

WESTLAND IRRIGATION DISTRICT

**Financial Statements and
Independent Auditors' Report**

December 31, 2023 and 2022

WESTLAND IRRIGATION DISTRICT

Board of Directors as of December 31, 2023

	<u>Term Expires</u>
Hoss Hodges, Chairman	December 31, 2024
Jack Bellinger, Vice-Chairman	December 31, 2026
Jordan Bennett	December 31, 2024
Patricia Horn	December 31, 2024
Dan McCarty	December 31, 2024

Appointed Officials

District Manager and Registered Agent

Curtis Engbretson
P.O. Box 944
Hermiston, OR 97838
541-667-2030

WESTLAND IRRIGATION DISTRICT

Table of Contents
December 31, 2023 and 2022

	<u>Page</u>
Independent auditors' report	3-5
Management's discussion and analysis	6-9
Basic financial statements:	
Statements of net position	10-11
Statements of revenues, expenses, and changes in net position	12
Statements of cash flows	13-14
Notes to the financial statements	15-21
Supplementary information:	
Schedules of operating expenses	23
Independent auditors' report required by Oregon state regulations	24-25

INDEPENDENT AUDITORS' REPORT

Board of Directors
Westland Irrigation District
Hermiston, Oregon

Opinions

We have audited the accompanying financial statements of the business-type activities and major fund of Westland Irrigation District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Westland Irrigation District, as of December 31, 2023 and 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standard generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Westland Irrigation 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 Westland Irrigation 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.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Westland Irrigation 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 Westland Irrigation 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 finding, 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 on pages 6 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Westland Irrigation District's basic financial statements. The schedule of operating expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated July 26, 2024 on our consideration of the Westland Irrigation District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.

By: 
Dennis L. Barnett, Shareholder
July 26, 2024

WESTLAND IRRIGATION DISTRICT

Management's Discussion and Analysis

December 31, 2023 and 2022

This discussion and analysis provides highlights of financial activities of Westland Irrigation District. The analysis focuses on the District's overall financial position, results of operations, and other important economic factors for the years ended December 31, 2023 and 2022. It discusses events of the current fiscal year while providing comparisons to results of the prior year.

Overview of the Financial Statements

The District's basic financial statements are divided into several components. Together, they provide a comprehensive overview of the District's financial position. The components of the basic financial statements include:

1. **Basic financial statements:** The basic financial statements present information about the financial activities of the District as a whole.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected assessments and earned but unused vacation leave).

The statement of cash flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories: operating, noncapital financing, capital financing, and investing. This statement differs from the statement of revenues, expenses, and changes in net position by only accounting for transactions that result from cash receipts or cash disbursements.

2. **Notes to Financial Statements:** The notes provide additional information necessary to gain a full understanding of the financial statements.

WESTLAND IRRIGATION DISTRICT

Management's Discussion and Analysis (continued)

December 31, 2023 and 2022

Financial Highlights

Over time, increases or decreases in net position may be useful in determining improvement or deterioration in the financial position of the District. The following tables provide information comparing the current year's financial statements to prior year's information for the District as a whole:

	Net Position at December 31,	
	2023	2022
Current and other assets	\$ 1,726,741	\$ 1,668,611
Capital assets	293,873	209,875
Total assets	<u>2,020,614</u>	<u>1,878,486</u>
Other liabilities	<u>189,046</u>	<u>69,318</u>
Net position:		
Net investment in capital assets	293,873	209,875
Restricted	7,500	7,500
Unrestricted	1,530,195	1,591,793
Total net position	<u>\$ 1,831,568</u>	<u>\$ 1,809,168</u>
	Years Ending December 31,	
	2023	2022
REVENUES:		
Operating revenues	\$ 1,695,392	\$ 1,572,753
Net non-operating revenues	69,979	45,449
Total revenues	<u>1,765,371</u>	<u>1,618,202</u>
EXPENSES:		
Operating expenses	<u>1,742,971</u>	<u>1,729,550</u>
Change in net position	22,400	(111,348)
Beginning net position	1,809,168	1,920,516
Ending net position	<u>\$ 1,831,568</u>	<u>\$ 1,809,168</u>

WESTLAND IRRIGATION DISTRICT

Management's Discussion and Analysis (continued)

December 31, 2023 and 2022

Financial Highlights (cont.)

