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: _____

Wesley B. Price, III – a partner

June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

ARNOLD IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2020

As management of the Arnold Irrigation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- Net position of the District increased by \$97,720 during the year ended December 31, 2020, compared to an increase of \$178,248 in the prior year.
- The income from operations of the District was \$80,528 less than the prior year results.
- Assessment income for the year was \$899,087. Aside from assessment income, the District generated \$65,378 in revenue from water protection and other operating revenues, other fees, \$11,137 in grant revenue and \$3,250 of water right transactions.

OVERVIEW OF THE ARNOLD IRRIGATION DISTRICT

Irrigation in the Deschutes River Basin dates back to 1871 when individual farmers diverted water from Squaw Creek, a tributary of the Deschutes River. In 1895, construction of the Squaw Creek Canal was begun. By 1905, the area had been developed to include the Swalley Canal, completed in 1899, the Central Oregon Irrigation District canals, completed in 1900 and the Arnold Canal, completed in 1905. By 1920, three other small irrigation companies, the Pine Forest Ditch Company, the Bend Company and the North Irrigation Company, consolidated with the Arnold Canal under the name of the Arnold Irrigation Company. Since 1936, the group has been organized as the Arnold Irrigation District.

An elected five-member Board, with a representative from each zone, governs the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Government-wide financial statements and notes to the financial statements.

- The Government-wide financial statements provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Government-wide statements.

ARNOLD IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2020

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of these 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 the District's assets and liabilities. All current year 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.

Additional Information – Budgetary Comparison

The District provides detailed budgetary comparisons as other supplementary information.

AN OVERVIEW OF THE GOVERNMENT-WIDE FINANCIAL POSITION AND OPERATIONS

The District's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

The District's total assets at December 31, 2020, were \$2,156,504, an increase of \$83,230 from December 31, 2019. Net capital assets decreased primarily due to depreciation in 2020. The current asset increase is largely due to an increase in cash reserves, reserved for future capital outlay on canal piping projects.

ARNOLD IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2020

	December 31,		Change
	2020	2019	
Assets			
Current assets	\$ 694,173	\$ 568,838	\$ 125,335
Non-current assets	1,462,331	1,504,436	(42,105)
Total assets	2,156,504	2,073,274	83,230
Deferred outflows of resources			
Net pension and OPEB outflows	2,305		2,305
Total assets and deferred outflows	\$ 2,158,809	\$ 2,073,274	\$ 85,535
Liabilities			
Current liabilities	\$ 131,814	\$ 134,824	\$ (3,010)
Long-term liabilities	210,825	220,000	(9,175)
Total liabilities	342,639	354,824	(12,185)
Net position			
Net investment in capital assets	1,272,331	1,284,436	(12,105)
Restricted		874	(874)
Unrestricted	543,839	433,140	110,699
Total Net Position	1,816,170	1,718,450	97,720
Total liabilities and net position	\$ 2,158,809	\$ 2,073,274	\$ 85,535

Net position of the District increased from \$1,718,450 December 31, 2019, to \$1,816,170 at December 31, 2020, or an increase of about 6%.

ARNOLD IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2020

RESULTS OF OPERATIONS

The results of operations for the District are presented below:

	Year ended December 31,		Change	
	2020	2019	Amount	Percentage
Operating revenue				
Operating assessment	\$ 899,087	\$ 899,193	\$ (106)	(0.0) %
Water rights transfer	3,250	7,688	(4,438)	(57.7)
Grant Revenue	11,137		11,137	100.0
Other	65,378	191,351	(125,973)	(65.8)
Total operating revenue	978,852	1,098,232	(119,380)	(10.9)
Operating expenses				
Administration	297,672	315,823	(18,151)	(5.7)
Operations	247,597	270,305	(22,708)	(8.4)
Canal systems	86,870	83,613	3,257	3.9
Employee benefits	205,052	192,355	12,697	6.6
Depreciation and amortization	71,421	81,549	(10,128)	(12.4)
Total operating expenses	908,612	943,645	(35,033)	(3.7)
Net operating income (loss)	70,240	154,587	(84,347)	(54.6)
Non operating revenue (expense)				
Interest income	10,413	15,433	(5,020)	(32.5)
Interest expense	(6,120)	(6,735)	615	9.1
Rental income	14,234	15,805	(1,571)	(9.9)
Rental expense	(11,415)	(559)	(10,856)	(1942.0)
Gain on sale of assets	20,368	(283)	20,651	7297.2
Total non-operating income	27,480	23,661	3,819	16.1
Increase (decrease) in net position	\$ 97,720	\$ 178,248	\$ (80,528)	(45.2) %

Operating revenues of the District are generated principally from two sources:

- Assessments paid by District patrons for water deliveries.
- Fees generated by non-users.

