



ARNOLD IRRIGATION DISTRICT
DESCHUTES COUNTY, OREGON

Financial Statements

For the Year Ended December 31, 2021

ARNOLD IRRIGATION DISTRICT
December 31, 2021

BOARD OF DIRECTORS

<u>Name</u>	
Walter Warchol – Secretary	Zone 1
Vacant	Zone 2
Jonathan Smith – Vice President	Zone 3
Robert Rastovich	Zone 4
Robert Schuur – President	Zone 5

Administration

Steve Johnson, District Manager

Registered Agent
Mark G. Reinecke

Registered Office

Bryant, Lovlien & Jarvis, PC
591 SW Mill View Way
Bend, Oregon 97702

ARNOLD IRRIGATION DISTRICT
Financial Statements
For the year ended December 31, 2021

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DOUGALL CONRADIE LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Board of Directors
Arnold Irrigation District
Deschutes County, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Arnold Irrigation District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Arnold Irrigation District, as of December 31, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

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

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 June 14, 2022 on our consideration of Arnold 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.



For Dougall Conradie LLC
Portland, Oregon
June 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

ARNOLD IRRIGATION DISTRICT
Management's Discussion and Analysis
December 31, 2021

Management's discussion and analysis presents the highlights of the financial activities and financial position of the Arnold Irrigation District (the District) for the fiscal year ended December 31, 2021. 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 \$1,821,427 at December 31, 2021 (net position). Of this amount, \$559,571 is considered to be unrestricted net position, which is available to meet the District's ongoing obligations.
- Operating revenues were \$978,863, an increase of \$11 from the prior year.
- Operating expenses were \$997,234, an increase of \$77,207 from the prior year.

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 Activities, Statement of Cash Flows, and the notes to the financial statements.

The basic financial 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 Activities regardless of when cash is received or paid. The basic financial statements report the District's net position and how they changed. The Statement of Cash Flows presents information showing how the District's cash changed as a result of the current year's operations. The cash flow statement is prepared using the direct method and includes a reconciliation of operating income to net cash provided by operating activities. The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

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,

	2021	2020
Current assets	\$ 722,230	\$ 694,173
Capital assets – net of accumulated depreciation	1,481,192	1,462,331
Total assets	2,203,422	2,156,504
Deferred outflows of resources – OPEB	-	2,305
Current liabilities	202,968	131,814
Long-term liabilities	179,027	210,825
Total liabilities	381,995	342,639
NET POSITION:		
Net invested in capital assets	1,261,856	1,272,331
Unrestricted	559,571	543,839
Total net position	\$ 1,821,427	\$ 1,816,170

SUMMARY STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2021	2020
Operating revenues:		
Assessments	\$ 872,919	\$ 899,087
Fees and other operating revenues	105,944	79,765
Total operating revenues	978,863	978,852
Operating expenses:		
Personnel	565,681	514,446
Administration	163,279	154,852
Operations	190,828	179,308
Depreciation	77,446	71,421
Total operating expenses	997,234	920,027
Net income (loss) from operations	(18,371)	58,825
Non-operating revenue (expense)		
Rent, interest and other income	30,236	45,015
Interest expense	(6,608)	(6,120)
Total non-operating revenue (expense)	23,628	38,895
Change in net position	5,257	97,720
Net position, beginning of year	1,816,170	1,718,450
Net position, end of year	\$ 1,821,427	\$ 1,816,170

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 \$1,821,427 at December 31, 2021. The largest portion of the District's assets reflects its investment in capital assets (e.g. land, irrigation system, buildings, vehicles 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.

The District's largest liability is for the repayment of notes payable. Current liabilities of the District consist largely of accounts payable, accrued expenses, prepaid assessments and the current portion of the notes payable that is due in the next year.

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 increased net position in the current year by \$5,257.

Capital Assets

The District's investment in capital assets includes land and improvements, buildings, the irrigation system (including dams, canals, pumping plant, pipelines, etc.), vehicles and equipment. During 2021 the District increased capital assets by \$96,307, mostly from the purchase of a new excavator. As of December 31, 2021, the District had invested \$1,481,192 in capital assets, net of depreciation.

Debt Outstanding

As of December 31, 2021 the District had \$219,336 in debt outstanding. The debt is made up of certificates of participation from 2016 to construct a new office and shop and a loan to finance the purchase of a new excavator.