The District's net position increased by \$22,400 from the prior year. Operating revenues increased by \$122,639 from the prior year due to an increase private water contract income and assessment rate increases. Operating expenses increased by \$13,421 from the prior year due to an increase in personal services expenses due to pay raises and an increase in health insurance expense.

Capital Assets

The District had \$293,873 in capital assets net of depreciation at December 31, 2023:

Capital Assets at Year-End
Net of Depreciation

	Activities	
	2023	2022
Land	\$ 10,096	\$ 10,096
Irrigation system	118,813	142,774
Equipment and vehicles	164,964	57,005
Total capital assets	<u>\$ 293,873</u>	<u>\$ 209,875</u>

Additional information on capital assets can be found in Note 5 to the Financial Statements.

Debt Administration

At December 31, 2023 and 2022, the District had no outstanding loans.

Economic Factors

The physical region that the District is located in has seen very little rainfall in the past few years. The District will have to continue to explore water purchase and/or transport options so that users are getting a sufficient amount of water.

The District will need to continue to be proactive in dealing with Endangered Species Act issues and their affects on the District's water supplies.

Health benefit costs are expected to increase annually.

Regulatory requirements and increasing costs relating to pesticide use for aquatic and non-aquatic weed control are expected to continue.

Electricity, labor, and water costs are expected to increase.

WESTLAND IRRIGATION DISTRICT

Management's Discussion and Analysis (continued)

December 31, 2023 and 2022

Requests for Information

This financial report is designed to provide a general overview of Westland Irrigation District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Westland Irrigation District's Finance Department at 77096 Highway 207, Echo, OR 97826, or at P.O. Box 944, Hermiston, OR 97838.

WESTLAND IRRIGATION DISTRICT

Statements of Net Position

	December 31,	
	<u>2023</u>	<u>2022</u>
<u>Current assets:</u>		
Cash and cash equivalents	\$ 1,460,405	\$ 1,162,457
Accounts receivable	21,377	84,432
Inventory	5,677	51,242
Prepaid expenses	33,117	45,314
Total current assets	<u>1,520,576</u>	<u>1,343,445</u>
<u>Noncurrent assets:</u>		
Restricted assets:		
Cash	<u>7,500</u>	<u>7,500</u>
Capital assets:		
Depreciable assets, net of accumulated depreciation:		
Irrigation system & buildings	118,813	142,774
Equipment and vehicles	164,964	57,005
Nondepreciable assets:		
Land	<u>10,096</u>	<u>10,096</u>
Total capital assets, net	<u>293,873</u>	<u>209,875</u>
Other assets:		
Note receivable--CLWID	72,964	187,752
Investment in capital credits	<u>125,701</u>	<u>129,914</u>
Total other assets	<u>198,665</u>	<u>317,666</u>
Total noncurrent assets	<u>500,038</u>	<u>535,041</u>
Total assets	<u>\$ 2,020,614</u>	<u>\$ 1,878,486</u>

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

continued on next page

WESTLAND IRRIGATION DISTRICT

Statements of Net Position (continued)

	December 31,	
	<u>2023</u>	<u>2022</u>
<u>Current liabilities:</u>		
Accounts payable	\$ 34,790	\$ 29,569
Accrued compensated absences and payroll	24,313	19,736
Customer deposits	10,898	-
Deferred income	91,729	-
Water storage accrual - Bureau of Reclamation	27,316	20,013
Total current liabilities	<u>189,046</u>	<u>69,318</u>
<u>Long-term liabilities:</u>	-	-
Total liabilities	<u>189,046</u>	<u>69,318</u>
<u>Net position:</u>		
Net investment in capital assets	293,873	209,875
Restricted	7,500	7,500
Unrestricted	1,530,195	1,591,793
Total net position	<u>1,831,568</u>	<u>1,809,168</u>
Total liabilities and net position	<u>\$ 2,020,614</u>	<u>\$ 1,878,486</u>

