

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

For the Year Ended June 30, 2020

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT

June 30, 2020

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
Charlie Ernst Director	61534 Tygh Ridge Rd Dufur, OR 97021	December 31, 2020
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:

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THE DALLES, OREGON 97058
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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

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, 2020 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 December 8, 2020, 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
December 8, 2020

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, 2020. It should be read in conjunction with the District's financial statements.

Financial Highlights

- Revenues decreased by \$30,653. The majority of the change resulted from decreased grant funding for various projects.
- Total expenses decreased by \$344,654, primarily related to decreases in grant funding for conservation projects.
- The District's net position increased by \$138,182 during the year ended June 30, 2020.
- 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 increased 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>6/30/20</u>	<u>6/30/19</u>
Assets:		
Cash & Investments	\$ 1,067,986	\$ 918,952
Capital Assets, net	<u>67,108</u>	<u>77,630</u>
Total Assets	<u>\$ 1,135,094</u>	<u>\$ 996,912</u>
Net Position:		
Invested in capital assets	\$ 58,928	\$ 69,780
Restricted	8,180	8,180
Unrestricted	<u>1,067,986</u>	<u>918,952</u>
Total Net Position	<u>\$ 1,135,094</u>	<u>\$ 996,912</u>

Summary of Statement of Activities

	<u>6/30/20</u>	<u>6/30/19</u>
Program Revenues:		
Operating grants & contributions	\$ 1,209,323	\$ 1,296,526
Charges for services	<u>13,685</u>	<u>10,065</u>
Total Program Revenues	<u>1,223,008</u>	<u>1,306,591</u>
General Revenues:		
Investment earnings	9,724	12,240
Property taxes	588,275	557,388
Miscellaneous	8,835	4,495
Gain (loss) on sale of assets	-	(20,669)
Newsletter fees	<u>625</u>	<u>1,075</u>
Total General Revenues	<u>607,459</u>	<u>554,529</u>
Total Revenues	<u>1,830,467</u>	<u>1,861,120</u>
Expenditures:		
General government	1,581,451	1,444,792
Mosier ground water study	66,122	532,315
District cost share	44,712	54,832
Piping irrigation ditches	<u>-</u>	<u>5,000</u>
Total Expenses	<u>1,692,285</u>	<u>2,036,939</u>

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

	6/30/20	6/30/19
Change in Net Position	138,182	(175,819)
Net Position, beginning of year	996,912	1,172,731
Net Position, end of year	\$ 1,135,094	\$ 996,912

The District's financial condition slightly increased during the year with an increase in net position of \$138,182. Total revenues were down \$30,653 (1.65%) from the previous year and total expenses were also down \$344,654 (16.9%) from the previous year. The revenues and expenses are significantly less than the prior year due to the District receiving various grants for smaller conservation projects than the prior year.

Financial Analysis of the District's Funds

Governmental fund balances totaled \$1,067,986 at June 30, 2020. A summary of changes in governmental fund balances follows:

	June 30, 2020	June 30, 2019	Change
General Fund	\$ 401,697	\$ 376,497	\$ 25,200
Special Revenue Fund	56,695	47,501	9,194
Capital Projects Fund	609,594	494,954	114,640
Total	\$ 1,067,986	\$ 918,952	\$ 149,034

Budgetary Highlights

- See the supplemental information on pages 32 through 38 for detailed schedules of budget to actual variances for the fiscal year ended June 30, 2020.
- Expenditures were under budget during the current year.
- There were no budget modifications made during the current year, except for a supplemental budget was approved for a loan that was taken and paid back during the year. This increased the originally budgeted revenues and expenses by \$676,500.
- Revenues for the general fund were \$1,750,511 which were \$2,431,955 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 \$1,570,665 which were \$2,307,882 below budgeted amounts. This is also due to various conservation projects being budgeted but the projects were not started during the current year.

Capital Assets and Long-Term Debt Activity

At June 30, 2020 the District had \$67,108 of capital assets net of accumulated depreciation. The District did not have any current year purchases or disposals during the current year. More detailed information about the District's capital assets is presented in the notes to the financial statements. The District does not have any long-term debt as of June 30, 2020.

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

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.

Building acquisition planning is currently in progress, with the SWCD considering several options. The current lease on the SWCD's shared space with Natural Resources Conservation Service (NRCS) will be up in 2021 and the District is looking at options to move or build a new building. At the close of the fiscal year, the SWCD was in negotiations with the current building owner to acquire the existing service center. A purchase agreement was executed in October of 2020.

