

# UNION SOIL & WATER CONSERVATION DISTRICT

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## ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023





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## **INTRODUCTORY SECTION**

**Union Soil & Water Conversation District  
District Officials**

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Administrative Office: 10507 McAlister Road  
La Grande, OR 97850

District Manager: James Webster

**BOARD OF DIRECTORS**

<b><u>Member</u></b>	<b><u>Position</u></b>	<b><u>Zone</u></b>	<b><u>Term</u></b>
Jarod Teeter	Chairman	Zone 1	2026
Paul Boehne	Vice-Chairman	At-Large	2024
Curtis Ricker	Treasurer	At-Large	2024
Doug Watts	Secretary	Zone 3	2024
Fred Wallender	Director	Zone 2	2026

All board members can be contacted at: 10507 McAlister Road  
La Grande, OR 97850

Registered Agent: Jarod Teeter

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## **FINANCIAL SECTION**

## Independent Auditors' Report

Board of Directors and Management  
Union Soil and Water Conservation District  
10507 McAlister Road  
La Grande, OR 97850

### Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Union Soil and Water Conservation District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Union Soil and Water Conservation District, as of June 30, 2023, and the respective changes in the modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Union Soil and Water Conservation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Soil and Water Conservation District's basic financial statements. The accompanying other financial schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial schedules and schedule of expenditures of federal awards are 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.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises of the management's discussion and analysis and the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the management's discussion and analysis and the introductory section and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union Soil and Water Conservation District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 26, 2023, on our consideration of Union Soil and Water Conservation District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Connected Professional Accountants, LLC  
Certified Public Accountants

By Yvonne K. Roberts, CPA  
Yvonne K. Roberts, Owner/Member

La Grande, Oregon  
October 26, 2023

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

**UNION COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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The Union Soil & Water Conservation District's discussion and analysis is narrative overview of the District's financial activities for the year ended June 30, 2023. The information should be read in conjunction with the financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- The District's total assets increased by \$64,989 to \$513,342.
- The District's total liabilities increased by \$25,953 to \$112,423.
- The District's net position increased by \$39,036 to \$400,919.
- The District's revenue increased by \$887,189 to \$1,364,792.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. These statements include:

The Statement of Net Position (Modified Cash Basis) presents a view of assets available for future District operations and liabilities the District owes. The difference between the assets, deferred outflows of resources, and liabilities, and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may be useful in determining improvement or deterioration in the financial position of the District.

The Statement of Activities (Modified Cash Basis) reports the change in net position during the year. Receipts and disbursements are presented by function. All changes in net position are reported when the related cash flow occurs.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's General and Special Revenue Funds. A fund is an accounting device that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds - governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

**Notes to the Financial Statements**

The notes provide additional information necessary to gain a full understanding of the financial statements.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's net position increased by \$39,036. The following is a condensed version of the government-wide statement of net position.

	<b>Year Ended June 30,</b>	
	<b>2022</b>	<b>2023</b>
Cash and Investments	\$ 448,353	\$ 513,342
Capital Assets, Net of Accumulated Depreciation	-	-
Total Assets	<u>448,353</u>	<u>513,342</u>
Deferred Outflows of Resources	-	-
Total Liabilities	<u>86,470</u>	<u>112,423</u>
Deferred Inflows of Resources	-	-
Net Position:		
Restricted	86,470	112,423
Unrestricted	275,413	288,496
Total Net Position	<u>\$ 361,883</u>	<u>\$ 400,919</u>

Unrestricted net position increased by \$13,083 and that can be used to finance day-to-day operations. Restricted net position increased by \$25,953 due to unearned revenues.

### Changes in Net Position

The following is a condensed version of the government-wide statement of activities.

