

**WASCO COUNTY SOIL
AND WATER CONSERVATION DISTRICT**
Basic Financial Statements

For the Year Ended June 30, 2021

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

June 30, 2021

Board of Directors

Name	Address	Term Expires
Bill Hammel Chairman	7075 Fifteen Mile Rd The Dalles, OR 97058	December 31, 2024
Bob Krein Vice-Chairman	PO Box 158 Maupin, OR 97037	December 31, 2024
Shawn Sorensen Secretary/Treasurer	80852 South Valley Rd Dufur, OR 97021	December 31, 2022
Pat Davis Director	78305 Woodcock Rd Wamic, OR 97063	December 31, 2022
Phil Kaser Director	4965 Fifteen Mile Rd The Dalles, OR 97058	December 31, 2022
Ken Bailey Director	4055 Skyline Rd The Dalles, OR 97058	December 31, 2024
Stan Shephard Director	80601 Driver Rd Wamic, OR 97063	December 31, 2022

Other Officers

Shilah Olson
District Manager
2325 River Rd.
The Dalles, OR 97058

Tammy Tripp
Office Administrator
2325 River Rd.
The Dalles, OR 97058

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

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Onstott, Broehl & Cyphers, P.C.
Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.
JAMES T. BROEHL, c.p.a.
RICK M. CYPHERS, c.p.a.

MEMBERS:
American Institute of c.p.a.'s
Oregon Society of c.p.a.'s

OFFICES:

100 EAST FOURTH STREET
THE DALLES, OREGON 97058
Telephone: (541) 296-9131
Fax: (541) 296-6151

1313 BELMONT STREET
HOOD RIVER, OREGON 97031
Telephone: (541) 386-6661
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Wasco County Soil and Water Conservation District
The Dalles, Oregon

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Wasco County Soil and Water Conservation District as of and for the year ended June 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 modified cash basis financial position of the governmental activities and each major fund of the Wasco County Soil and Water Conservation District, as of June 30, 2021 and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Wasco County Soil and Water Conservation District's basic financial statements. The management's discussion and analysis and other supplemental information, which are the responsibility of management, are presented for purposes of additional analysis are not a required part of the basic financial statements.

The other supplemental information as listed in the table of contents is the responsibility of management and was derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 5, 2022, on our consideration of 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.

By: *Rick M. Cyphers*
For Onstott, Broehl & Cyphers, P.C.

The Dalles, Oregon
January 5, 2022

Wasco County Soil and Water Conservation District Management's Discussion and Analysis

This discussion and analysis of Wasco County Soil and Water Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements.

Financial Highlights

- Revenues increased by \$298,248. The majority of the change resulted from increased grant funding for various projects.
- Total expenses increased by \$476,178, primarily related to increases in grant funding for conservation projects.
- The District's net position decreased by \$39,748 during the year ended June 30, 2021.
- Both fiscal years included major efforts in conservation project implementation. Generally, the various grants obtained by the District covered the project costs. Management's conclusion based on the change in net position is that the district's financial position has decreased and remains in sound financial condition.

Overview of the Financial Statements

The government-wide financial statements on pages 7 and 8 are designed to provide an overview of the District's finances. The statement of net position presents information regarding assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the District's net assets changed during the year.

The fund financial statements on pages 9 through 12 focus on individual parts of the Government, reporting the District's operations in more detail than the government-wide financial statements. Governmental funds keep track of specific revenues and expenditures for particular purposes. The fund financial statements provide a reconciliation to facilitate comparison with the government-wide financial statements.

The financial statements also includes notes that explain some of the information in the financial statements and provide more detailed data. The financial statements and notes are followed by a section of supplementary information that further explains and supports the information in the financial statements.

Wasco County Soil and Water Conservation District
Management's Discussion and Analysis

Summary of Government-Wide Financial Information

Summary of Statement of Net Position

	<u>6/30/2021</u>	<u>6/30/2020</u>
Assets:		
Cash & Investments	\$ 577,086	\$ 1,067,986
Loan receivable	183,465	-
Capital Assets, net	<u>1,492,285</u>	<u>67,108</u>
Total Assets	<u>\$ 2,252,836</u>	<u>\$ 1,135,094</u>
Liabilities:		
Loan payable due within one year	\$ 53,082	\$ -
Loan payable due in more than one year	<u>1,104,408</u>	<u>-</u>
Total Liabilities	<u>1,157,490</u>	<u>-</u>
Net Position:		
Invested in capital assets	510,080	58,928
Restricted	8,180	8,180
Unrestricted	<u>577,086</u>	<u>1,067,986</u>
Total Net Position	<u>\$ 1,095,346</u>	<u>\$ 1,135,094</u>

Summary of Statement of Activities

	<u>6/30/2021</u>	<u>6/30/2020</u>
Program Revenues:		
Operating grants & contributions	\$ 1,439,039	\$ 1,209,323
Charges for services	<u>69,664</u>	<u>13,685</u>
Total Program Revenues	<u>1,508,703</u>	<u>1,223,008</u>
General Revenues:		
Investment earnings	5,758	9,724
Property taxes	604,581	588,275
Miscellaneous	3,173	8,835
Gain (loss) on sale of assets	6,500	-
Newsletter fees	<u>-</u>	<u>625</u>
Total General Revenues	<u>620,012</u>	<u>607,459</u>
Total Revenues	<u>2,128,715</u>	<u>1,830,467</u>

Wasco County Soil and Water Conservation District
Management's Discussion and Analysis

	<u>6/30/2021</u>	<u>6/30/2020</u>
Expenditures:		
General government	2,060,437	1,581,451
Mosier ground water study	27,924	66,122
District cost share	63,625	44,712
Interest-long-term debt	<u>16,477</u>	<u>-</u>
 Total Expenses	 <u>2,168,463</u>	 <u>1,692,285</u>
 Change in Net Position	 (39,748)	 138,182
 Net Position, beginning of year	 <u>1,135,094</u>	 <u>996,912</u>
 Net Position, end of year	 <u>\$ 1,095,346</u>	 <u>\$ 1,135,094</u>

The District's financial condition slightly decreased during the year with an decrease in net position of \$39,748. Total revenues were up \$298,248 (16.29%) from the previous year and total expenses were also up \$476,178 (28.14%) from the previous year. The revenues and expenses are significantly more than the prior year due to the District receiving various grants for larger conservation projects than the prior year.