The 2018 wildfire season in Wasco County was one the most extreme fire seasons in living memory. Four large fires and numerous small fires burned over 200,000 acres in Wasco County. Several other smaller fires also impacted the area. Wasco County SWCD obtained emergency technical assistance funding from the Oregon Watershed Enhancement Board (OWEB) to assist landowners with post-fire recovery conservation plans. The SWCD partnered with numerous affected landowners to coordinate bulk purchase of herbicide and spraying services to treat burned acreage in late 2018, which was reimbursed through individual landowner contracts by the NRCS under Emergency funding made available through the Environmental Quality Incentive Program (EQIP). In fall of 2019, the SWCD again partnered with landowners through the EQIP program to make a bulk purchase of grass seed and aerial application services. The seeding project was completed during the current year.

Wasco County SWCD, in partnership with Root Orchards in Mosier, Oregon, intends to drill a deep-water supply well to address water supply needs in the Mosier community. 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), 1.27%-fixed rate loan in the amount of \$300,000 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.

BASIC FINANCIAL STATEMENTS

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

June 30, 2020

		Total Governmental Activities
<u>ASSETS</u>		
Cash & Investments	\$	1,067,986
Capital Assets:		
Land not being depreciated		8,180
Property & Equipment, net of accumulated depreciation		58,928
Total Assets		1,135,094
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
		-
 <u>LIABILITIES</u>		
		-
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
		-
 <u>NET POSITION</u>		
Net Investment in Capital Assets		58,928
Restricted for other purposes		8,180
Unrestricted		1,067,986
Total Net Position	\$	1,135,094

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, 2020

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	\$ 1,581,451	\$ 13,685	\$ 1,134,007		\$ (433,759)
Mosier Ground Water Study	66,122		75,316		9,194
District Cost Share	<u>44,712</u>				<u>(44,712)</u>
Total Governmental Activities	<u>\$ 1,692,285</u>	<u>\$ 13,685</u>	<u>\$ 1,209,323</u>	<u>-</u>	<u>(469,277)</u>
General Revenues:					
					9,724
					588,275
					8,835
					-
					<u>625</u>
					<u>607,459</u>
				Change in Net Position	138,182
				Net Position, Beginning	<u>996,912</u>
				Net Position, Ending	<u><u>\$ 1,135,094</u></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, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash & Investments	\$ 401,697	\$ 56,695	\$ 609,594	\$ 1,067,986
Total Assets	<u>\$ 401,697</u>	<u>\$ 56,695</u>	<u>\$ 609,594</u>	<u>\$ 1,067,986</u>
<u>LIABILITIES & DEFERRED INFLOWS OF RESOURCES</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND BALANCES:</u>				
Committed For:				
Capital Projects			609,594	609,594
Feral Pig Control	5,000			5,000
Mosier Groundwater Project		56,695		56,695
District Cost Share Project	109,928			109,928
Assigned To:				
Leave Reserve	45,000			45,000
Future Expenses	138,551			138,551
Unassigned	<u>103,218</u>			<u>103,218</u>
Total Fund Balances	<u>401,697</u>	<u>56,695</u>	<u>609,594</u>	<u>1,067,986</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 401,697</u>	<u>\$ 56,695</u>	<u>\$ 609,594</u>	<u>\$ 1,067,986</u>
Total Fund Balances - Governmental Funds				<u>\$ 1,067,986</u>
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources & therefore are not reported in the funds				
				<u>67,108</u>
Net Position of Governmental Activities				<u>\$ 1,135,094</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, 2020