ARNOLD IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2020

The overall decrease in operating assessment revenue was \$106 for the year. Other fee income decreased by 66% during the year due to an insurance reimbursement received by the District in 2019.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its irrigation activities as of December 31, 2020, is \$1,272,331, net of accumulated depreciation. This investment in capital assets includes land, buildings, equipment and infrastructure such as canals. The net decrease in capital assets for the year ended December 31, 2020, was about 5% after depreciation.

Additional information on capital assets is included in Note 4 on page 17 of this report.

Long-term Debt

The District has outstanding certificates of participation for construction of a new office and shop. The amount outstanding at December 31, 2020, was \$190,000.

Additional information on debt is included in Note 10 beginning on page 24 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

- It is anticipated that the cost of employee benefits to District employees will continue to increase in the next fiscal year.
- It is anticipated that expenses will increase due to the District's continued efforts to modernize the water system.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview to those parties interested in Arnold Irrigation District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Manager, 19604 Buck Canyon Road, Bend, Oregon 97702.

BASIC FINANCIAL STATEMENTS

ARNOLD IRRIGATION DISTRICT

STATEMENT OF NET POSITION DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 673,185	\$ 499,699
Assessments receivable	10,347	8,018
Settlement receivable		50,000
Prepaid expenses	10,641	11,121
TOTAL CURRENT ASSETS	694,173	568,838
CAPITAL ASSETS		
Land and improvements	412,950	413,422
Building	694,230	694,230
Water distribution system	1,590,394	1,590,394
Equipment and vehicles	307,287	297,437
	3,004,861	2,995,483
Less accumulated depreciation	(1,542,530)	(1,491,047)
	1,462,331	1,504,436
TOTAL ASSETS	2,156,504	\$ 2,073,274
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	2,305	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,158,809	\$ 2,073,274
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 12,730	\$ 28,534
Insurance reimbursement payable		50,000
Accrued vacation	2,513	492
Accrued payroll expenses	11,030	8,569
Water rights transfer deposits	12,598	6,823
Prepaid assessments	92,943	40,406
TOTAL CURRENT LIABILITIES	131,814	134,824
NONCURRENT LIABILITIES		
Long-term capital debt	190,000	220,000
Security deposits - rental	1,700	
OPEB liability	19,125	
TOTAL NONCURRENT LIABILITIES	210,825	220,000
TOTAL LIABILITIES	342,639	354,824
NET POSITION		
Net investment in capital assets	1,272,331	1,284,436
Restricted		874
Unrestricted	543,839	433,140
TOTAL NET POSITION	1,816,170	1,718,450
TOTAL LIABILITIES AND NET POSITION	\$ 2,158,809	\$ 2,073,274

See independent auditor's report and accompanying notes to financial statements

ARNOLD IRRIGATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Assessments	\$ 899,087	\$ 899,193
Water rights transfer	3,250	7,688
Fees and other revenue	76,515	191,351
	<u>978,852</u>	<u>1,098,232</u>
OPERATING EXPENSES		
Administration	297,672	315,823
Operations	247,597	270,305
Canal systems	86,870	83,613
Employee benefits	205,052	192,355
Depreciation	71,421	81,549
	<u>908,612</u>	<u>943,645</u>
OPERATING INCOME	<u>70,240</u>	<u>154,587</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest income	10,413	15,433
Interest expense	(6,120)	(6,735)
Rental income	14,234	15,805
Rental expense	(11,415)	(559)
Gain (loss) on sale of assets	20,368	(283)
	<u>27,480</u>	<u>23,661</u>
CHANGE IN NET POSITION	97,720	178,248
NET POSITION - BEGINNING OF YEAR	<u>1,718,450</u>	<u>1,540,202</u>
NET POSITION - END OF YEAR	<u>\$ 1,816,170</u>	<u>\$ 1,718,450</u>