Financial Analysis of the District's Funds

Governmental fund balances totaled \$577,086 at June 30, 2021. A summary of changes in governmental fund balances follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
General Fund	\$ 413,509	\$ 401,697	\$ 11,812
Special Revenue Fund	28,771	56,695	(27,924)
Capital Projects Fund	<u>134,806</u>	<u>609,594</u>	<u>(474,788)</u>
 Total	 <u>\$ 577,086</u>	 <u>\$ 1,067,986</u>	 <u>\$ (490,900)</u>

Budgetary Highlights

- See the supplemental information on pages 31 through 36 for detailed schedules of budget to actual variances for the fiscal year ended June 30, 2021.
- Expenditures were under budget during the current year.
- There were no budget modifications made during the current year, except for a supplemental budget that was approved to facilitate with the purchase of a building. This increased the originally budgeted expenses by \$50,000, transfers out by \$650,000, and loan proceeds by \$1,000,000.
- Revenues for the general fund were \$2,065,343 which were \$1,232,030 below budgeted amounts. This is due to various projects being budgeted but the funding for the projects were not received during the current year.
- Expenses for the general fund were \$2,222,626 which were \$1,253,764 below budgeted amounts. This is also due to various conservation projects being budgeted but the projects were not started during the current year.

Wasco County Soil and Water Conservation District
Management's Discussion and Analysis

Capital Assets and Long-Term Debt Activity

At June 30, 2021 the District had \$1,492,285 of capital assets net of accumulated depreciation. The District purchased land with a building, purchased a vehicle, and sold a vehicle during the current year. During the current year the District borrowed money to purchase property where the District's office is located. Also during the year, the District borrowed money to finance a conservation project. More detailed information about the District's capital assets and long-term debt activity is presented in the notes to the financial statements.

Economic Factors

The District has a permanent tax rate limit approved November 2004 for \$0.25/\$1000 valuation which could raise up to approximately \$550,000 annually in future years. The District currently relies on significant operating grants for support, most of which are reimbursement based. At the close of the fiscal year, one large grant reimbursement was outstanding for work in the White River Watershed. Bonneville Power Administration (BPA) funding is expected to decline slightly in future years as the Riparian Buffer workload continues to shift toward non-anadromous fish streams.

Wasco County SWCD, in partnership with Root Orchards in Mosier, Oregon, initiated drilling of a deep-water supply well to address water supply needs in the Mosier community this fiscal year. The well was still under construction at the close of the fiscal year. The Root well will be drilled to approximately 1,700 feet deep with a sealing depth of approximately 1,300 feet. It is anticipated the well will be completed in the lowest aquifer in the Frenchman Springs basalt, or the upper most aquifer of the Grande Ronde basalt. Groundwater from the upper (Pomona and Priest Rapids) Columbia River Basalt Group aquifers is the primary source of water for domestic, municipal and irrigation uses in the Mosier area. The proposed deep irrigation supply well to be drilled will be used to replace a significant portion of irrigation pumping within the upper aquifers in the watershed to remove a significant amount of demand on the upper aquifers and increase groundwater supply to Mosier Creek. The estimated project cost is \$906,910. Seventy five percent of the project costs up to \$671,724 will be reimbursed by Oregon Water Resources Department (OWRD) through their Water Project Grants and Loans program. Wasco SWCD secured a long-term (30 year), 0.95%-fixed rate loan in the amount of \$450,000 from the Oregon Department of Environmental Quality Clean Water State Revolving Fund loan program. Repayment schedule: an interest-only payment within six months after the estimated Project Completion Date and thereafter semi-annual payments of principal and interest. Security: full faith and credit of Wasco County SWCD. The loan was passed on to the landowner with the same terms and an additional nominal fee for administration. The associated property and orchard were secured as collateral and well construction began in October of 2020.

At the close of the fiscal year, State legislature approved HB 5006, which contains \$900,000 for "Mosier Million #2". The funding is from the American Rescue Plan Act and will be administered through Business Oregon to the District. This project will be used to repair and replace high-priority commingling wells in the Mosier area.

BASIC FINANCIAL STATEMENTS

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Statement of Net Position - Modified Cash Basis

June 30, 2021

		Total Governmental Activities
<u>ASSETS</u>		
Cash & Investments	\$	577,086
Loan Receivable		183,465
Capital Assets:		
Land not being depreciated		191,680
Property & Equipment, net of accumulated depreciation		1,300,605
Total Assets		2,252,836
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		-
<u>LIABILITIES</u>		
Long-term Liabilities:		
Due within one year		53,082
Due in more than one year		1,104,408
Total Liabilities		1,157,490
<u>DEFERRED INFLOWS OF RESOURCES</u>		-
<u>NET POSITION</u>		
Net Investment in Capital Assets		510,080
Restricted for other purposes		8,180
Unrestricted		577,086
Total Net Position	\$	1,095,346

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Statement of Activities - Modified Cash Basis