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

WESTLAND IRRIGATION DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	<u>2023</u>	<u>2022</u>
<u>Operating revenues:</u>		
Acreage assessments	\$ 508,296	\$ 435,788
Limited water assessments	241,135	192,948
Floodwater sales and water transportation	82,313	69,246
Insurance reimbursements	5,521	-
Phase III income	103,251	103,240
Pipeline power	118,735	120,277
Private contract	74,092	-
Construction and maintenance contracts	407,496	490,859
Miscellaneous services and refunds	3,426	5,305
Fees	1,882	2,525
Recharge water income	69,723	113,940
Repair and maintenance pipelines	79,522	38,625
Total operating revenues	<u>1,695,392</u>	<u>1,572,753</u>
Total operating expenses	<u>1,742,971</u>	<u>1,729,550</u>
Operating income(loss)	<u>(47,579)</u>	<u>(156,797)</u>
<u>Nonoperating income:</u>		
Interest income	51,433	16,989
Finance charges	4,263	2,090
Rental income	1,362	1,362
Capital credits	12,921	25,008
Total nonoperating revenues	<u>69,979</u>	<u>45,449</u>
Change in net position	22,400	(111,348)
Net position, Beginning of year	<u>1,809,168</u>	<u>1,920,516</u>
Net position, End of year	<u><u>\$ 1,831,568</u></u>	<u><u>\$ 1,809,168</u></u>

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

WESTLAND IRRIGATION DISTRICT
Statements of Cash Flows

	Years Ended December 31,	
	2023	2022
<u>CASH FLOWS FROM OPERATING</u>		
<u>ACTIVITIES:</u>		
Cash receipts from customers	\$ 1,975,864	\$ 1,501,429
Cash payments to suppliers	(1,086,448)	(1,293,481)
Cash payments to employees	(522,432)	(492,931)
Net cash provided by(used in) operating activities	366,984	(284,983)
<u>CASH FLOWS FROM INVESTING</u>		
<u>ACTIVITIES:</u>		
Interest and finance charges received	55,696	19,079
Net cash provided by investing activities	55,696	19,079
<u>CASH FLOWS FROM CAPITAL AND</u>		
<u>RELATED FINANCING ACTIVITIES:</u>		
Acquisition of capital assets	(143,228)	(19,178)
<u>CASH FLOWS FROM NONCAPITAL</u>		
<u>FINANCING ACTIVITIES:</u>		
Investment in capital credits	17,134	13,209
Rental activities	1,362	1,362
Net cash provided by investing activities	18,496	14,571
<u>NET INCREASE IN CASH AND</u>		
<u>CASH EQUIVALENTS</u>		
	297,948	(270,511)
<u>CASH AND CASH EQUIVALENTS -</u>		
<u>BEGINNING OF YEAR</u>		
	1,169,957	1,440,468
<u>CASH AND CASH EQUIVALENTS -</u>		
<u>END OF YEAR</u>		
	\$ 1,467,905	\$ 1,169,957

See accompanying independent auditors' report
and notes to financial statements

continued on next page

WESTLAND IRRIGATION DISTRICT
Statements of Cash Flows (continued)

Years Ended December 31,

	2023	2022
--	------	------

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

Operating income (loss)	\$ (47,579)	\$ (156,797)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	59,228	37,442
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	177,845	(71,324)
(Increase) decrease in inventory	45,565	(10,304)
(Increase) decrease in prepaid expenses	12,197	(17,373)
Increase (decrease) in accounts payable	5,221	(63,434)
Increase (decrease) in accrued compensated absences	4,577	870
Increase (decrease) in customer deposits	10,898	-
Increase (decrease) in deferred income	91,729	-
Increase (decrease) in water storage accrual	7,303	(4,063)
Net cash provided by(used in) operating activities	\$ 366,984	\$ (284,983)