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>REVENUES</u>				
OWEB Grants	\$ 194,104			\$ 194,104
BPA Reimbursements	81,223			81,223
ODA IGA	83,315			83,315
The Freshwater Trust	8,470			8,470
USFS	20,044			20,044
Oregon Water Resources Department	165,699	\$ 52,713		218,412
Other Grants	8,036			8,036
Tree Sales	13,685			13,685
Property Taxes	588,275			588,275
Reimbursements	16,605	22,603		39,208
Newsletter Fees	625			625
Investment Earnings	5,084		\$ 4,640	9,724
Landowner Project Contributions	556,511			556,511
Miscellaneous	8,835			8,835
	<u>1,750,511</u>	<u>75,316</u>	<u>4,640</u>	<u>1,830,467</u>
<u>EXPENDITURES</u>				
Current Operating:				
Fifteen Mile Watershed	71,772			71,772
White River Watershed	51,129			51,129
Mosier Ground Water Project	134,539	66,122		200,661
The Dalles Area Watershed	2,131			2,131
Misc Projects	581,002			581,002
Mosier Deep Well Project	2,103			2,103
District Cost Share Program	44,712			44,712
Salaries & Related Costs	639,488			639,488
Office Expense & Supplies	6,218			6,218
Tree Cost & Supplies	8,856			8,856
Nursery Supplies	102			102
Dues & Memberships	6,712			6,712
Newsletter Fees	4,013			4,013
Vehicle	2,777			2,777

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, 2020

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>EXPENDITURES</u> , continued				
Insurance	8,702			8,702
Education	770			770
Field Supplies	457			457
Publications	2,438			2,438
Communications	2,230			2,230
Professional Fees	22,317			22,317
Computer Expenses	4,881			4,881
Training/Travel/Meetings	10,644			10,644
Debt Service - Interest	3,383			3,383
Capital Outlay	3,935			3,935
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	1,615,311	66,122	-	1,681,433
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	135,200	9,194	4,640	149,034
	<hr/>	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In			110,000	110,000
Transfers Out	(110,000)			(110,000)
Sale of Capital Assets				-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(110,000)	-	110,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	25,200	9,194	114,640	149,034
Fund Balances - Beginning	376,497	47,501	494,954	918,952
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - Ending	\$ 401,697	\$ 56,695	\$ 609,594	\$ 1,067,986
	<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, 2020

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 149,034</u>
Amounts reported for governmental activities in the statement of activities are different because:	
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	-
Undepreciated cost of assets sold	
Less Current Year Depreciation	<u>(10,852)</u>
	<u>(10,852)</u>
Change in Net Position of Governmental Activities	<u>\$ 138,182</u>

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, 2020

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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation - continued

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.

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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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.

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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

3. *Capital Assets*

The District has reported all capital assets, which include land, 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

4. *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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

4. *Net Position and Fund Balance - continued*

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.

5. *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 “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of these differences are shown as follows:

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

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

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

Capital assets used in government-wide activities	\$ 180,866
Accumulated depreciation	<u>(113,758)</u>
 Net adjustment to increase total fund balances - governmental funds to arrive at net assets - governmental activities	 <u><u>\$ 67,108</u></u>

- C. 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 “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.” The details of these differences are as follows:

Depreciation Expense	\$ (10,852)
Expenditures for capital assets	-
Undepreciated cost of assets sold	<u>-</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>\$ (10,852)</u></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, 2020.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

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:

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

C. Budgetary information - continued

	General Fund	Special Revenue Feral Pig	Special Revenue District Cost Share	Special Revenue Piping Irrigation Ditches
Net Change in Fund Balance Budget Basis Schedules	\$ 65,823	\$ -	\$ (8,980)	\$ (31,643)
Interfund Transactions	(40,623)	-	8,980	31,643
Net Change in Fund Balance Fund Financial Statements	\$ 25,200	\$ -	\$ -	\$ -

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Cash and investments

Cash and investments are comprised of the following at June 30, 2020:

	Fair Value/ Carrying Amount
Checking & Savings Accounts	\$ 747,584
Local Government Investment Pool (LGIP)	320,402
Total Cash and Investments	\$ 1,067,986

The District's deposits with financial institutions are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). As of June 30, 2020, \$497,584 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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

A. Cash and investments - continued

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, 2020 the District's membership in the LGIP had a carrying value cost of \$320,402 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, 2020

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

B. Capital Assets

Capital Asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,180	\$ -	\$ -	\$ 8,180
Capital assets being depreciated:				
Conservation equipment	69,339	-	-	69,339
Vehicles	103,347	-	-	103,347
Total capital assets, being depreciated	172,686	-	-	172,686
Less accumulated depreciation for:				
Conservation equipment	(38,836)	(4,510)	-	(43,346)
Vehicles	(64,070)	(6,342)	-	(70,412)
Total accumulated depreciation	(102,906)	(10,852)	-	(113,758)
Total capital assets being depreciated, net	69,780	(10,852)	-	58,928
Governmental activities capital assets, net	\$ 77,960	\$ (10,852)	\$ -	\$ 67,108

The District's depreciation expense for the current period is \$10,852 and was charged entirely to the general fund. The District owns land that is restricted by its original donor. See note 4E for further details of restriction.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2020, is as follows:

	Transfers In	Transfers Out	
General Fund	\$ -	\$ 110,000	
Capital Reserve Funds	110,000	-	
Special Revenue Fund	-	-	
Total	\$ 110,000	\$ 110,000	

During the year the general fund transferred \$110,000 into the capital reserve funds to acquire assets in the future.