June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental Activities:					
General Government	\$ 2,060,437	\$ 69,664	\$ 1,439,039		\$ (551,734)
Mosier Ground Water Study	27,924				(27,924)
District Cost Share	63,625				(63,625)
Interest on Long-Term Debt	16,477				(16,477)
Total Governmental Activities	\$ 2,168,463	\$ 69,664	\$ 1,439,039	-	(659,760)
General Revenues:					
					5,758
					604,581
					3,173
					6,500
					-
					<u>620,012</u>
					Change in Net Position (39,748)
					Net Position, Beginning <u>1,135,094</u>
					Net Position, Ending <u>\$ 1,095,346</u>

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Balance Sheet - Modified Cash Basis

Governmental Funds

June 30, 2021

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash & Investments	\$ 413,509	\$ 28,771	\$ 134,806	\$ 577,086
Total Assets	<u>\$ 413,509</u>	<u>\$ 28,771</u>	<u>\$ 134,806</u>	<u>\$ 577,086</u>
 <u>LIABILITIES & DEFERRED INFLOWS OF RESOURCES</u>				
	\$ -	\$ -	\$ -	\$ -
 <u>FUND BALANCES:</u>				
Committed For:				
Capital Projects			134,806	134,806
Feral Pig Control	5,000			5,000
Mosier Groundwater Project		28,771		28,771
District Cost Share Project	105,092			105,092
Assigned To:				
Leave Reserve	45,000			45,000
Future Expenses	234,158			234,158
Unassigned	<u>24,259</u>			<u>24,259</u>
Total Fund Balances	<u>413,509</u>	<u>28,771</u>	<u>134,806</u>	<u>577,086</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 413,509</u>	<u>\$ 28,771</u>	<u>\$ 134,806</u>	<u>\$ 577,086</u>
Total Fund Balances - Governmental Funds				<u>\$ 577,086</u>
Amounts reported for governmental activities in the statement of net position are different because:				
Loans receivable at year end are not due and receivable in the current period and therefore are not reported in the funds				183,465
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				1,492,285
Certain liabilities at year end are not due and payable in the current period and therefore are not reported in the funds				<u>(1,157,490)</u>
Net Position of Governmental Activities				<u>\$ 1,095,346</u>

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Statement of Revenues, Expenditures & Changes in Fund Balances

Governmental Funds - Modified Cash Basis

For the Year Ended June 30, 2021

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>REVENUES</u>				
OWEB Grants	\$ 492,853			\$ 492,853
BPA Reimbursements	65,688			65,688
ODA IGA	83,315			83,315
The Freshwater Trust	1,130			1,130
USFS	320,186			320,186
Oregon Water Resources Department	386,861			386,861
Other Grants	81,930			81,930
Tree Sales	14,258			14,258
Property Taxes	604,581			604,581
Newsletter Fees	-			-
Investment Earnings	4,377		\$ 1,381	5,758
Landowner Project Contributions	7,076			7,076
Rent	-		55,406	55,406
Miscellaneous	3,088		85	3,173
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	2,065,343	-	56,872	2,122,215
<u>EXPENDITURES</u>				
Current Operating:				
Fifteen Mile Watershed	37,302			37,302
White River Watershed	367,287			367,287
Mosier Ground Water Project		27,924		27,924
The Dalles Area Watershed	13,036			13,036
Misc Projects	125,399			125,399
Mosier Deep Well Project	853,579			853,579
District Cost Share Program	63,625			63,625
Salaries & Related Costs	696,930			696,930
Office Expense & Supplies	4,145			4,145
Tree Cost & Supplies	7,773			7,773
Nursery Supplies	47			47
Dues & Memberships	9,717			9,717
Newsletter Fees	4,200			4,200
Vehicle	5,303		10	5,313

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Statement of Revenues, Expenditures & Changes in Fund Balances

Governmental Funds - Modified Cash Basis

For the Year Ended June 30, 2021

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>EXPENDITURES</u> , continued				
Insurance	10,406			10,406
Education	497			497
Field Supplies	1,908			1,908
Publications	1,404			1,404
Communications	2,474			2,474
Professional Fees	20,088		17,392	37,480
Computer Expenses	2,776			2,776
Training/Travel/Meetings	2,147			2,147
Fees	5,511			5,511
Building maintenance and other costs	493		25,147	25,640
Utilities	-		4,390	4,390
Debt Service - Principal	25,975			25,975
Debt Service - Interest	16,477			16,477
Capital Outlay	7,752		1,444,466	1,452,218
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,286,251	27,924	1,491,405	3,805,580
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(220,908)	(27,924)	(1,434,533)	(1,683,365)
	<hr/>	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-		950,745	950,745
Transfers Out	(950,745)		-	(950,745)
Loan Proceeds	1,183,465		-	1,183,465
Sale of Capital Assets	-		9,000	9,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	232,720	-	959,745	1,192,465
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	11,812	(27,924)	(474,788)	(490,900)
Fund Balances - Beginning	401,697	56,695	609,594	1,067,986
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - Ending	\$ 413,509	\$ 28,771	\$ 134,806	\$ 577,086
	<hr/>	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of the Statement of Revenues, Expenditures &
Changes in Fund Balances of Governmental Funds
to the Statement of Activities (All Modified Cash Basis)

For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (490,900)

Amounts reported for governmental activities
in the statement of activities are different because:

District loans made are reported as expenditures in the
governmental funds but are not expenditures in the
government-wide statements. These amounts are
reported as loans receivable.