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

WESTLAND IRRIGATION DISTRICT

Notes to Financial Statements **December 31, 2023 and 2022**

NOTE 1 -- SIGNIFICANT ACCOUNTING POLICIES:

Westland Irrigation District was formed in 1903 for the purpose of distributing irrigation water to users. A five-member board of directors, of whom are all water users of the District, governs the District. Members are elected for three-year terms. Terms expire on December 31 of each year, three years from beginning of the term for each director. The district charges annually for water usage based upon the irrigable acres within its respective area for the purpose of raising funds with which to pay the current operating and maintenance expenses.

The financial statements of Westland Irrigation District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. U.S. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections on these notes.

Reporting Entity:

A component unit is a separate legal organization for which the District is considered to be financially accountable. The District has determined that no other organization meets the criteria to be included as a component unit to the District's financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period, with the exception of federal and state grants. Grants and similar revenues are recognized if all eligibility requirements imposed by the provider have been met. Expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The District's resources are allocated to and accounted for in these basic financial statements as a business-type fund of the proprietary fund group. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District are operation and maintenance fees generally based on acreage. All other revenues and expenses are reported as non-operating.

WESTLAND IRRIGATION DISTRICT

Notes to Financial Statements December 31, 2023 and 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgets and budgetary accounting

The District is not subject to Oregon Budget Law and its budget, therefore, is a non-appropriated budget adopted for assessment setting and management purposes. Because the District's budget is not legally adopted, a statement comparing budgeted revenues, expenses, and changes in retained earnings to actual is not required and has not been included in these financial statements.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For the purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents include cash on hand, demand deposits, and the State of Oregon's Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District's value in pool shares. There have been no changes to valuation techniques and related inputs.

Assessments and accounts receivable

No allowance for doubtful accounts is considered necessary for the assessment accounts receivable. The District uses the direct write-off method for recognition of bad debts. Real property is attached by lien for delinquent assessments and accrued interest, which the District believes is sufficient to ensure collection.

Inventory

Inventory consists of weed control chemicals, fuel, and irrigation supplies, and is valued at cost using the first-in, first-out method. Inventories are adjusted at year-end to expense items as consumed.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2023 and 2022 are recorded as prepaid items.

Leases

All leases are on a month-to-month basis.

WESTLAND IRRIGATION DISTRICT

Notes to Financial Statements December 31, 2023 and 2022

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Umatilla Electric Coop credits

Capital credits are from an electric cooperative and are recorded as income in the year notification of the credit is received. These assets are not converted to cash until the cooperative elects to pay them. The District had a capital credits balance of \$125,701 and \$129,914 at December 31, 2023 and 2022, respectively.

Capital assets

Capital assets, which include infrastructure, buildings and improvements, and equipment and vehicles, are reported in the financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an expense in the Statement of Revenues, Expenses, and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position, and is provided on the straight-line basis over the estimated useful lives, ranging from 5-40 years dependent upon the asset. Gains or losses from sales of retirements of capital assets are included in operations of the current period.

Accrued compensated absences

Eligible employees may accumulate up to 22 days of vacation. All outstanding vacation leave is payable upon resignation, retirement, and death. The District has reported the accrued liability for vacation pay. Sick leave may accumulate indefinitely; however, employees are not paid for accumulated sick leave upon retirement or other termination. Because sick leave does not vest, no liability is accrued.

Net position

The District records restrictions to indicate that a portion of net position is legally segregated for a specific future use. When both restricted and unrestricted resources are available for appropriation, the District's policy is to use restricted resources first. The restrictions recorded by the District are to segregate funds as required by a contract with the United States Bureau of Reclamation.