D. Short-term debt

On November 6, 2019, the District borrowed \$468,683 from Craft3 to cover the costs of range seed and aerial application related to the Wasco County EQIP fire restoration project. This was an unsecured loan with an interest rate of 4.0%. On February 19, 2020, the District paid off the note. The District paid \$3,383 of interest on this loan and there were no other short-term loans outstanding at June 30, 2020. Short-term debt activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Issued	Repaid	Ending Balance
Governmental activities:				
Promissory note - Craft3	\$ -	\$ 468,683	\$ 468,683	\$ -

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 4 - DETAILED NOTES ON ALL FUNDS - continued

E. Leases

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

F. Restricted net position

The District owns 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.

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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 5 - OTHER INFORMATION - continued

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

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.

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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 5 - OTHER INFORMATION - continued

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

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.

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, 2020 were \$68,112. As of the measurement date June 30, 2019, the District had a net pension liability of \$535,383 but this liability is not recorded on the financial statements under the modified cash basis of accounting.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 5 - OTHER INFORMATION - continued

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

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, 2020 were \$26,818.

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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 5 - OTHER INFORMATION - continued

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

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.

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.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

NOTE 5 - OTHER INFORMATION - continued

B. Other retirement and post-employment health insurance plan - continued

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, 2020, the District made contributions in the amount of \$1,854 to the RHIA, which equaled the required contribution. As of the measurement date June 30, 2019, the District had a net other postemployment benefit asset of \$7,221 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, 2020

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. 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 \$5,000 and Bill Hammel received \$2,470 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 \$3,603 and Shawn Sorensen received \$720 under these approved conservation projects. Also during the current year, the District paid for herbicide application related to the fire in Wasco County and Bill Hammel & Bob Krein indirectly reimbursed the District for their share of these costs through funding provided by NRCS. The reimbursed amounts were \$92,331 and \$12,978, respectively.

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 October 2020, the District made an agreement to purchase the building in which they currently operate in for \$1,349,000. This District will obtain financing to facilitate the purchase of this property through the US Bank. During the subsequent period, the District obtained financing through the Oregon Department of Environmental Quality to assist with one of their conservation projects. The loan funds of \$300,000 at 0.57% are available, if needed, to assist with the Mosier Deep Well Project and will be passed on to the landowner with the same loan terms plus an additional nominal fee for administration. 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 pandemic will have a material adverse impact on the District.

WASCO COUNTY SOIL AND WATER CONSERVATION DISTRICT
Notes to the Financial Statements
June 30, 2020