See independent auditor's report and accompanying notes to financial statements

ARNOLD IRRIGATION DISTRICT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 1,073,698	\$ 881,579
Receipts from Insurance Reimbursement		127,823
Grants received	11,137	3,374
Payments to suppliers	(388,071)	(319,352)
Payments to employees	(493,143)	(499,428)
	203,621	193,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(29,787)	(6,546)
Proceeds from sale of capital assets	20,840	150
Principal reduction of capital debt	(30,000)	(30,000)
Interest paid on capital debt	(6,120)	(6,735)
	(45,067)	(43,131)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Deposits received	1,700	
Rental income	14,234	15,805
Rental expense	(11,415)	(559)
	4,519	15,246
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	10,413	15,433
	173,486	181,544
NET INCREASE IN CASH	173,486	181,544
CASH - Beginning of year	499,699	318,155
CASH - End of year	\$ 673,185	\$ 499,699
Reconciliation of operating income to net cash flows from operations		
Operating income (loss)	\$ 70,240	\$ 154,587
Adjustments to reconcile operating income to cash provided by operations		
Depreciation	71,421	81,549
Changes in assets and liabilities		
Assessments receivable	(2,329)	543
Prepaid expenses	480	9,997
Deferred outflows of resources	(2,305)	
Accounts payable	(15,804)	(15,234)
Deposits	5,775	4,613
Accrued vacation	2,021	(10,013)
Accrued payroll expenses	2,461	8,569
OPEB liability	19,125	
Prepaid assessments	52,536	(40,615)
	\$ 203,621	\$ 193,996
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 203,621	\$ 193,996

See independent auditor's report and accompanying notes to financial statements

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District

Arnold Irrigation District (the District), was organized as a municipal corporation under Oregon Revised Statutes (ORS) Chapter 545 in 1936. A board of directors consisting of five members operates the District.

The District operates as a special water district and provides irrigation water to residential and agricultural customers. The District is operated as an enterprise fund in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental agencies. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost, including depreciation, of providing services to the public is financed primarily through user charges.

Financial Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of Government Accounting Standards Board's (GASB's) *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, there were no other entities found to be includable in the District's reporting entity. The District was not includable in any other reporting entity.

Basis of Accounting

As a proprietary type fund, the District utilizes the accrual basis of accounting.

All activities of the District are accounted for within one proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting – Continued

earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (e.g. total assets net of total liabilities) are segregated into investment in capital assets, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes demand deposits and highly liquid investments with a maturity of three months or less at the time of purchase.

Assessments 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. Assessments received in advance of the period for which they are assessed are reported as liabilities.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, canals and similar items) are reported on the Statement of Net Position. Capital assets are defined by the District as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year.

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	30-40
Systems infrastructure	20-50
Vehicles and equipment	5-10

Compensated Absences

The liability for vacation pay earned by District employees is accrued on the Statement of Net Position. Accrued vacation payable is recorded at actual accrued hours times current pay rates plus related fringe benefits, as an expense when earned. Sick leave pay is recorded when leave is taken because it does not vest when earned.

Budgetary Controls

The District is not subject to the provisions of local budget law as provided in the Oregon Revised Statutes and is not required to appropriate funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Information

The financial statements include summarized prior year comparative information. Such information may not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2019, from which such summarized information was derived.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at December 31, 2020, and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 200	\$ 200
Demand deposit	123,841	64,939
State of Oregon Local Government Investment Pool	<u>549,144</u>	<u>434,560</u>
Total cash investments	<u>\$ 673,185</u>	<u>\$ 499,699</u>

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool. Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at December 31, 2020, was \$1,613,582,353 for reported public funds of \$2,785,336,509. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

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

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

invests only in the LGIP. The LGIP has rules that require at least 50% of its investments to mature within 93 days, not more than 25% may mature 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.

Custodial credit risk – Investments: Custodial credit risk is the risk that, in the event of a 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.