WESTLAND IRRIGATION DISTRICT

Notes to Financial Statements December 31, 2023 and 2022

NOTE 2 -- CASH AND CASH EQUIVALENTS:

The District maintains one depository account with one financial institution, and deposits in the Oregon Local Government Investment Pool. The cash balances of the District at December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Demand deposits	\$ 103,409	\$ 36,876
Local government investment pool	1,364,296	1,132,881
Petty cash	200	200
Total	<u>\$ 1,467,905</u>	<u>\$ 1,169,957</u>

The restricted assets as reported on the Statements of Net Position consist of cash restricted by statute or contract. Following is a description of the restricted assets:

Contingency (water storage contract) account - An account used to segregate an amount for possible adverse contingencies as required by a contract with the United States, Department of the Interior, Bureau of Reclamation in the amount of \$7,500 is included above as cash in Local Government Investment Pool.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. ORS 295 requires the qualified depository to pledge collateral against any public funds deposits in excess of deposit insurance amounts. As of December 31, 2023 and 2022, the total bank balance were insured by federal depository insurance. It is the District's policy to maintain its funds at a financial institution deemed to be a qualified depository by the Office of the State Treasurer.

Local Government Investment Pool (LGIP)

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. The OSTF is a cash and investment pool available for use by all state funds and eligible local governments. The OSTF is managed by the Investment Division of the Oregon State Treasury within the guidelines established in the OSTF Portfolio Rules. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. At December 31, 2023 and 2022, the fair value of the District's deposits with LGIP approximates cost. The OSTF financial statements and the OSTF Portfolio Rules can be downloaded at www.ost.state.or.us.

WESTLAND IRRIGATION DISTRICT

Notes to Financial Statements December 31, 2023 and 2022

NOTE 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. The District has a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Oregon Revised Statutes authorizes the District to invest primarily in general obligations of the US Government and its agencies, certain bonded obligation of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The District's investment policy has been approved by the Board of Directors and specifies the District's investment objectives, required diversification, certain limitations, and reporting requirements. As of December 31, 2023 and 2022, the District's investment in Oregon State Treasurer's investment pool is not rated and is treated as a cash equivalent on the Statements of Net Position.

Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the government will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The District's investment policy provides that brokers/dealers and financial institutions meet certain qualifications, which are reviewed annually. The Local Government Investment Pool is not subject to custodial credit risk because it is not evidenced by securities that exist in physical or book entry form.

NOTE 3 -- RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

NOTE 4 -- ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 2023 and 2022, consisted of trade accounts receivable of \$21,377, and \$84,432, respectively. These accounts receivable have been adjusted for all known uncollectible accounts. At December 31, 2023 and 2022 these balances included accounts aged more than 90 days totaling \$115 and \$182, respectively. Real property is attached by lien for delinquent assessments and accrued interest, which the District believes is sufficient to ensure collection. Therefore, no allowance for doubtful accounts has been made.

WESTLAND IRRIGATION DISTRICT

Notes to Financial Statements
December 31, 2023 and 2022

NOTE 5 -- CAPITAL ASSETS:

A summary of changes in capital assets during the year ending December 31, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 10,096	\$ -	\$ -	\$ 10,096
<u>Capital assets being depreciated</u>				
Irrigation system	2,884,763	-	-	2,884,763
Equipment and vehicles	414,211	143,228	-	557,439
Total capital assets being depreciated	3,298,974	143,228	-	3,442,202
Less accumulated depreciation for:				
Irrigation system	(2,741,990)	(23,960)	-	(2,765,950)
Equipment and vehicles	(357,207)	(35,268)	-	(392,475)
Total accumulated depreciation	(3,099,197)	(59,228)	-	(3,158,425)
Total capital assets being depreciated, net	199,779	84,000	-	283,777
Total capital assets, net	<u>\$ 209,875</u>	<u>\$ 84,000</u>	<u>\$ -</u>	<u>\$ 293,873</u>

NOTE 6 -- WATER STORAGE CONTRACT:

The District has a contract with the United States, Department of the Interior, Bureau of Reclamation, for water storage in McKay Reservoir. The contract is dated November 18, 1949, and will remain in effect until otherwise provided by supplemental agreements. The contract requires the District provide \$7,500 minimum reserve for possible adverse contingencies. The District restricts \$7,500 of cash and has reserved a portion of retained earnings to comply with this contract. As of December 31, 2023 and 2022, the water storage contract fees was accrued for \$27,316 and \$20,013, respectively.