	<b>Year Ended June 30,</b>	
	<b>2022</b>	<b>2023</b>
Program Revenues		
Operating grants	\$ 474,098	\$ 1,357,347
General Revenues		
Interest Income	482	103
Dividend Income	55	4,172
Rent Income	2,687	250
Investment Income	-	2,352
Miscellaneous Income	281	568
Total Revenues	<u>477,603</u>	<u>1,364,792</u>
Expenses	<u>490,212</u>	<u>1,325,756</u>
Change in Net Position	(12,609)	39,036
Net Position - Beginning	374,492	361,883
Net Position - Ending	<u>\$ 361,883</u>	<u>\$ 400,919</u>

The increase in revenue is attributable to changes in operating grants due to the fact that grants are variable from year to year and cannot be planned.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2023, the District's General Fund reported an ending fund balance of \$506,443 which was an increase of \$26,368 over the prior year.

### Budgetary Highlights

The District is not subject to Oregon Budget Law Requirements (ORS 294.305 to 294.565) because it was organized under ORS 568 and has no permanent tax rate.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District has \$0 in capital assets net of depreciation at June 30, 2023 allocated as follows:

	Year Ended June 30,	
	2022	2023
Equipment and Vehicles	\$ 53,329	\$ 53,329
Accumulated Depreciation	(53,329)	(53,329)
	\$ -	\$ -

Additional information regarding the District's capital assets can be found in the notes to the basic financial statements.

### Long-term Debt

The District has no long-term debt outstanding at June 30, 2023. The only liability reported in the current year is unearned revenue from grants paid in advance of grant expenditures. No liabilities were reported in the prior year.

Additional information regarding the District's long-term debt can be found in the notes to the basic financial statements.

### ECONOMIC FACTORS

The District is dependent on funding received through grants from several Federal, State and Local agencies. These agencies are able to provide funding based on funding levels, therefore, revenue received by the District will fluctuate. Revenues are expected increase during the next fiscal year due to upcoming projects that anticipate funding.

### REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided or requests for additional information should be addressed to Union Soil and Water Conservation District, 10507 McAlister Road, Room 7, La Grande, Oregon 97850.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Statement of Net Position - Modified Cash Basis**  
**June 30, 2023**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Petty cash	\$ 100
Cash and investments	513,242
Total current assets	513,342
Capital assets:	
Vehicles and equipment	53,329
Less: accumulated depreciation	(53,329)
Total capital assets	-
Total assets	513,342
<b>Deferred Outflows of Resources</b>	-
<b>Liabilities</b>	
Unearned revenue	112,423
<b>Deferred Inflows of Resources</b>	-
<b>Net Position</b>	
Restricted for specific grant programs	112,423
Unrestricted	288,496
Total net position	\$ 400,919

*(The accompanying notes are an integral part of these financial statements)*

**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Statement of Activities - Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2023**

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Receipts and Changes in Net Position Governmental Activities</u>
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental:					
Conservation district	\$ 1,325,756	\$ -	\$ 1,357,347	\$ -	\$ 31,591

**General revenues:**

Rent income	250
Miscellaneous income	568
Interest	103
Gain on Investments	2,352
Dividends	4,172
Total general revenues	<u>7,445</u>
Change in net position	39,036
Net position - beginning	<u>361,883</u>
Net position - ending	<u><u>\$ 400,919</u></u>

*(The accompanying notes are an integral part of these financial statements)*

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## **FUND FINANCIAL STATEMENTS**

**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Balance Sheet**  
**Modified Cash Basis - Governmental Fund**  
**June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
Petty cash	\$ 100	\$ -	\$ 100
Cash and investments	513,242	-	513,242
Due from general fund	-	6,899	6,899
Total assets	<u>513,342</u>	<u>6,899</u>	<u>520,241</u>
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	<u>\$ 513,342</u>	<u>\$ 6,899</u>	<u>\$ 520,241</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Unearned revenue	\$ -	\$ 112,423	\$ 112,423
Due to special revenue fund	6,899	-	6,899
Total liabilities	<u>6,899</u>	<u>112,423</u>	<u>119,322</u>
Deferred inflows of resources	-	-	-
Fund balance:			
Restricted	-	112,423	112,423
Unassigned	506,443	(217,947)	288,496
Total fund balance	<u>506,443</u>	<u>(105,524)</u>	<u>400,919</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 513,342</u>	<u>\$ 6,899</u>	<u>\$ 520,241</u>