183,465

Government funds report capital outlays as
expenditures while governmental activities report
depreciation expense to allocate those expenditures
over the life of the assets. The following is the
differences in these type of transactions:

Expenditures for Capital Assets	1,452,836
Undepreciated cost of assets sold	(2,500)
Less Current Year Depreciation	<u>(25,159)</u>

1,425,177

Long-term debt proceeds provide current financial resources
to governmental funds in the period the debt is incurred. New
debt increases long-term liabilities in the statement of net position.

Repayment of long-term debt is an expenditure in the
governmental funds but repayment reduces long-term
liabilities in the statement of net position.

Loan proceeds	(1,183,465)
Principal payment on long-term debt	<u>25,975</u>

Change in Net Position of Governmental Activities \$ (39,748)

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Wasco County Soil and Water Conservation District is a municipal corporation governed by an elected board of directors consisting of a chairperson, vice-chairperson, secretary/treasurer and four other directors. The District is a primary government. A primary government is a financial reporting entity, which has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The accompanying financial statements present all the activities of the District.

As discussed later in Note 1-C, these financial statements (government-wide & fund financial) are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

B. Basis of Presentation

Government-Wide Financial Statements:

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. The District has no business-type activities and therefore only reports governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among programs revenues are reported instead as *general revenues*. The District currently relies on significant operating grants for support.

Fund Financial Statements:

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated (if present). An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using modified cash basis of accounting. Revenues (including grants) are recorded when received and expenses are recorded when paid. As discussed later in these notes to the financial statements, capital assets are recorded as stated in the notes.

Governmental fund financial statements are reported using the modified cash basis of accounting. Revenues are recognized when received and expenses are recorded when paid. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or fund balance sheet, events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such balances might include certain receivables, payables, capital assets and related depreciation, and long-term liabilities arising from cash transactions or events.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. The general fund has various grants that the District administers for various approved conservation projects and it accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Capital Projects Fund – This fund is made up of budgeted reserve funds established by the board of directors that account for monies transferred from the general fund for the District to acquire future capital acquisitions. The board reserves the right to cancel these funds in which the balances would then be transferred back to the general fund.

Special Revenue Fund – This fund is used to account for proceeds of a specific revenue source that are restricted or committed to expenditures for a specified purpose other than debt services or capital projects. The District's Mosier groundwater project is their only special revenue fund reported in the fund financial statements. The District also has budgeted special revenue funds that account for transfers from the general fund where the District carries on specific projects or tasks. Under current GASB standards, these budgeted special revenue funds that only receive transfers from the general fund do not meet the definition of special revenue funds and these transactions are combined in the general fund. However, these funds are still budgeted separately as special revenue funds under Oregon Budget Law.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources as they are needed. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

D. Assets, liabilities, and net position or fund balance

1. *Cash and investments*

The District’s cash and cash equivalents are considered to be cash on hand, demands deposits, and investments with original maturities of three months or less from the date of acquisition. Investments are carried at cost, which approximates fair value.

2. *Property taxes*

Property taxes are levied and become a lien as of July 1. Property taxes are assessed in October and tax payments are due November 15th. Under the partial payment schedule, the first one-third of taxes are due November 15th, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15 and a two percent discount is allowed if two-thirds payment is made by November 15. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the tax due date. Uncollected property taxes are not recorded as a receivable under the modified cash basis of accounting.

3. *Loans Receivable*

District loans are recorded as receivables in the government-wide financial statements. The fund financial statements report loans made as expenses and loan payments received as income.

4. *Capital Assets*

The District has reported all capital assets, which include land, buildings/improvements, equipment, and vehicles, in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays are capitalized as projects are purchased or constructed. Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Conservation Equipment	10 - 20
Vehicles	7 - 12
Buildings and Improvements	15 - 50

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Assets, liabilities, and net position or fund balance – continued

5. *Long-term Liabilities*

In the government-wide financial statements, certain long-term debt is reported as a liability but in the fund financial statements, these amounts are not due and payable in the current period and therefore are not recorded as liabilities.

6. *Net Position and Fund Balance*

The District's government-wide financial statements report net position into three different classifications. The classifications are net investment in capital assets, restricted, and unrestricted net position.

The District's fund balances are maintained under the current GASB Standards. These standards establish fund balance classifications for governmental funds. In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balances are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balances represent the restricted classifications and Committed, Assigned, and Unassigned represent the unrestricted classifications.

Nonspendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact. Restricted fund balance is externally enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation. Committed fund balance is self-imposed limitations at the highest level of decision making authority (Board of Directors). The Board of Directors approval is required to commit resources or to rescind the commitment. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the District Manager and/or the Board of Directors for approval/nonapproval. Unassigned fund balance represents the residual net resources in excess of the other classifications. The general fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Assets, liabilities, and net position or fund balance – continued

7. *Deferred Outflow/Inflow of Resources*

The statement of net position potentially may report deferred outflows and/or deferred inflows of resources. Deferred outflows represent a consumption of net position that applies to a future period and will not be recognized as an expense until the future period. Deferred inflows represent an acquisition of net position that applies to a future period and will not be recognized as revenue until the future period. The District does not currently report any deferred outflows or deferred inflows of resources under the modified cash basis of accounting.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. This reconciliation explains that District loans are not due and receivable in the current period and are not reported in the funds. This reconciliation also explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” Also certain liabilities at year end are not due and payable in the current period and therefore are not reported in the funds. The details of these differences are shown as follows:

Root loan receivable at year end	\$ 183,465
Capital assets used in government-wide activities	1,616,087
Accumulated depreciation	(123,802)
Columbia Bank loan balance at year-end	(974,025)
Oregon DEQ loan balance at year-end	<u>(183,465)</u>
Net adjustment to increase total fund balances - governmental funds to arrive at net assets - governmental activities	<u><u>\$ 518,260</u></u>