WESTLAND IRRIGATION DISTRICT

Notes to Financial Statements **December 31, 2023 and 2022**

NOTE 7 -- CONTINGENT LIABILITIES:

The District is periodically involved in legal actions, claims and assessments that arise as a result of events that occur in the normal course of operations. Except as disclosed, the ultimate resolution of these actions is not expected to have a material adverse effect on the District's financial position as of December 31, 2023 and 2022.

NOTE 8 -- DEFERRED COMPENSATION PLAN:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all regular full-time District employees and permits them to defer 25% of their salary, up to \$20,500 in 2023 and \$19,500 in 2022. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees subject only to the claims of the employee's general creditors. The District contributed \$17,186 and \$15,254 in 2023 and 2022 to the plan during the year ended December 31.

Amounts deferred are held in trust by an independent third party. Employees have two options for investing their retirement funds. They can choose Voya or Lincoln Financial as the investing company. The Voya retirement plans are held under the employees' names, the District has no responsibility for these funds.

However, the Lincoln Financial plans are held under the District's name as well as the employees. At the time of the participant's retirement or termination with the District, the amounts are transferred from the independent third party to the District, who then distributes the money to the participant. Plan assets on December 31, 2023 and 2022 were valued at \$301,116 and \$249,971, respectively. The District has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary, prudent investor. Since the District does not hold the assets in a trustee capacity, those assets are not included in the District's financial statements.

NOTE 9 -- SUBSEQUENT EVENTS:

Management evaluated all activity of the District through the date of this report, which is the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTARY INFORMATION

WESTLAND IRRIGATION DISTRICT

Schedules of Operating Expenses

<u>Operating expenses:</u>	<u>Years Ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Personal services and related expenses	\$ 527,009	\$ 493,801
Advertising and dues	16,471	15,993
Audit	11,859	11,150
Chemicals and weed control	101,011	110,597
Directors expense	2,400	1,410
Equipment rent	10,309	9,938
Expenses reimbursed	416,778	414,194
Fees and taxes	1,544	1,404
Fuel	29,340	35,200
Insurance and bonding	35,359	47,756
Legal and professional services	103,937	112,682
Miscellaneous	8,456	4,662
Office expenses	17,292	16,488
Ordinance pipeline project	38,747	43,864
Power expenses	123,002	119,546
Repairs and maintenance - equipment and building	27,627	52,952
Repairs and maintenance - pipeline and ditch	45,111	32,704
Supplies and safety	2,548	3,245
Travel	799	974
Utilities	11,384	11,496
Water delivery improvements	57,327	64,598
Water storage	95,433	87,454
Depreciation and amortization	59,228	37,442
Total operating expenses	<u>\$ 1,742,971</u>	<u>\$ 1,729,550</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Westland Irrigation District
Hermiston, Oregon

We have audited the basic financial statements of the Westland Irrigation District as of and for the year ended December 31, 2023, and have issued our report thereon dated July 26, 2024. 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 Westland Irrigation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

Westland Irrigation District

Page two

OAR 162-10-0230 Internal Control

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness in overall internal accounting control exists because the functions of handling cash and the recording of financial transactions are not adequately separated due to the small number of staff employed by the District. The District Manager and board members review bank reconciliations, signed checks and related documents. The District has determined adequate mitigating controls are in place and does not plan to hire additional staff to segregate duties further.

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

Barnett & Moro, P.C.

By: 

Dennis L. Barnett, Shareholder

Hermiston, Oregon

July 26, 2024