Foreign currency risk: Oregon Revised Statutes prohibit investments that are not U.S. dollar-denominated; therefore, the District is not exposed to this risk.

Investments should be reported at fair value and the change in fair value of investments be reported as revenue in the operating statement. The District's investments consist solely of government pool investments. At December 31, 2020, fair value approximated amortized cost and no change in fair value of investments was recorded.

NOTE 3 – ASSESSMENTS RECEIVABLE

Transactions affecting assessments receivable during the years ended December 31, 2020, and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Assessments receivable at beginning of year	\$ 8,018	\$ 8,561
Assessment revenue	899,087	899,193
Interest and other charges	10,413	15,433
Collections	<u>(907,171)</u>	<u>(915,169)</u>
Assessments receivable at end of year	<u>\$ 10,347</u>	<u>\$ 8,018</u>

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 4 – CAPITAL ASSETS

Changes in the District’s capital assets during the year were as follows:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Dispositions</u>	<u>December 31, 2020</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 413,422	\$	\$ (472)	\$ 412,950
<i>Capital assets being depreciated</i>				
Buildings	694,230			694,230
Water distribution system	1,590,395			1,590,395
Equipment and vehicles	297,436	29,788	(19,938)	307,286
	2,582,061	29,788	(19,938)	2,591,911
Accumulated depreciation	(1,491,047)	(71,421)	19,938	(1,542,530)
Depreciable capital assets, net	1,091,014	(41,633)	(472)	1,049,381
Capital assets, net	\$ 1,504,436	\$ (41,633)	\$ (472)	\$ 1,462,331

NOTE 5 – RETIREMENT PLAN

In 2007, the District established a 457(b) Plan for eligible employees. Employees may contribute the maximum allowed under IRS limitations, including an age-based catch up contribution each year. Employees must begin receiving benefits when they reach age 70.5. The retirement plan is managed by VALIC. Five percent employer matching contributions amounted to \$13,068 in 2020.

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The District does not have a formal post-employment benefits plan for any employee groups. However, the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the District does not pay any portion of the retirees’ healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the District due to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

Funding Policy. Although the District does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The District will then pay healthcare insurance premiums for all retirees at the blended rate for the appropriate classification.

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

General Information About the OPEB Plan (RHIA)

Oregon Public Employees Retirement System (PERS or the System) administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined benefit Other Postemployment Benefit (OPEB) plan (the Plan) for units of state government, political subdivisions, community colleges and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides OPEB through the Plan. Contributions are mandatory for each employer that is a member of PERS. As of June 30, 2018, there were 801 participating employers.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. All members of the Board are appointed by the governor and confirmed by the State Senate. The governor designates the chairperson. One member must be a public employer manager or a local elected official, one member must be a union represented public employee or retiree and three members must have experience in business management, pension management or investing.

Contributions (RHIA)

Contributions for employers are recognized on the accrual basis of accounting. Employer contributions to PERS are calculated based on creditable compensation for active members reported by employers. Employer contributions are accrued when due pursuant to legal requirements. These are amounts normally included in the employer statements cut off as of the fifth of the following month.

Plan Membership (RHIA)

RHIA was established by ORS 238.420 and authorizes a payment of up to \$60 from RHIA toward the monthly costs of health insurance. The plan was closed to new entrants hired on or after August 29, 2003. To be eligible to receive this monthly payment toward the healthcare premium costs, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage and (3) enroll in a PERS-sponsored health plan.

As of June 30, 2020, the inactive RHIA plan participants currently receiving benefits totaled 44,208, and there were 45,589 active and 11,347 inactive members who meet the requirements to receive RHIA benefits when they retire.

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

General Information About the Implicit Rate Subsidy Plan (IRSP)

In Oregon, the most common implicit employer subsidy comes from offering pre-Medicare health care insurance coverage to retirees based on the gross premium rates charged to active employees. Health care premiums, priced only for retirees who on average incur higher health care claims costs than younger active employees, would be more expensive than health care premiums that are priced to cover the average costs of both actives and retirees combined. This implicit subsidy must be included in the liabilities and costs reported on the entity's financial statements.

Health Care Benefits (IRSP)

Retirees and their dependents under age 65 can receive the same health care coverage as active employees. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premiums not paid by the Employer. The implicit employer subsidy is measured as the expected health care cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare.