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - continued

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, & changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, & changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. This reconciliation explains that District loans are recorded as receivables in the government-wide financial statements. The fund financial statements report loans made as expenses and loan payments received as income. This reconciliation explains that “Governmental funds report capital outlays as current year expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and when these assets are disposed of, any remaining undepreciated cost offsets any proceeds received from the assets sold.” Also, governmental funds report debt proceeds as other financing source revenue and principal debt repayments as expenditures whereas these amounts are not reported on the statement of activities. The details of these differences are as follows:

Root loan receivable	\$	183,465
Depreciation Expense		(25,159)
Expenditures for capital assets		1,452,836
Undepreciated cost of assets sold		(2,500)
Columbia Bank loan proceeds		(1,000,000)
Oregon DEQ loan proceeds		(183,465)
Columbia Bank loan principal paid during year		<u>25,975</u>
Net adjustment to increase (decrease) net changes in fund balances – to governmental funds to arrive at changes in net position of governmental activities	<u>\$</u>	<u>451,152</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Deficit fund equity

The District has no instances whereby any of its funds had a deficit in fund equity as of June 30, 2021.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

B. Budgetary information

Annual budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law) for all governmental funds. All annual appropriations lapse at fiscal year-end.

The proposed budget is presented to the budget committee in April for public hearing. The budget committee reviews the proposed budget and approves a budget document for publication in a local newspaper of record. The Board of Directors hold a public hearing and adopts a final budget and levies taxes for that year no later than June 30.

The budget is prepared by category (i.e., administration, personal service, materials and services, capital outlay, debt service and other requirements) within the funds. The level of expenditures is monitored throughout the year. The budget may be modified, if necessary, either by transfers from contingency or between object classifications. Additionally, the District can also prepare a supplemental budget or increase budgeted resources and expenditures for unanticipated specific purpose resources.

The District had no expenditures over appropriations during the current fiscal year.

The District's fund balances are maintained under current GASB Standards. These accounting standards eliminated the following budgeted special revenue funds by definition of the new standard. In previous years these budgeted special revenue funds below were reported separately as Governmental Special Revenue Funds. These Funds were budgeted during the current year as Special Revenue Funds (for the budget schedules only). Under the implemented GASB standards, these budgeted Special Revenue Funds are a part of the General Fund in the fund financial statements, but are separated for the budget to actual schedules. The differences between the budget basis schedules and fund financial statements are as follows:

	General Fund	Special Revenue Feral Pig	Special Revenue District Cost Share
Net Change in Fund Balance Budget Basis Schedules	\$ 16,648	\$ -	\$ (4,836)
Interfund Transactions	(4,836)	-	4,836
Net Change in Fund Balance Fund Financial Statements	\$ 11,812	\$ -	\$ -

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Cash and investments are comprised of the following at June 30, 2021:

	Fair Value/ Carrying Amount
Checking & Savings Accounts	\$ 253,948
Local Government Investment Pool (LGIP)	323,138
Total Cash and Investments	\$ 577,086

The District's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2021, \$3,948 of the District's bank balances exceeded the FDIC limit but were still collateralized since the funds were held at a depository qualified by the Oregon State Treasurer's office, meeting Oregon requirements.

Oregon Revised Statutes authorize the District to invest in obligations of the U.S. Treasury, certificates of deposit, commercial paper, banker's acceptance, corporate debt, repurchase agreements, municipal bonds and the Oregon State Treasurer's LGIP account. The LGIP account is an unrated external investment pool and is not classified by risk category and is included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer. The OSTF Board and the Oregon Investment Council regulate OSTF investments. At June 30, 2021 the District's membership in the LGIP had a carrying value cost of \$323,138 which approximates market. The fair value of the District's position in the pool is the same as the value of its pool shares. Separate financial statements for the OSTF are available from the Oregon State Treasurer.

Custodial credit risk - deposits and investments - the risk that in the event of failure of the bank and/or counterparty, the District will not be able to recover the value of its deposit and investments or collateral securities in possession of an outside party. The District did not have any deposits or investments exposed to custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP is unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no investments subject to interest rate risks.

Concentration of credit risk is the risk of investments in any one issuer that represents five percent or more of the total investments excluding external investment pools like the LGIP. The District had no such investments.

Currently the District does not have a formal policy for these risks mentioned above.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets

Capital Asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,180	\$ 183,500	\$ -	\$ 191,680
Capital assets being depreciated:				
Buildings and improvements	-	1,236,125	-	1,236,125
Conservation equipment	69,339	-	-	69,339
Vehicles	103,347	33,211	(17,615)	118,943
Total capital assets, being depreciated	172,686	1,269,336	(17,615)	1,424,407
Less accumulated depreciation for:				
Buildings and improvements	-	(10,277)	-	(10,277)
Conservation equipment	(43,346)	(4,510)	-	(47,856)
Vehicles	(70,412)	(10,372)	15,115	(65,669)
Total accumulated depreciation	(113,758)	(25,159)	15,115	(123,802)
Total capital assets being depreciated, net	58,928	1,244,177	(2,500)	1,300,605
Governmental activities capital assets, net	\$ 67,108	\$ 1,427,677	\$ (2,500)	\$ 1,492,285

The District's depreciation expense for the current period is \$25,159 and was charged entirely to the general fund. The District owns some land that is restricted by its original donor. See note 4G for further details of restriction.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