Budgetary Highlights

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

Economic Factors and Next Year's Budget

The District's Budget Committee considered many factors when preparing the District's budget for the fiscal year ending December 31, 2022. 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 Arnold Irrigation District, 19604 Buck Canyon Road, Bend, Oregon 97701.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

ARNOLD IRRIGATION DISTRICT
Statement of Net Position
December 31, 2021

ASSETS

Current assets:

Cash and investments	\$ 708,542
Assessments receivable	5,188
Prepaid expenses	<u>8,500</u>

Total current assets 722,230

Noncurrent assets:

Capital assets not being depreciated	412,950
Capital assets being depreciated	2,636,191
Accumulated depreciation	<u>(1,567,949)</u>

Total capital assets 1,481,192

Total assets 2,203,422

LIABILITIES

Current liabilities:

Accounts payable	16,872
Accrued payroll	16,057
Accrued compensated absences	1,442
Prepaid assessments	73,653
Water rights transfer deposits	52,210
Current portion of long-term debt	<u>42,734</u>

Total current liabilities 202,968

Noncurrent liabilities:

Long-term debt, net of current portion	176,602
Security deposits – rental	<u>2,425</u>

Total liabilities 381,995

NET POSITION

Net invested in capital assets	1,261,856
Unrestricted	<u>559,571</u>

Total net position \$ 1,821,427

The accompanying notes are an integral part of these financial statements

ARNOLD IRRIGATION DISTRICT
Statement of Activities
For the Year Ended December 31, 2021

Operating revenues:	
Assessments	\$ 872,919
Fees and other	<u>105,944</u>
Total operating revenues	<u>978,863</u>
Operating expenses:	
Personnel expenses	565,681
Administration	163,279
Operations expenses	190,828
Depreciation	<u>77,446</u>
Total operating expenses	<u>997,234</u>
Operating income (loss)	(18,371)
Non-operating revenue (expense):	
Rent income	21,388
Interest income	6,348
Gain on sale of equipment	2,500
Interest expense	<u>(6,608)</u>
Total non-operating income (expense)	<u>23,628</u>
Change in net position	5,257
Net position - beginning of year	<u>1,816,170</u>
Net position - end of year	<u><u>\$ 1,821,427</u></u>

The accompanying notes are an integral part of these financial statements

ARNOLD IRRIGATION DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from users	\$ 1,004,344
Cash paid for goods and services	(347,099)
Cash paid to employees	<u>(578,545)</u>
Net cash provided by operating activities	<u>78,700</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(29,723)
Principal payments on long term debt	(37,248)
Interest paid on long term debt	<u>(6,608)</u>
Net cash used by capital and related financing activities	<u>(71,079)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	6,348
Rent received	<u>21,388</u>
Net cash provided by investing activities	<u>27,736</u>

Net change in cash and cash equivalents 35,357

Cash and cash equivalents, beginning of year 673,185

Cash and cash equivalents, end of year \$ 708,542

The accompanying notes are an integral part of these financial statements

ARNOLD IRRIGATION DISTRICT
Statement of Cash Flows - Continued
For the Year Ended December 31, 2021

Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (18,371)
Noncash items included in operating income:	
Depreciation expense	77,446
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	5,159
Prepaid expenses	2,141
Deferred outflows of resources	2,305
Accounts payable	4,142
Accrued payroll and compensated balances	3,956
Prepaid assessments	(19,290)
Water rights transfer deposits	39,612
Security deposits	725
OPEB liability	<u>(19,125)</u>
 Net cash provided by operating activities	 <u><u>\$ 78,700</u></u>
 Summary of non-cash capital and related financing activities:	
Capital asset purchased with debt	 <u><u>\$ 66,584</u></u>

The accompanying notes are an integral part of these financial statements

ARNOLD IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies

Reporting Entity

Arnold Irrigation District (the “District”) was organized as an Oregon municipal corporation under Oregon Revised Statutes (ORS) Chapter 545 in 1936.

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 to administer the affairs of the District.

The District is a special water district and provides irrigation water to residential and agricultural customers. 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.

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.

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 assessments on water rights. 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 Cash Equivalents

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. The carrying amount of the cash and cash equivalents approximate fair value due to the short term maturities of these instruments.

Assessments Receivable

Assessed and uncollected receivables are for water service to customer property. The District uses the direct write-off method for the recognition of bad debts. Assessments receivable are written off at such time when they are deemed uncollectible and a lien has been filed against the property. No allowance for doubtful accounts is considered necessary for assessments receivable. Assessments received in advance of the period for which they are assessed are reported as liabilities.

ARNOLD IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include property, buildings and improvements, equipment, and infrastructure assets, 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 \$2,500 or more. Additions or improvements that significantly extend the useful life of an asset, 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. Depreciation is not budgeted under the provisions of local budget law. Capital assets are depreciated using the straight-line method over their estimated useful lives:

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

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 (such as estimated useful lives in determining depreciation expense). Actual results could differ from those estimates.

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.

ARNOLD IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

2. Cash and Cash Equivalents

Cash and investments of the District consisted of the following at December 31, 2021:

Cash on deposit with financial institutions	\$ 71,857
Local Government Investment Pool	636,485
Petty cash	<u>200</u>
Total	<u>\$ 708,542</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, 2021, deposits per the bank statements were federally insured.

Investments

ORS 294.035 authorizes the District to invest in general obligations of the U.S. government and its agencies, bankers' acceptances, commercial paper rated A-2 or better by Standard & Poor's Corporation or P-2 by Moody's Investors Service, and the state of Oregon Local Government Investment Pool (LGIP), among others.