*(The accompanying notes are an integral part of these financial statements)*



**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Modified Cash Basis - Governmental Fund**  
**For the Fiscal Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Revenues</b>			
Intergovernmental revenue:			
Grants BOR	\$ -	\$ 170,070	\$ 170,070
Grants BPA	-	487,669	487,669
Grants OWEB	-	508,866	508,866
Grants ODA	-	98,142	98,142
Grants ODFW	-	64,689	64,689
Grants Other	-	27,910	27,910
Miscellaneous income:			
Equipment rental income	250	-	250
Other income	568	-	568
Gain on Investments	2,352	-	2,352
Interest	103	-	103
Dividends	4,172	-	4,172
Total revenues	<u>7,445</u>	<u>1,357,346</u>	<u>1,364,791</u>
<b>Expenditures</b>			
Current:			
Bank Charge	399	-	399
Printing and copying	-	2,138	2,138
Dues and memberships	515	2,326	2,841
Employee benefits - health insurance	-	9,526	9,526
Insurance	1,330	2,999	4,329
Licenses, fees, permits	479	-	479
Travel and entertainment	-	2,275	2,275
Office supplies and postage	4	1,280	1,284
Project expense	-	1,051,345	1,051,345
Personnel	24,156	169,266	193,422
Payroll taxes	2,705	13,975	16,680
Professional services	-	13,675	13,675
Retirement	966	6,771	7,737
Rent	6,302	6,302	12,604
Utilities	525	3,290	3,815
Vehicle expense	1,117	-	1,117
Advertising	-	46	46
Supplies	1,051	-	1,051
Annual Meeting Expense	992	-	992
Indirect cost allocation	(59,464)	59,464	-
Total expenditures	<u>(18,923)</u>	<u>1,344,678</u>	<u>1,325,755</u>
Net change in fund balance	26,368	12,668	39,036
Fund balance - beginning	<u>480,075</u>	<u>(118,192)</u>	<u>361,883</u>
Fund balance - ending	<u>\$ 506,443</u>	<u>\$ (105,524)</u>	<u>\$ 400,919</u>

*(The accompanying notes are an integral part of these financial statements)*

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**NOTES TO BASIC FINANCIAL  
STATEMENTS**

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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**Note 1 - Summary of Significant Accounting Policies:**

**Reporting Entity**

The entity was originally formed in April of 1946 as the Union Soil Conservation District. With changes in land boundaries and membership, the name was changed to the current Union Soil and Water Conservation District in May of 1962. Union Soil and Water Conservation District is a municipal corporation organized under the provisions of ORS Chapter 568 for the purpose of providing conservation services for land owners in Union County. The operations of the District are governed by a board of directors consisting of five elected board members. As provided by statute, members of the board of directors serve four year terms. The District receives funding from state and federal government sources and must comply with the requirements of these funding sources. The District is the basic level of government, and there are no component units, as defined in Governmental Accounting Standards Board (GASB) Statement 14, which are required to be included in the District's reporting entity.

As discussed later in Note 1 - Basis of Accounting, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from 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.

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange revenues.

**Fund Financial Statements**

Financial statements of the District are organized into two funds, considered to be a separate accounting entities. These funds are accounted for by providing a set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position, fund balance, revenues, and expenditures or expenses. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meet the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of the category or type.

The funds of the financial reporting entity are described below:

*General Fund* - The general fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities.

*Special Revenue Fund* - The special revenue fund is used to account for the proceeds for specific program revenue sources that are used for specific programs.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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In the fund financial statements, the “current financial resources” measurement focus, as applied to the modified cash basis of accounting, is used:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

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 statements of net position or balance sheets cash transactions or 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 reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**Financial Position**

**Investments**

Investments classified in the financial statements consist entirely of a fixed income fund and are stated at cost.

**Due From Other Funds or Governments**

Receivables and payables to other funds or governments arising from cash transactions or events are recorded in the financial statements as a modification to the cash basis of accounting.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Capital Assets**

The District’s modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the capital assets are reported in the government-wide or fund financial statements.

