

TUMALO IRRIGATION DISTRICT
BEND, OREGON

Financial Statements

For the Year Ended December 31, 2018

TUMALO IRRIGATION DISTRICT
December 31, 2018

BOARD OF DIRECTORS

<u>Name</u>	<u>Zone</u>
Stephen Putnam Bend, Oregon	Division 1
Jack Farley Bend, Oregon	Division 2
Wally Zimmerman, Vice Chair Bend, Oregon	Division 3
Ron Cochran, Chair Bend, Oregon	Division 4
Martin Warbington Bend, Oregon	Division 5

Administration

Kenneth, Rieck
District Manager, Secretary

Registered Agent
Kenneth, Rieck

Registered Office

64697 Cook Ave
Bend, Oregon 97703
(541) 382-3053

TUMALO IRRIGATION DISTRICT
Financial Statements
For the year ended December 31, 2018

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
Comparative Schedule of Net Position	15
Comparative Schedule of Revenues, Expenses, and Changes in Net Position	16
Comparative Schedule of Cash Flows	17
Schedule of Operating Expenses	18
Schedule of Actual and Budgeted Transactions - Budgetary Basis	
General Operation and Maintenance Fund	20
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>	21
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	23
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	25
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	27
AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	28

Independent Auditor's Report

Board of Directors
Tumalo Irrigation District
Deschutes County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Tumalo Irrigation District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Tumalo Irrigation District, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richard Winkel, CPA

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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 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 and the supplementary information on pages 15-20, as listed in the table of contents, is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards and other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2019 on our consideration of Tumalo 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 Tumalo 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 September 9, 2019 on our consideration of Tumalo 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.



Richard Winkel, CPA
September 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

TUMALO IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2018

Management's discussion and analysis presents the highlights of the financial activities and financial position of the Tumalo Irrigation District (the District) for the fiscal year ended December 31, 2018. 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 \$22,552,714 at December 31, 2018 (net position). Of this amount, \$1,434,290 is considered to be unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were \$1,296,160 in 2018, an increase of \$54,964 from 2017.
- Operating expenses were \$1,530,516 in 2018, an increase of \$9,976 from 2017.
- The District recognized capital construction grants of \$5,529,457 during 2018 for a 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,

	2018	2017
Assets:		
Current assets	\$ 2,257,270	\$ 1,201,865
Non-current assets:		
Capital assets – net of accumulated depreciation	21,355,928	16,400,637
Other assets	520,000	520,000
Total assets	24,133,198	18,122,502
Current liabilities	1,355,927	430,392
Long-term liabilities	221,469	237,505
Total liabilities	1,577,396	667,897
Deferred inflows	3,088	11,808
NET POSITION:		
Net invested in capital assets	21,118,424	16,125,793
Unrestricted	1,434,290	1,316,995
Total net position	\$ 22,552,714	\$ 17,442,788

SUMMARY STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2018	2017
Operating revenues:		
Assessments	\$ 1,231,390	\$ 1,183,933
Fees and other	64,770	57,263
Total operating revenues	1,296,160	1,241,196
Operating expenses:		
Salaries and payroll costs	765,621	692,457
Administration	139,343	190,154
Maintenance	190,341	226,502
Depreciation	435,211	411,427
Total operating expenses	1,530,516	1,520,540
Net income (loss) from operations	(234,356)	(279,344)
Non-operating revenue (expense)		
Rent, interest and other income	92,540	592,437
Capital construction grants	5,259,457	995,000
Interest expense	(7,715)	(8,292)
Total non-operating revenue (expense)	5,344,282	1,579,145
Change in net position	5,109,926	1,299,801
Net position, beginning of year	17,442,788	16,142,987
Net position, end of year	\$ 22,552,714	\$ 17,442,788

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 exceeded liabilities by \$22,552,714 at December 31, 2018. 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.