Investments should be reported at fair value and the change in fair value of investments be reported as revenue in the operating statement. The only investments held by the District at December 31, 2021 were amounts deposited with the state of Oregon LGIP. At December 31, 2021, fair value approximated amortized cost and no change in fair value of investments was recorded. Interest income is recorded as earned.

The state of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested and the investments are those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution. The LGIP is not registered with the SEC as an investment company and is unrated.

ARNOLD IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

2. Cash and Cash Equivalents (continued)

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 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 much mature in no more than three years.

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

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

3. Capital Assets

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

	Balance January 1, 2021	Additions	Disposals	Balance December 31, 2021
Land and improvements	\$ 412,950	\$ -	\$ -	\$ 412,950
Capital assets being depreciated:				
Buildings	694,230	-	-	694,230
Water distribution system	1,590,395	19,490	-	1,609,885
Equipment and vehicles	307,286	76,817	(52,027)	332,076
Total depreciable capital assets	2,591,911	96,307	-	2,636,191
Accumulated depreciation				
Buildings	(288,261)	(25,245)	-	(313,506)
Water distribution system	(1,038,093)	(25,702)	-	(1,063,795)
Equipment and vehicles	(216,176)	(26,499)	52,027	(190,648)
Total accumulated depreciation	(1,542,530)	(77,446)	-	(1,567,949)
Net depreciable capital assets	1,049,381	18,861	-	1,068,242
Capital assets, net	\$ 1,504,436	\$ 18,861	\$ -	\$ 1,481,192

Depreciation expense of \$77,446 is recorded as an operating expense in the accompanying Statement of Revenues, Expenses and Change in Net Position for the year ended December 31, 2021.

ARNOLD IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

4. 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 payments are due annually on January 1 with maturity on January 1, 2027. Interest on the payments ranges from 1.30% to 3.20%.

During the year ended December 31, 2021 the District financed the purchase of a new excavator. The loan requires monthly payments of \$1,199 including interest at 3.10% and matures in June 2026.

During the year ended December 31, 2021, long-term debt activity was as follows:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due in One Year
Series 2016A	\$ 190,000	\$ -	\$ (30,000)	\$ 160,000	\$ 30,000
Excavator loan	-	66,584	(7,248)	59,336	12,734
	<u>\$ 190,000</u>	<u>\$ 66,584</u>	<u>\$ (201,776)</u>	<u>\$ 219,336</u>	<u>\$ 42,734</u>

Future payment obligations on the long-term debt as of December 31, 2021 are as follows:

Series 2016A

Year ending December 31,	Principal	Interest	Total
2022	\$ 30,000	\$ 4,090	\$ 34,090
2023	30,000	3,370	33,370
2024	30,000	2,583	32,583
2025	35,000	1,645	36,645
2026	35,000	560	35,560
	<u>\$ 160,000</u>	<u>\$ 12,248</u>	<u>\$ 172,248</u>

Excavator Loan

Year ending December 31,	Principal	Interest	Total
2022	\$ 12,734	\$ 1,659	\$ 14,393
2023	13,134	1,259	14,393
2024	13,547	846	14,393
2025	13,973	420	14,393
2026	5,948	45	5,993
	<u>\$ 59,336</u>	<u>\$ 4,229</u>	<u>\$ 63,565</u>

ARNOLD IRRIGATION DISTRICT
Notes to Financial Statements
December 31, 2021

5. Employee Retirement Plan

The District has adopted a defined contribution retirement plan for its employees. Employees may contribute the maximum allowed under IRS limitations to the plan. Under the terms of the plan, the District pays 5.0% of the employee's eligible gross salary to the plan. During the year ended December 31, 2021 the District contributed \$16,262 to the plan.

6. 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, 2021 that exceeded the District's insurance coverage.

7. Jointly Governed Organization

The District is a member of the Deschutes Basin Board of Control (DBBC), a jointly governed organization. The DBBC is a separate legal entity and the District has no equity interest in it. The DBBC manages joint projects for the benefit of the eight irrigation district members and the Manager of each member district serves as a member of the DBBC board of directors. Costs incurred for services and expenses on these projects are allocated among the member irrigation districts and they pay their share to the DBBC. The District incurred \$59,374 in expenses to the DBBC during the year ended December 31, 2021.

8. Subsequent Events

The District did not have any subsequent events through June 14, 2022, 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, 2021.

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



DOUGALL CONRADIE LLC
CERTIFIED PUBLIC ACCOUNTANTS

Geoffrey Dougall, CPA
Heather Jackson, CPA
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Independent Auditor's Report Required by Oregon State Regulations

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

We have audited the accompanying basic financial statements of Arnold Irrigation District (the District) as of and for the year ended December 31, 2021 and have issued our report thereon dated June 14, 2022. 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 Arnold Irrigation District's financial statements are free of material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

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

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

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

This report is intended for the information of Arnold 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.

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

For Dougall Conradie LLC
Portland, Oregon
June 14, 2022