**Government-Wide Statements** - In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable.

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used for capital assets that have an initial useful life extending beyond a single reporting period. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment	5 - 10 years
Buildings	20 - 30 years

*Fund Financial Statements* - In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Net Position/Fund Balance Classifications

*Government-Wide Statements* - Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

*Fund Financial Statements* - In the governmental funds the difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. The constraints are defined as follows:

Nonspendable - Resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Restricted - Constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Reported when the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the Board approves which resources should be "reserved" during the adoption of the annual budget. The Office Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District's annual financial report.

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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Unassigned - The residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The District has no formal minimum fund balance policies or any formal stabilization arrangements in place.

**Revenues, Expenditures and Expenses**

*Program Revenues* - In the Statement of Activities, modified cash basis receipts that are derived directly from each activity are reported as program revenues. These include user fees and related receipts, operating grants and other operating revenues. All other governmental receipts are reported as general.

**Internal and Interfund Balances and Activities**

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

*Fund Financial Statements* - Interfund activity resulting from cash transactions or events, if any, within and among the governmental funds is reported as follows in the fund financial statements:

- 1) Interfund Loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- 2) Interfund Services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- 3) Interfund Reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- 4) Interfund Transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

*Government-Wide Financial Statements* - Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- 1) Internal Balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the Statement of Net Position.
- 2) Internal Activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities.

**Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**Budgets and Budgetary Accounting**

Budgets are prepared in accordance with the requirements of individual grants and as a management cost control tool. The District is exempt to the budget laws set forth in Oregon Revised Statute 294 because it was organized under ORS 568.

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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**Compensated Absences**

The District has no significant amount of vesting compensated absences at the fiscal year end. In accordance with the modified cash basis of accounting, the District recognizes these expenditures when the accrued time is taken.

**Note 2 - Compliance and Accountability:**

**Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

**Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances at year end, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Special Revenue Fund	\$ 105,524	Grant expenditures expected to be reimbursed

**Note 3 - Deposits and Investments:**

Deposits and Investments are comprised of the following at June 30, 2023:

Deposits with financial institutions	\$ 378,485
Investments	<u>134,857</u>
	<u>\$ 513,342</u>

Deposits and investments are reflected in the government-wide Statement of Net Position as follows:

Cash and investments	<u>\$ 513,342</u>
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**Deposits**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$379,714 at June 30, 2023. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

**Custodial Credit Risk - Deposits**

Custodial credit risk on deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. In order to minimize this risk, state statutes require banks holding public funds to become members of the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected.

All accounts are insured by FDIC up to \$250,000.



**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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**Investments**

At June 30, 2023, the District held 13,492.258 shares in Lord Abbot's Ultra Short Bond A Fund at a total cost of \$134,857. The Ultra Short Bond A Fund is a fixed income fund of securities with various maturities and ratings. Due to the high turnover, the average maturities and ratings of the holdings are unavailable. The average yield has been 1.98%.

Per the modified cash basis of accounting, investments are recognized at cost instead of fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the District uses various valuation approaches and establishes hierarchy for inputs used in measuring fair value that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs are inputs that reflect the District's assumptions about the assumptions other market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities the District has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily available and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following table sets forth by level within the fair value hierarchy, the District's investments at fair value as of June 30, 2023.

Level 1	Level 2	Level 3	Total
\$ 133,169	\$ -	\$ -	\$ 133,169

**Investments Policy**

The purpose of the District's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The District has delegated investment responsibilities to the Secretary, who is primarily responsible for implementing the investment policy.

**Credit Risk - Investments**

State statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's investment pool, among others. The District has no formal investment policy that further restricts its investment choices.

**Custodial Credit Risk - Investments**

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

**Concentration Risk**

The District does not have a formal policy that places a limit on the amount that may be invested in any one investment.

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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**Interest Rate Risk**

The District does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

**Note 4 - Capital Assets:**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	<u>Balance at July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2023</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Equipment	53,329	-	-	53,329
Less: accumulated depreciation:				
Equipment	<u>(53,329)</u>	<u>-</u>	<u>-</u>	<u>(53,329)</u>
Net capital assets - Governmental Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Conservation District	<u><u>\$ -</u></u>
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**Note 5 - Internal Balances:**

Internal balances at June 30, 2023, consist of the following receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General Fund	\$ -	\$ 6,899
Special Revenue Fund	\$ 6,899	\$ -

Interfund balances are to supplement funds operating a deficit. The \$6,899 due to the special revenue fund from the general fund is expected to be repaid within one year from the date of the financial statements.