C. Loan receivable

The District financed a conservation project in which the landowner (Wade Root) agreed to borrow the money from the District. The District used financing from the Oregon DEQ for the conservation project. The terms of this loan receivable are equivalent to the loan payable to Oregon DEQ. The original revolving loan was dated October 9, 2020 for up to \$300,000 and was subsequently increased to up to \$450,000. The interest rate on this loan is 0.95%. The loan also has an annual fee of 0.5% of the outstanding loan amount. This loan has a forgiveness clause of up to 50% of the loan. The amount of loan forgiveness will be determined based on the State of Oregon DEQ loan decision when the final loan amount is calculated. The District has a lien in place on the Landowner's property and will be removed when the loan is paid in full. The balance on this loan receivable at June 30, 2021 is \$183,465.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2021, is as follows:

	Transfers In	Transfers Out
General Fund	-	\$ 950,745
Capital Reserve Funds	\$ 950,745	-
Special Revenue Fund	-	-
Total	\$ 950,745	\$ 950,745

During the year the general fund transferred \$950,745 into the capital reserve funds to acquire assets in the future and to purchase a building and a vehicle during the current year.

E. Long-term debt

On December 18, 2020, the District borrowed \$1,000,000 from Columbia Bank to facilitate the purchase of a new building. The District pledged its full faith and credit and will use all legally available revenues to pay this loan off as scheduled. The interest rate on this loan is 3.35%. Interest paid on the Columbia bank loan during the current year was \$16,477. The District may prepay this loan at any time after January 15, 2025 without penalty.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

E. Long-term debt - continued

On July 30, 2020, the District signed a revolving fund loan agreement of up to \$300,000 subsequently increased to \$450,000 with the State of Oregon Department of Environmental Quality. This purpose of this loan is to assist with the cost of the Mosier deep well #2 conservation project. The loan is secured by future revenues of the District. The interest rate on this loan is 0.95%. The loan also has an annual fee of 0.5% of the outstanding loan amount. This loan has a forgiveness clause of up to 50% of the loan. The amount of loan forgiveness will be determined when the final loan amount is calculated.

The Long-term debt activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Long-term debt:					
Columbia Bank loan	\$ -	\$ 1,000,000	\$ (25,975)	\$ 974,025	\$ 53,082
Oregon DEQ	-	183,465	-	183,465	-
Total long-term debt	<u>\$ -</u>	<u>\$ 1,183,465</u>	<u>\$ (25,975)</u>	<u>\$ 1,157,490</u>	<u>\$ 53,082</u>

Annual debt service requirements to maturity for the Columbia Bank loan is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2022	\$ 53,082	\$ 31,823	\$ 84,905
2023	54,888	30,017	84,905
2024	56,755	28,150	84,905
2025	58,686	26,219	84,905
2026	60,682	24,223	84,905
2027-2031	335,815	88,710	424,525
2032	<u>354,117</u>	<u>5,673</u>	<u>359,790</u>
Total	<u>\$ 974,025</u>	<u>\$ 234,815</u>	<u>\$ 1,208,840</u>

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

E. Long-term debt - continued

Annual debt service requirements to maturity for the Oregon DEQ loan is as follows:

Year Ending June 30	Principal	Interest	Annual fee	Total Debt Service
2022	\$ -	\$ 692	\$ -	\$ 692
2023	13,284	4,244	2,250	19,778
2024	13,411	4,117	2,184	19,712
2025	13,538	3,990	2,117	19,645
2026	13,668	3,860	2,049	19,577
2027-2031	70,315	17,325	9,207	96,847
2032-2036	73,729	13,911	7,415	95,055
2037-2041	77,306	10,334	5,536	93,176
2042-2046	81,058	6,582	3,566	91,206
2047-2051	84,989	2,651	1,500	89,140
2051	8,702	41	44	8,787
Total	\$ 450,000	\$ 67,747	\$ 35,868	\$ 553,615

F. Leases

Operating leases. During the current fiscal year, the District did not have any operating leases.

G. Restricted net position

The District owns some land that was donated with the restriction that this land will be permanently and properly maintained as a plant materials demonstration conservation nursery. Any change in this required usage will require the approval of the original donor or its successors. If the District fails to meet this restriction, then this land will revert back to the original donor or its successors.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 5 - OTHER INFORMATION

A. Pension Plan – Oregon Public Employees Retirement System

Plan Description.

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS); a cost-sharing multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for government units in the State of Oregon. Employees hired before August 29, 2003 belong to the Tier One/Tier Two Retirement Benefit Program (established pursuant to ORS Chapter 238), while employees hired on or after August 29, 2003 belong to the OPSRP Pension Program (established pursuant to ORS Chapter 238A). OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

www.oregon.gov/pers/documents/financials/cafr/2018-cafr.pdf

Benefits provided

Tier One/Tier Two Retirement Benefit Pension Benefits

Pension Benefits. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage of 1.67% for general service employees is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

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

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 5 - OTHER INFORMATION - continued

A. Pension Plan – Oregon Public Employees Retirement System - continued

Disability Benefits. A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit Changes. After retirement, members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

OPSRP Pension Program (hybrid pension plan)

Pension Benefits. The OPSRP Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP is a defined benefit plan and provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:
General service: 1.5% is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits. A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25% on the first \$60,000 of annual benefit and 0.15% on annual benefits above \$60,000.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 5 - OTHER INFORMATION - continued

A. Pension Plan – Oregon Public Employees Retirement System - continued

Contributions. PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined benefit plan and the other postemployment benefit plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2019. The rates in effect during the current year were 17.40% for Tier One/Tier Two and 13.10% for OPSRP Pension Program. Contributions made to the defined benefit pension (Tier One/Tier Two and OPSRP) for the year ended June 30, 2021 were \$71,180. As of the measurement date June 30, 2020, the District had a net pension liability of \$736,036 but this liability is not recorded on the financial statements under the modified cash basis of accounting.