Statement of Activities

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. District activities during the year increased net position in the current year by \$5,109,926. The majority of the increase was due to capital grants of \$5,259,457, which were used for a canal improvement project.

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, 2018, the District had invested \$21,355,928 in capital assets, net of depreciation.

Debt Outstanding

As of December 31, 2018, the District had \$237,504 in debt outstanding. This is a note payable to the Oregon Department of Environmental Quality.

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. The District budget with a comparison to actual is included in this report under additional supplementary information. The budget isn't used to control the operation of the District but is included as part of this report to provide extra information.

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, 2019. These factors included estimating the amount of service fees and operating expenses. Both revenues and operating expenses are expected to be stable.

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 Tumalo Irrigation District, 64697 Cook Ave. Bend, Oregon 97703 or by phone at (541) 382-3053.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

TUMALO IRRIGATION DISTRICT
Statement of Net Position
December 31, 2018

ASSETS

Current assets:	
Cash and investments	\$ 681,764
Grants receivable	1,567,220
Accounts receivable	3,390
Prepaid expenses	<u>4,896</u>
Total current assets	2,257,270
Noncurrent assets:	
Capital assets not being depreciated	124,766
Capital assets being depreciated	29,354,444
Accumulated depreciation	<u>(8,123,282)</u>
Total capital assets	21,355,928
Long-term notes receivable	<u>520,000</u>
Total assets	<u><u>\$ 24,133,198</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Current liabilities:	
Current portion of long-term debt	\$ 16,035
Accounts payable	1,266,620
Accrued payroll	24,808
Accrued compensated absences	45,194
Accrued interest payable	<u>3,270</u>
Total current liabilities	1,355,927
Noncurrent liabilities:	
Loan payable, net of current portion	<u>221,469</u>
Total liabilities	<u>1,577,396</u>
Deferred Inflows	
Prepaid rents and assessments	<u>3,088</u>
NET POSITION:	
Net invested in capital assets	21,118,424
Unrestricted	<u>1,434,290</u>
Total net position	<u><u>\$ 22,552,714</u></u>

The accompanying notes are an integral part of these financial statements

TUMALO IRRIGATION DISTRICT
Statement of Activities
For the Year Ended December 31, 2018

Operating revenues:	
Assessments	\$ 1,231,390
Fees and other	<u>64,770</u>
Total operating revenues	<u>1,296,160</u>
Operating expenses:	
Salaries and payroll costs	765,621
Administration	139,343
System maintenance	105,496
Real estate maintenance	28,864
Equipment maintenance	54,588
Shop expenses	1,393
Depreciation	<u>435,211</u>
Total operating expenses	<u>1,530,516</u>
Operating income (loss)	(234,356)
Non-operating Revenue (Expense):	
Rent income	54,915
Interest income	37,625
Interest expense	<u>(7,715)</u>
Total non-operating income (expense)	<u>84,825</u>
Income (loss) before capital contributions	(149,531)
Capital construction grants	<u>5,259,457</u>
Change in net position	5,109,926
Net position - beginning of year	<u>17,442,788</u>
Net position - end of year	<u><u>\$ 22,552,714</u></u>

The accompanying notes are an integral part of these financial statements

TUMALO IRRIGATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 1,303,906
Cash paid for goods and services	(638,930)
Cash paid to employees	<u>(766,123)</u>
Net cash used in operating activities	<u>(101,147)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(4,133,130)
Construction grants	3,692,237
Principal payments on long term debt	(37,340)
Interest paid on long term debt	<u>(8,064)</u>
Net cash used by capital and related financing activities	<u>(486,297)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	37,625
Rent received	<u>54,915</u>
Net cash provided by investing activities	<u>92,540</u>
Net change in cash and cash equivalents	(494,904)
Cash and cash equivalents, beginning of year	<u>1,176,668</u>
Cash and cash equivalents, end of year	<u><u>\$ 681,764</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (234,356)
Noncash items included in income:	
Depreciation expense	435,211
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	16,466
Prepaid expenses	436
Prepaid user fees	(8,720)
Accounts payable	(309,682)
Accrued expenses	<u>(502)</u>
Net cash used in operating activities	<u><u>\$ (101,147)</u></u>
 Summary of non-cash capital and related financing activities:	
Capital asset purchases in accounts payable at year end	<u>\$ 1,257,372</u>