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

At June 30, 2020, the District reported a net OPEB liability of \$19,125 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation and Oregon Pers RHIA as of July 1, 2019. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers.

For the year ended June 30, 2020, the Employer recognized OPEB expense of \$16,820. At June 30, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resource</u>	<u>Deferred Outflows of Resources</u>
Changes of assumptions or inputs	\$	\$ 1,015
District contributions subsequent to the measurement date		127
Total	\$ -	\$ 1,142

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

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

At June 30, 2020, \$2,305, reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date as well as the actuarial benefit payment will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2021	\$	(124)
2022		(124)
2023		(124)
2024		(124)
2025		(124)
Thereafter		<u>(395)</u>
	\$	<u>(1,015)</u>

Actuarial Assumptions (RHIA)

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 District was not part of the 2016 Experience Study and does not have any OPEB liability to report from those assumptions.

Actuarial Assumptions (IRSP)

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 July 1 of odd numbered years. The methods and assumptions shown below are based on the 2019 Experience Study.

The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Actuarial Assumptions (IRSP) – Continued

- Discount rate actuarial study - 3.50%
- Mortality rates are based on Pub-2010 general and safety employee and healthy retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees. Future mortality improvement is not projected as it would be immaterial to the valuation.
- Dental - 4.0% per year
- General Inflation - 2.5% per year, used to develop other economic assumptions
- Salary increases - 3.5%, based on general inflation and the likelihood of raises throughout participants' careers.
- Disability - not used
- Withdrawal - Based on Oregon PERS assumptions. Annual rates are based on employment classification, gender and duration from hire date. Participants with 30+ year of service are assumed not to terminate employment prior to retirement.
- Health care cost trends as follows:

Health Care Cost Trend	
Year	Pre-65 Trend
2019	15.75%
2020	6.00%
2021	5.25%
2022-2024	5.00%
2025-2042	4.75%
2043-2049	5.00%
2050-2064	4.75%
2065-2067	4.50%
2068-2071	4.25%
2072+	4.00%

- Health care cost trends affects both the projected health care costs as well as the projected health care premiums. Health trends prior to the valuation date use ultimate trend rates shown above.

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020, was 3.50% used by the actuary (IRSP). The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. More information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means are included in the PERS' audited financial statements. See below for disclosure of the long-term rate of return assumption table.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan under the actuary study as of June 30, 2020, calculated using the discount rate of 3.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate. A similar sensitivity analysis is then presented for change in the healthcare cost trend assumption.

	1 % Decrease 2.50%	Current Discount 3.50%	1 % Increase 4.50%
District's proportionate share of the net OPEB liability related to OPERS (RHIA)	\$ 20,390	\$ 19,125	\$ 17,919
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability based on changes in the healthcare cost trend	\$ 17,334	\$ 19,125	\$ 21,192

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE 6 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Deferred Inflows of Resources and Deferred Outflows of Resources

Deferred inflows of resources and deferred outflows of resources are calculated at the Plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2020, there were:

- Changes of assumptions or inputs in the amount of \$1,015 related to deferred outflows of resources
- Contributions subsequent to the measurement date of \$127

Differences between expected and actual experience, changes in assumptions, and changes in employer proportion are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period.

NOTE 7 – DESIGNATION OF NET ASSETS

The Board of Directors has designated the District's net assets as follows:

	<u>2020</u>	<u>2019</u>
Board assigned for emergency reserves	\$ 268,230	\$ 295,528
Board assigned for piping project	<u>275,609</u>	<u>137,612</u>
	<u>\$ 543,839</u>	<u>\$ 433,140</u>

NOTE 8 – RISK AND RELATED FINANCING ACTIVITIES

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. The District purchases commercial insurance for general liability up to \$500,000; excess liability of \$9,500,000; various property coverage; and fidelity bonding in the amount of \$500,000. Settled claims have not exceeded coverage in any of the past three years.

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE 9 – BOARD OF CONTROL

During 2002, the District, along with other local irrigation districts, formed the Deschutes Basin Board of Control under which they will share the costs and rewards for projects mutually beneficial to all parties.