OPSRP Individual Account Program (IAP) (defined contribution plan)

Pension Benefits. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping. OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions. Employee contributions of 6% of covered payroll are made under the OPSRP IAP defined contribution plan. Contributions for the year ended June 30, 2021 were \$20,058.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 5 - OTHER INFORMATION - continued

A. Pension Plan – Oregon Public Employees Retirement System - continued

Actuarial assumptions

The employer contribution rates effective July 1, 2019, through June 30, 2021, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier one/Tier two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets, excluding reserves
Actuarial Assumptions:	
Inflation Rate	2.50%
Investment Rate of Return	7.20%
Interest Crediting	7.20%
Projected Salary Increases	3.50% overall payroll growth
Healthcare cost trends	Ranges from 5.8% in 2020 to 4.1% in 2094
Mortality	<u>Health retirees and beneficiaries:</u> RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. <u>Active members:</u> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation <u>Disabled retirees:</u> Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 5 - OTHER INFORMATION - continued

B. Other retirement and post-employment health insurance plan

Deferred Compensation Plan: The District offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC) Section 457. This plan permits employees the option to defer a portion of their salary until future years. Employee deferrals and earnings on the plan assets are tax deferred until withdrawn from the plan by the employee. The plan is administered by Nationwide Retirement Solutions. The District's fiduciary responsibility ends when it transfers funds to Nationwide Retirement Solutions equal to the amount deducted from the employee's wage. The District has no liability for losses under the plan. Since the District has little administrative involvement with the plan and does not perform the investing function and in accordance with GASB No. 32, the plan assets are not included on the District's financial statements.

Retirement Health Insurance Account (RHIA): As a member of Oregon Public Employees Retirement System (OPERS), the District contributes to the Retirement Health Insurance Account (RHIA) for each of its four eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. Eligible PERS retirees who receive benefits and are enrolled in certain PERS administered health insurance programs may receive a subsidy towards the payment of health insurance premiums. This report can be obtained within the same PERS report as stated in the PERS note. Under ORS 238.420 retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA. Participating governments are contractually required to contribute to the RHIA at a rate assessed each year by OPERS, currently .07% for tier 1/tier 2 annual covered payroll. The OPERS Board sets the employer contribution rates based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period of 10 years. For the year ended June 30, 2021, the District made contributions in the amount of \$193 to the RHIA, which equaled the required contribution. As of the measurement date June 30, 2020, the District had a net other postemployment benefit asset of \$6,172 but this asset is not recorded on the financial statements under the modified cash basis of accounting.

C. 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 for which the District carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for claims and judgments is reported in the appropriate governmental fund. There are no liabilities of this kind recorded during the current fiscal year

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2021

NOTE 5 - OTHER INFORMATION - continued

D. Related party transactions

During the current fiscal year, in the ordinary course of business, the District had related party transactions with its elected officials and employees. In the opinion of management, these transactions were of arm-length and on substantially the same terms that would have been with any other person. The District operates a cost-share program where growers present their case to the board and the board votes to approve or disapprove each project. Krein Consulting, LLC received \$2,174, Shilah Olson received \$685, Robert Krein received \$5,000, Phillip Kaser received \$2,410, and Kaser Diamond K Corp received \$2,380 under this program. The District also receives various grants for different approved conservation projects. These projects are approved by the grantor, usually in advance. Kaser Diamond K Corp received \$1,560, Shawn Sorensen received \$720, Shilah Olson received \$6,170, Krein Consulting, LLC received \$14,400, and Chase Forrest received \$8,776 under these approved conservation projects.

E. 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

F. Subsequent events

In March of 2020, the World Health Organization declared a pandemic related to Covid-19. As of the date of this report, it is unknown if the ongoing pandemic will have a material adverse impact on the District.

G. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District does not expect any such amounts.

OTHER SUPPLEMENTAL INFORMATION

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues, Expenditures &
Changes in Fund Balances - Budget & Actual
General Fund - Modified Cash Basis

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
OWEB Grants	\$ 1,072,182	\$ 1,072,182	\$ 492,853	\$ (579,329)
BPA Reimbursements	100,000	100,000	65,688	(34,312)
ODA IGA	82,895	82,895	83,315	420
Oregon Water Resources Department	971,724	971,724	386,861	(584,863)
The Freshwater Trust	-	-	1,130	1,130
Oregon DEQ	50,000	50,000	-	(50,000)
USFS	354,956	354,956	320,186	(34,770)
Other Grants	60,976	60,976	81,930	20,954
NRCS	66,400	66,400	-	(66,400)
Tree Sales	10,000	10,000	14,258	4,258
Property Taxes	515,000	515,000	604,581	89,581
Newsletter Fees	1,350	1,350	-	(1,350)
Investment Earnings	1,890	1,890	4,377	2,487
Miscellaneous	10,000	10,000	10,164	164
	<u>3,297,373</u>	<u>3,297,373</u>	<u>2,065,343</u>	<u>(1,232,030)</u>
<u>EXPENDITURES</u>				
Personal Services	769,498	769,498	696,930	72,568
Materials & Services	2,596,457	2,592,607	1,475,492	1,117,115
Capital Outlay	7,650	11,500	7,752	3,748
Debt Service	2,785	52,785	42,452	10,333
Contingency	50,000	50,000	-	50,000
	<u>3,426,390</u>	<u>3,476,390</u>	<u>2,222,626</u>	<u>1,253,764</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(129,017)</u>	<u>(179,017)</u>	<u>(157,283)</u>	<u>21,734</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	-
Transfers Out	(359,534)	(1,009,534)	(1,009,534)	-
Loan proceeds	350,000	1,350,000	1,183,465	(166,535)
Sale of Capital Assets	-	-	-	-
	<u>(9,534)</u>	<u>340,466</u>	<u>173,931</u>	<u>(166,535)</u>
Net Change in Fund Balance	(138,551)	161,449	16,648	(144,801)
Fund Balances - Beginning	<u>400,000</u>	<u>400,000</u>	<u>286,769</u>	<u>(113,231)</u>
Fund Balances - Ending	<u>\$ 261,449</u>	<u>\$ 561,449</u>	<u>\$ 303,417</u>	<u>\$ (258,032)</u>