The accompanying notes are an integral part of these financial statements

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies

Reporting Entity

Tumalo Irrigation District (the “District”) is an Oregon municipal corporation organized in 1922 to supply water to the users in the District. The District was organized and operates under the Irrigation District Laws of Oregon, as defined in ORS 545. 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.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Receivables

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

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 of \$500 or more. 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	20
Canals and ditches	20 to 65
Equipment and vehicles	5 to 10

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.

Use of Estimates

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

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

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018

2. Cash and Cash Equivalents

Cash and investments of the District consisted of the following at December 31, 2018:

Checking accounts	\$	130,421
Money market account		551,044
Petty cash		<u>300</u>
Total	\$	<u>681,765</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 in 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, 2018, 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.

3. Notes Receivable

In 2009 the Board approved the sale of several parcels of land owned by the District. As a result of the sale of these parcels in early 2017 the District now holds two notes receivables for loans made to buyers of these parcels for the sum of \$520,000. Each of the loans made was at a 6% per annum interest rate with the buyers required to make minimum monthly interest payments and a balloon payment for the principal amount due no later than February 15, 2021. The minimum monthly interest payments due to the District for both loans totals \$2,600.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018

4. Capital Assets

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

	<u>Balance</u> <u>January 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2018</u>
Capital assets not being depreciated:				
Land	\$ 48,568	\$ -	\$ -	\$ 48,568
Water rights and easements	13,788	-	-	13,788
Construction in process	62,411	-	-	62,411
	<u>124,767</u>	<u>-</u>	<u>-</u>	<u>124,767</u>
Capital Assets Being Depreciated:				
Buildings	122,554	-	-	122,554
Canals and ditches	23,070,869	5,347,482	-	28,418,351
Equipment	770,518	43,020	-	813,538
	<u>23,963,941</u>	<u>5,390,502</u>	<u>-</u>	<u>29,354,443</u>
Accumulated depreciation				
Buildings	(93,047)	(6,128)	-	(99,175)
Canals and ditches	(6,909,640)	(397,533)	-	(7,307,173)
Equipment	(685,384)	(31,550)	-	(716,934)
	<u>(7,688,071)</u>	<u>\$ (435,211)</u>	<u>\$ -</u>	<u>(8,123,282)</u>
Net depreciable capital assets	<u>16,275,870</u>			<u>21,231,161</u>
Net book value	<u>\$ 16,400,637</u>			<u>21,355,928</u>

Depreciation expense of \$435,211 is recorded as an operating expense in the accompanying Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2018.

5. Long-Term Debt

The District has long-term debt to finance part of the piping project. A note was issued in 2011 with the Department of Environmental Quality for \$325,772 with an interest rate of 2.88% plus an annual fee of 0.5% of the unpaid principal. Payments of \$10,976 are due semi-annually. The balance as of December 31, 2018 is \$237,504.

The District had a note payable with a bank for the purchase of an excavator. The loan had an original balance of \$99,590 with an interest rate of 5.0%. The note payable was paid off during the year ended December 31, 2018.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018

5. Long-Term Debt (continued)

During the year ended December 31, 2018, long-term liability activity was as follows:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2018
Notes payable				
DEQ	\$ 253,067	\$ -	\$ (15,563)	\$ 237,504
Equipment note	21,777	-	(21,777)	-
Total notes payable	\$ 274,844	\$ -	\$ (37,340)	\$ 237,504

Future payment obligations on the note payable as of December 31, 2018 are as follows:

Year ending December 31,	Principal	Interest	Total
2019	\$ 16,035	\$ 6,725	\$ 22,760
2020	16,500	6,260	22,760
2021	16,978	5,782	22,760
2022	17,471	5,289	22,760
2023	17,978	4,782	22,760
2024	18,499	4,261	22,760
2025	19,036	3,724	22,760
2026	19,588	3,172	22,760
2027	20,156	2,604	22,760
2028	20,740	2,020	22,760
2029	21,342	1,418	22,760
2030	21,961	799	22,760
2031	11,220	160	11,380
	\$ 237,504	\$ 46,996	\$ 284,500

6. Employee Pension Plan

The District sponsors a Simple IRA plan for the benefit of employees. The plan allows employees to defer compensation up to IRS limits. The District matches employee contributions up to 3% of gross pay. The District made matching contributions of \$15,007 for 2018.

7. 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. No losses were incurred during the prior three years ended December 31, 2018 that exceeded the District's insurance coverage.

TUMALO IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2018

8. Post-Employment Benefits Other Than Pension

Governmental Accounting Standards Board (GASB) Statement 45 requires the District to determine the extent of its liability for other post-retirement benefits (OPEB) and record the liability in its financial statements on an accrual basis. This includes the requirement of ORS 243.303 of offering the same healthcare benefits for current employees to all retirees and their dependents until such times as the retirees are eligible for Medicare. This is referred to as an “implied subsidy” under GASB 45. The District does not have any OPEB other than the implied subsidy. The amount of OPEB cannot be determined and is not reported as a liability in the financial statements.

9. Subsequent Events

The District did not have any subsequent events through September 9, 2019, 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, 2018.

SUPPLEMENTARY INFORMATION

Tumalo Irrigation District
Comparative Schedule of Net Position
December 31, 2018
With Comparative Totals for December 31, 2017

	2018	2017
Assets		
Current assets:		
Cash and investments	\$ 681,764	\$ 1,176,668
Grants receivable	1,567,220	-
Accounts receivable	3,390	19,856
Prepaid expenses	4,896	5,332
Total current assets	2,257,270	1,201,856
Noncurrent assets:		
Capital assets not being depreciated	124,766	112,870
Capital assets being depreciated	29,354,444	23,975,838
Accumulated depreciation	(8,123,282)	(7,688,071)
Total capital assets	21,355,928	16,400,637
Long-term notes receivable	520,000	520,000
Total assets	24,133,198	18,122,493
Current liabilities:		
Current portion of long-term debt	16,035	37,339
Accounts payable	1,266,620	318,930
Accrued payroll	24,808	24,865
Accrued compensated absences	45,194	45,639
Accrued interest payable	3,270	3,619
Total current liabilities	1,355,927	430,392
Noncurrent liabilities:		
Loan payable, net of current portion	221,469	237,505
Total noncurrent liabilities	221,469	237,505
Total liabilities	1,577,396	667,897
Deferred inflows		
Prepaid rents and assessments	3,088	11,808
Net Position		
Net invested in capital assets	21,118,424	16,125,793
Unrestricted	1,434,290	1,316,995
Total net position	\$ 22,552,714	\$ 17,442,788

Tumalo Irrigation District
Comparative Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Assessments	\$ 1,231,390	\$ 1,183,933
Fees and other	64,770	57,263
	<u>1,296,160</u>	<u>1,241,196</u>
Operating expenses	<u>1,530,516</u>	<u>1,520,540</u>
Operating income (loss)	(234,356)	(279,344)
Non-operating revenue (expense):		
Rent income	54,915	50,641
Gain on sale of land	-	504,738
Interest income	37,625	37,058
Interest expense	(7,715)	(8,292)
	<u>84,825</u>	<u>584,145</u>
Income before capital contributions	(149,531)	304,801
Capital construction grants	<u>5,259,457</u>	<u>995,000</u>
Change in net position	5,109,926	1,299,801
Net position - beginning of year	<u>17,442,788</u>	<u>16,142,987</u>
Net position - end of year	<u><u>\$ 22,552,714</u></u>	<u><u>\$ 17,442,788</u></u>