Each district has an equal fiscal responsibility for the projects undertaken. The Board of Control does not have separately issued financial statements.

NOTE 10 – LONG-TERM DEBT

The District has outstanding certificates of participation which were used to finance the construction of a new office and shop. The loan is scheduled for repayment from January 1, 2017, to January 1, 2027. Bond principal payments are due annually on January 1 and interest is due semi-annually on January 1 and July 1. The interest rate on the scheduled maturities ranged from 1.30% and 3.20%.

Long-term obligations are as follows:

	January 01, 2020	Principal Matured and Paid	Interest Matured and Paid	December 31, 2020	Principal Due Within One Year
Series 2016A	\$ 220,000	\$ 30,000	\$ 6,120	\$ 190,000	\$ 30,000

The maturity schedule for the District's debt is as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2021	\$ 30,000	\$ 5,380	\$ 35,380
2022	30,000	4,758	34,758
2023	30,000	4,091	34,091
2024	30,000	3,370	33,370
2025	35,000	2,583	37,583
2026-2027	35,000	2,205	37,205
Total	\$ 190,000	\$ 22,387	\$ 212,387

ARNOLD IRRIGATION DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE 11 – SETTLEMENT AGREEMENT

In 2019, Arnold Irrigation District terminated an employee alleged to have misappropriated District assets. The District's insurance providers reimbursed the entirety of the loss while a legal settlement was negotiated with the former employee. As of December 31, 2019, an agreement was reached requiring the former employee to reimburse the District in the amount of \$50,000. The insurance providers and the District determined outside of the settlement that the District would remit the settlement funds to the insurance companies except \$5,395 which amount the District retained to cover a portion of the attorney fees it incurred. The District received the full amount during 2020.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the financial statements were available to be issued. As a result of the spread of COVID-19 Coronavirus, economic uncertainties have arisen subsequent to year-end which may negatively impact the District. The related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

ARNOLD IRRIGATION DISTRICT

SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF NET OPEB LIABILITY AND SCHEDULE OF CONTRIBUTIONS YEAR ENDED JUNE 30, 2020

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net OPEB liability (NPL)	(b) Employer's proportionate share of the net OPEB liability (asset) (NPL/A)	(c) Employer's covered payroll	(b/c) NOPEB liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	N/A	N/A	N/A	N/A	N/A

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are 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 year for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2020	N/A	N/A	N/A	N/A	N/A

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are 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 year for which the required supplementary information is available.

N/A = Not Available

Note: Information not available due to one year lag time for district specific data on proportionate share amounts.

ARNOLD IRRIGATION DISTRICT

SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY - IMPLICIT RATE SUBSIDY YEAR ENDED JUNE 30, 2020

Total OPEB, Beginning	\$	16,384
Service Cost		1,050
Interest on total OPEB liability		672
Effect of economic/demographic gains or losses		
Effect of assumptions changes or inputs		1,139
Benefit payments		<u>(120)</u>
Net change in OPEB liability		<u>2,741</u>
Total OPEB, ending	\$	<u>19,125</u>

Schedule will be reported on a prospective basis for 10 years as information prior to June 30, 2020, was not available.

OTHER SUPPLEMENTARY INFORMATION

ARNOLD IRRIGATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN AVAILABLE RESOURCES BUDGET AND ACTUAL YEAR ENDED DECEMBER 31, 2020