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
OWEB Grants	\$ 1,174,548	\$ 1,189,548	\$ 194,104	\$ (995,444)
BPA Reimbursements	100,000	100,000	81,223	(18,777)
ODA IGA	82,895	82,895	83,315	420
Oregon Water Resources Department	720,000	720,000	165,699	(554,301)
The Freshwater Trust	9,946	9,946	8,470	(1,476)
Oregon DEQ	350,000	350,000	-	(350,000)
USFS	375,000	375,000	20,044	(354,956)
Other Grants	-	-	8,036	8,036
NRCS	78,972	78,972	-	(78,972)
Tree Sales	5,000	5,000	13,685	8,685
Property Taxes	575,000	575,000	588,275	13,275
Reimbursements	-	-	16,605	-
Equipment Rental	150	150	-	(150)
Newsletter Fees	1,350	1,350	625	(725)
Investment Earnings	1,500	1,500	5,084	3,584
Miscellaneous	15,000	676,500	565,346	(111,154)
	<u>3,489,361</u>	<u>4,165,861</u>	<u>1,750,511</u>	<u>(2,431,955)</u>
<u>EXPENDITURES</u>				
Personal Services	676,723	676,723	639,488	37,235
Materials & Services	2,470,508	2,470,508	923,793	1,546,715
Capital Outlay	4,750	4,750	3,935	815
Debt Service	-	676,500	3,383	673,117
Contingency	50,000	50,000	-	50,000
	<u>3,201,981</u>	<u>3,878,481</u>	<u>1,570,599</u>	<u>2,307,882</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>287,380</u>	<u>287,380</u>	<u>179,912</u>	<u>(124,073)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	-	-	-	-
Transfers Out	(269,619)	(269,619)	(114,089)	155,530
Sale of Capital Assets	-	-	-	-
	<u>(269,619)</u>	<u>(269,619)</u>	<u>(114,089)</u>	<u>155,530</u>
Net Change in Fund Balance	17,761	17,761	65,823	31,457
Fund Balances - Beginning	<u>280,000</u>	<u>280,000</u>	<u>220,946</u>	<u>(59,054)</u>
Fund Balances - Ending	<u>\$ 297,761</u>	<u>\$ 297,761</u>	<u>\$ 286,769</u>	<u>\$ (27,597)</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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Oregon Water Resources Department Reimbursements	\$ -	\$ -	\$ 52,713	\$ 52,713
	-	-	22,603	22,603
Total Revenues	-	-	75,316	75,316
<u>EXPENDITURES</u>				
Administration	155,530	155,530	66,122	89,408
Total Expenditures	155,530	155,530	66,122	89,408
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,530)	(155,530)	9,194	164,724
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	155,530	155,530	-	(155,530)
Total Other Financing Sources (Uses)	155,530	155,530	-	(155,530)
Net Change in Fund Balance	-	-	9,194	9,194
Fund Balances - Beginning	-	-	47,501	47,501
Fund Balances - Ending	\$ -	\$ -	\$ 56,695	\$ 56,695

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, 2020

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

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
Administration	\$ 148,676	\$ 148,676	\$ 44,712	\$ 103,964
Total Expenditures	<u>148,676</u>	<u>148,676</u>	<u>44,712</u>	<u>103,964</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(148,676)</u>	<u>(148,676)</u>	<u>(44,712)</u>	<u>103,964</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>35,732</u>	<u>35,732</u>	<u>35,732</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>35,732</u>	<u>35,732</u>	<u>35,732</u>	<u>-</u>
Net Change in Fund Balance	(112,944)	(112,944)	(8,980)	103,964
Fund Balances - Beginning	<u>112,944</u>	<u>112,944</u>	<u>118,908</u>	<u>5,964</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,928</u>	<u>\$ 109,928</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
Piping Irrigation Ditches - Modified Cash Basis

For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
Administration				\$ -
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers out	(31,643)	(31,643)	(31,643)	-
Total Other Financing Sources (Uses)	(31,643)	(31,643)	(31,643)	-
Net Change in Fund Balance	(31,643)	(31,643)	(31,643)	-
Fund Balances - Beginning	31,643	31,643	31,643	-
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -

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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Investment Earnings	\$ 2,780	\$ 2,780	\$ 4,308	\$ 1,528
Total Revenues	2,780	2,780	4,308	1,528
<u>EXPENDITURES</u>				
Administration	12,000	12,000	-	12,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,220)	(9,220)	4,308	13,528
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	100,000	100,000	100,000	-
Total Other Financing Sources (Uses)	100,000	100,000	100,000	-
Net Change in Fund Balance	90,780	90,780	104,308	13,528
Fund Balances - Beginning	460,570	460,570	460,141	(429)
Fund Balances - Ending	\$ 551,350	\$ 551,350	\$ 564,449	\$ 13,099

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, 2020

	<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	\$ 200	\$ 200	\$ 332	\$ 132
Total Revenues	<u>200</u>	<u>200</u>	<u>332</u>	<u>132</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>200</u>	<u>200</u>	<u>332</u>	<u>132</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Capital Assets	-	-	-	-
Transfers In	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	10,200	10,200	10,332	132
Fund Balances - Beginning	<u>34,825</u>	<u>34,825</u>	<u>34,813</u>	<u>(12)</u>
Fund Balances - Ending	<u>\$ 45,025</u>	<u>\$ 45,025</u>	<u>\$ 45,145</u>	<u>\$ 120</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.
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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, 2020, and have issued our report thereon dated December 8, 2020. 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 December 8, 2020.

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
December 8, 2020