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues, Expenditures &
Changes in Fund Balances - Budget & Actual
Mosier Groundwater Project - Modified Cash Basis

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u>				
Administration	56,695	56,695	27,924	28,771
Total Expenditures	56,695	56,695	27,924	28,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,695)	(56,695)	(27,924)	28,771
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(56,695)	(56,695)	(27,924)	28,771
Fund Balances - Beginning	56,695	56,695	56,695	-
Fund Balances - Ending	\$ -	\$ -	\$ 28,771	\$ 28,771

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues, Expenditures &
Changes in Fund Balances - Budget & Actual
Feral Pig Program - Modified Cash Basis

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u>				
Administration	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Total Expenditures	5,000	5,000	-	5,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(5,000)	-	5,000
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(5,000)	(5,000)	-	5,000
Fund Balances - Beginning	5,000	5,000	5,000	-
Fund Balances - Ending	\$ -	\$ -	\$ 5,000	\$ 5,000

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues, Expenditures &
Changes in Fund Balances - Budget & Actual
District Cost Share - Modified Cash Basis

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
<u>EXPENDITURES</u>				
Administration	<u>\$ 176,217</u>	<u>\$ 176,217</u>	<u>\$ 63,625</u>	<u>\$ 112,592</u>
Total Expenditures	<u>176,217</u>	<u>176,217</u>	<u>63,625</u>	<u>112,592</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(176,217)</u>	<u>(176,217)</u>	<u>(63,625)</u>	<u>112,592</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>58,789</u>	<u>58,789</u>	<u>58,789</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>58,789</u>	<u>58,789</u>	<u>58,789</u>	<u>-</u>
Net Change in Fund Balance	<u>(117,428)</u>	<u>(117,428)</u>	<u>(4,836)</u>	<u>112,592</u>
Fund Balances - Beginning	<u>117,428</u>	<u>117,428</u>	<u>109,928</u>	<u>(7,500)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,092</u>	<u>\$ 105,092</u>

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues, Expenditures &
Changes in Fund Balances - Budget & Actual
Building Reserve - Modified Cash Basis

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Investment Earnings	\$ 3,360	\$ 3,360	\$ 1,309	\$ (2,051)
Rent and Misc Income	-	-	55,491	55,491
Total Revenues	3,360	3,360	56,800	53,440
 <u>EXPENDITURES</u>				
Administration	867,815	1,517,815	1,458,184	59,631
Excess (Deficiency) of Revenues Over (Under) Expenditures	(864,455)	(1,514,455)	(1,401,384)	113,071
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	300,000	950,000	950,000	-
Total Other Financing Sources (Uses)	300,000	950,000	950,000	-
Net Change in Fund Balance	(564,455)	(564,455)	(451,384)	113,071
Fund Balances - Beginning	564,455	564,455	564,449	(6)
Fund Balances - Ending	\$ -	\$ -	\$ 113,065	\$ 113,065

The notes to the financial statements are an integral part of this statement.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

Schedule of Revenues, Expenditures &
Changes in Fund Balances - Budget & Actual
Vehicle Reserve - Modified Cash Basis

For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Investment Earnings	\$ 115	\$ 115	\$ 72	\$ (43)
Total Revenues	<u>115</u>	<u>115</u>	<u>72</u>	<u>(43)</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>33,221</u>	<u>16,779</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>33,221</u>	<u>16,779</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,885)</u>	<u>(49,885)</u>	<u>(33,149)</u>	<u>16,736</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	4,000	4,000	9,000	5,000
Transfers In	<u>745</u>	<u>745</u>	<u>745</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>4,745</u>	<u>4,745</u>	<u>9,745</u>	<u>5,000</u>
Net Change in Fund Balance	<u>(45,140)</u>	<u>(45,140)</u>	<u>(23,404)</u>	<u>21,736</u>
Fund Balances - Beginning	<u>45,140</u>	<u>45,140</u>	<u>45,145</u>	<u>5</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,741</u>	<u>\$ 21,741</u>

The notes to the financial statements are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

Onstott, Broehl & Cyphers, P.C.
Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.
JAMES T. BROEHL, c.p.a.
RICK M. CYPHERS, c.p.a.

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Independent Auditor's Report
Required by Oregon State Regulations

To the Board of Directors of the
Wasco County Soil and Water Conservation District
The Dalles, Oregon

We have audited the basic financial statements of the Wasco County Soil and Water Conservation District as of and for the year ended June 30, 2021, and have issued our report thereon dated January 5, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Compliance

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

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- 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 Wasco County Soil and Water Conservation 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.

Internal Control

In planning and performing our audit of the financial statements, we considered the Wasco County Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 to 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We noted certain other matters that we reported to management of the Wasco County Soil and Water Conservation District in a separate letter dated January 5, 2022.

This report is intended solely for the information and use of the board of directors and management of Wasco County Soil and Water Conservation District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

By: *Rick M. Cyphers*
For Onstott, Broehl & Cyphers, P.C.

The Dalles, Oregon
January 5, 2022