	Actual	Budget	Over (Under) Budget
Revenues			
Assessments	\$ 899,087	\$ 900,406	\$ (1,319)
Gain on sale of assets	20,368	8,000	12,368
Fees	62,113	40,000	22,113
Interest	10,413	15,379	(4,966)
Rental income	14,234	16,675	(2,441)
Water rights transfer	3,250		3,250
Grant revenue	11,137		11,137
Water right protection		22,485	(22,485)
Other income	3,265		3,265
Total revenues	1,023,867	1,002,945	20,922
Expenditures			
Administration			
Accounting	25,483	25,000	483
Administrative reserve	1,810	2,800	(990)
Bank charges	15	250	(235)
Wages - manager	54,032	51,259	2,773
DBBC & HCP	41,378	35,000	6,378
Frog lawsuit		13,000	(13,000)
Dues and subscriptions	5,791	5,000	791
Education	2,208	5,000	(2,792)
Election		1,500	(1,500)
Insurance	28,676	30,324	(1,648)
Legal	28,946	35,000	(6,054)
Licenses and fees	1,449	3,000	(1,551)
Mapping and surveying	15,211	19,000	(3,789)
Office supplies	4,537	9,500	(4,963)
Water right program	2,068	1,650	418
Communications	17,474	7,700	9,774
Board Expense and Education	1,667	2,000	(334)
Utilities	5,037	8,000	(2,963)
Office wages	61,890	56,700	5,190
Buck Canyon rental expense	11,415	1,500	9,915
	309,087	313,183	(4,097)
Operations			
Wages - manager	23,156	21,968	1,188
Fuel and oil	14,099	17,000	(2,901)
Maintenance reserve		1,000	(1,000)
Small tools and supplies	6,062	3,500	2,562
Equipment maintenance	5,510	7,000	(1,490)
Vehicle repair and maintenance	7,030	7,000	30
Equipment purchases	29,316	25,831	3,485
Wages - delivery	170,314	173,527	(3,213)
Building repair and maintenance	21,426	15,000	6,426
	276,913	271,826	5,087

ARNOLD IRRIGATION DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN AVAILABLE RESOURCES BUDGET AND ACTUAL - CONTINUED YEAR ENDED DECEMBER 31, 2020

	Actual	Budget	Over (Under) Budget
Expenditures - continued			
Canal systems			
Crane Prairie 27%		15,000	(15,000)
Fish screens	2,201	7,000	(4,799)
Flume	444	12,000	(11,556)
General construction	17,599	14,000	3,599
Delivery structures	2,653	10,000	(7,347)
Headworks	1,655	10,000	(8,345)
Canal systems maintenance	55,447	26,000	29,447
Road and bridges	6,371	15,000	(8,629)
Engineering and surveying		19,000	(19,000)
Capital improvements		68,878	(68,878)
Utilities notification	500	750	(250)
	<u>86,870</u>	<u>197,628</u>	<u>(110,758)</u>
Employee benefits			
Medical insurance	116,955	112,000	4,955
Payroll taxes	27,378	28,000	(622)
Merit pay increases	2,500	2,500	
Vacation	21,520	20,170	1,350
Workers compensation	10,033	18,246	(8,213)
Retirement	13,068	14,211	(1,143)
MASA	1,179		1,179
Mid OR - Temp	12,419		12,419
	<u>205,052</u>	<u>195,127</u>	<u>9,925</u>
Capital outlay			
Flex lease - principal	30,000	30,000	
Flex lease - interest	6,120	6,120	
	<u>36,120</u>	<u>36,120</u>	
Total expenditures	<u>914,042</u>	<u>1,013,884</u>	<u>(99,842)</u>
Excess of operating revenues over expenditures	<u>109,825</u>		<u>109,825</u>
Available resources - Beginning of year	<u>434,014</u>		<u>434,014</u>
Available resources - End of year	<u>\$ 543,839</u>	<u>\$ -</u>	<u>\$ 543,839</u>
Analysis of ending available resources			
Cash	\$ 673,185		
Assessments receivable	10,347		
Prepaid expenses	10,641		
Deferred outflows of resources	2,305		
	<u>696,478</u>		
Less			
Accounts payable	12,730		
Accrued vacation	2,513		
Accrued payroll liabilities	11,030		
Security deposits - rental	1,700		
Water rights transfer deposits	12,598		
OPEB liability	19,125		
Prepaid assessments	92,943		
	<u>152,639</u>		
	<u>\$ 543,839</u>		

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

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

To the Board of Directors
Arnold Irrigation District
Deschutes County, OR

We have audited the basic financial statements of Arnold Irrigation District (the District), as of and for the year ended December 31, 2020, and have issued our report thereon dated June 30, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

To the Board of Directors
Arnold Irrigation District
Page 2

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. Control deficiencies in internal control will be reported to management in a separate letter.

This report is intended solely for the information and use of the Board of Directors and management of Arnold Irrigation District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: 
Wesley B. Price, III – a partner

June 30, 2021