Tumalo Irrigation District
Comparative Schedule of Cash Flows
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,303,906	\$ 1,241,571
Cash paid for goods and services	(638,930)	(420,299)
Cash paid to employees	(766,123)	(685,785)
Net cash (used in) provided by operating activities	(101,147)	135,487
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(4,133,130)	(1,024,571)
Construction grants	3,692,237	995,000
Principal payments on long term debt	(37,340)	(36,028)
Interest paid on long term debt	(8,064)	(1,378)
Net cash used by capital and related financing activities	(486,297)	(66,977)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	37,625	37,058
Rent received	54,915	50,641
Cash from sale of capital assets	-	97,073
Net cash provided by investing activities	92,540	184,772
Net change in cash and cash equivalents	(494,904)	253,282
Cash and cash equivalents, beginning of year	1,176,668	923,386
Cash and cash equivalents, end of year	\$ 681,764	\$ 1,176,668
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (234,356)	\$ (279,344)
Noncash items included in income:		
Depreciation expense	435,211	411,427
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Accounts receivable	16,466	(7,113)
Prepaid expenses	436	(3,643)
Prepaid user fees	(8,720)	7,488
Accounts payable	(309,682)	-
Accrued expenses	(502)	6,672
Net cash (used in) provided by operating activities	\$ (101,147)	\$ 135,487

Tumalo Irrigation District
Schedule of Operating Expenses
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018	2017
Salaries and payroll costs		
Board members	1,200	700
District manager	114,490	107,303
Watermaster	70,367	40,875
Field supervisor	70,687	68,306
Field staff	155,593	149,914
Office manager	61,558	56,406
Office assistant	36,118	34,776
Other wages and adjustments to accrued PTO	3,293	7,821
Health and dental insurance	191,946	175,983
Payroll taxes	39,378	35,765
Personal use of auto	(1,980)	(1,911)
Worker's compensation	7,964	4,541
Employer pension contribution	15,007	11,978
Total salaries and payroll costs	765,621	692,457
System maintenance expenses		
System electricity	2,160	2,397
Small tools	1,114	621
System supplies	13,950	17,982
Conservation enhancement	39,499	40,750
DBBC-Habitat Conservation Plan	28,100	30,580
System maintenance	12,872	17,506
Contracted work for others	7,801	-
Total system maintenance expenses	105,496	109,836
Real estate maintenance expenses		
Land development expense	19,481	24,834
Reservoir land swap	-	28,103
Easement verifications	110	63
Office building maintenance	2,737	3,339
Shop building maintenance	1,365	6,443
Water rights exchange	1,153	2,022
Property taxes	2,399	2,315
Fire protection	1,619	1,693
Total real estate maintenance expenses	28,864	68,812

Tumalo Irrigation District
Schedule of Operating Expenses - Continued
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
Equipment maintenance expenses		
Truck and equipment repairs	24,849	20,053
Oil and fuel	23,725	20,962
Tires	1,640	3,222
Small equipment	4,374	1,985
Total equipment maintenance expenses	<u>54,588</u>	<u>46,222</u>
Shop expense		
Shop electricity	1,393	1,395
Shop supplies	-	237
Total shop expenses	<u>1,393</u>	<u>1,632</u>
Administrative expenses		
Water development expense	6,525	18,855
Office water	736	707
Office electricity	2,066	2,161
Legal, accounting and professional services	7,454	58,270
Flexlease	1,201	1,160
Bank charges	437	535
Elections	51	476
Telephone and communications	7,518	7,437
Newsletter expense	3,330	4,933
Postage	1,742	2,046
Office supplies	1,388	4,068
Equipment service and repairs	7,393	15,028
GIS expenses	11,845	5,902
Water transfer expenses	11,499	5,430
Instream lease expenses	-	1,625
Community outreach	6,668	3,429
Travel and meals	20,152	17,297
Training	3,149	2,638
Propane	294	949
Insurance	33,277	25,044
Dues and subscriptions	12,618	12,164
Total administrative expenses	<u>139,343</u>	<u>190,154</u>
Depreciation	<u>435,211</u>	<u>411,427</u>
Total operating expenses	<u><u>\$ 1,530,516</u></u>	<u><u>\$ 1,520,540</u></u>

Tumalo Irrigation District
Schedule of Actual and Budgeted Transactions
General Operation and Maintenance Fund
For the Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Resources			
Assessment fees	\$ 1,223,852	\$ 1,231,390	\$ 7,538
Contract work for others	15,000	26,079	11,079
Water leasing and mapping fees	6,200	12,480	6,280
Instream leasing	3,200	5,040	1,840
Other fees	18,600	8,737	(9,863)
Interest on water charges	5,000	4,486	(514)
Miscellaneous	4,000	12,434	8,434
Interest on investments	-	33,139	33,139
Construction grants	-	5,259,457	5,259,457
Cell lease	-	54,915	54,915
	<u>1,275,852</u>	<u>6,648,157</u>	<u>5,372,305</u>
Total revenues			
Expenditures			
Salaries and payroll costs	775,767	765,621	10,146
Administration	161,850	139,343	22,507
System maintenance	67,300	105,496	(38,196)
Real estate maintenance	14,100	28,864	(14,764)
Equipment maintenance	57,125	54,588	2,537
Shop expenses	1,200	1,393	(193)
Debt service	24,246	45,055	(20,809)
Capital outlay	166,500	5,390,503	(5,224,003)
	<u>1,268,088</u>	<u>6,530,863</u>	<u>(5,262,775)</u>
Total expenditures			
Revenues over expenditures	<u>\$ 7,764</u>	<u>\$ 117,294</u>	<u>\$ 109,530</u>



ACCOUNTING AND ADVISORY SERVICES

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
Tumalo 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 Tumalo Irrigation District, which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tumalo Irrigation District's internal control over financial reporting (internal control) to determine the 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 Tumalo Irrigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tumalo Irrigation 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 may exist that have not been identified.

Richard Winkel, CPA

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tumalo Irrigation 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 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Richard Winkel, CPA

September 9, 2019

Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Tumalo Irrigation District
Bend, Oregon

Report on Compliance for Each Major Federal Program

We have audited Tumalo Irrigation District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Tumalo Irrigation District's major federal programs for the year ended December 31, 2018. Tumalo Irrigation District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tumalo Irrigation District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tumalo Irrigation District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tumalo Irrigation District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Tumalo Irrigation District complied, in all material respects, with the types of 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, 2018.

Report on Internal Control Over Compliance

Management of Tumalo Irrigation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tumalo Irrigation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tumalo Irrigation District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Richard Winkel, CPA

September 9, 2019

TUMALO IRRIGATION DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Agriculture Pass-Through Programs From:			
Deschutes Basin Board of Control			
Watershed Flood Prevention Operations	10.904	68-0436-17-202	\$ 3,558,976
Total Expenditures of Federal Awards			<u>\$ 3,558,976</u>

See accompanying notes to the schedule of expenditures of federal awards

TUMALO IRRIGATION DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes federal grant activity of Tumalo Irrigation District under programs of the federal government for the year ended December 31, 2018. 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 Tumalo Irrigation District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Tumalo 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.

TUMALO IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2018

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

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

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

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

We have audited the accompanying basic financial statements of Tumalo Irrigation District (the District) as of and for the year ended December 31, 2018 and have issued our report thereon dated September 9, 2019. 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 Tumalo 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)

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In connection with our testing nothing came to our attention that caused us to believe Tumalo 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 Tumalo 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 Tumalo Irrigation District internal control over financial reporting.

This report is intended for the information of Tumalo 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.

Richard Winkel, CPA

September 9, 2019