**Note 6 - Grants:**

In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority to ensure compliance with conditions of the grant. Any liability for reimbursement which may arise as the result of a grantor audit is not believed to be material.

**Note 7 - Economic Dependency:**

A material part of the District's funding is dependent on contracts with the Bonneville Power Administration, United States Bureau of Reclamation, and Oregon Watershed Enhancement Board. Although these are not formal continuing contracts that assure funding beyond the annual contract period, the Organization has operated these contracts for a number of years.

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

**Note 8 - Leases:**

The District has entered into a lease for a copier machine for \$94 monthly, which contain cancellation provisions and are subject to annual appropriations. The District also has a lease for office space for \$3,151 quarterly, which is extended through 2024.

**Note 9 - Contributions to Pension Plan:**

The District provides pension benefits for all of its full-time employees through a defined contribution plan administered by the Variable Annuity Life Insurance Company (VALIC). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan assets are not insured. Employees are eligible to participate six months from the date of employment. Participation in the plan is voluntary. The District matches the first 4% contributed by the participant. The employer contributions for each employee are fully vested after three years of continuous service. Employee contributions vest immediately. The District's contributions for, and interest forfeited by, employees who leave during the vesting period are used to reduce the District's current period contribution requirement. The Board has the power and authority to adopt rules and regulations for the administration of the plan.

Total payroll for the fiscal year ended June 30, 2023 was \$193,422, and wages qualifying for pension plan contributions amounted to \$193,422. There were three employees covered under the plan during the fiscal year. Total pension plan contributions for the fiscal year ended June 30, 2023 amounted to \$20,959, of this amount \$13,222 was paid by the employees and \$7,737 by the District.

No contributions or interest earned was forfeited by employees due to leaving employment with the District prior to vesting for the fiscal year ended June 30, 2023.

The Plan is accounted for and reported under the requirements of GASB Statement No. 73 because no assets are accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any nonemployer contributing entities and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, and the Plan administrator.

The Plan does not meet the required criteria because the District's contributions are not irrevocable.

**Note 10 - Fund Balance Classifications:**

Fund balances by classification for the year ended June 30, 2023 were as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<u>Fund balances:</u>			
Restricted:			
Bureau of Reclamation	\$ -	\$ 39,854	\$ 39,854
Bonneville Power Administration	-	12,383	12,383
Oregon Watershed Enhancement Board	-	17,959	17,959
Other Projects	-	42,227	42,227
Unassigned	506,443	(217,947)	288,496
	<u>506,443</u>	<u>(217,947)</u>	<u>288,496</u>
Total fund balances	<u>\$ 506,443</u>	<u>\$ (105,524)</u>	<u>\$ 400,919</u>

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Notes to Basic Financial Statements**

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Deficit fund balance in the Special Revenue funds results from expenditures that are anticipated to be reimbursed. The District operates on the modified cash basis of accounting and expenditures are recorded when paid. Grants are paid on a reimbursement basis so the District pays expenditures prior to receiving reimbursement.

**Note 11 - Risk Management:**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and employee injury or illness for which the District carries commercial insurance, subject to customary deductibles and total coverage limits recommended by the District's insurance agent of record. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

## **SUPPLEMENTARY INFORMATION**

**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Schedule of Programs Funded by Outside Sources**  
**For the Fiscal Year Ended June 30, 2023**

	Fund Balance June 30, 2022	Revenue	Expenditures	Transfers & Adjustments	Fund Balance June 30, 2023
<b>Federal Source Transactions:</b>					
Bureau of Reclamation (BOR)					
CC-38 2018	\$ -	\$ 16,790	\$ 10,934	\$ (5,856)	\$ -
CC-38.5	(3,106)	-	-	-	(3,106)
BOR FOA 2018	(706)	7,880	5,245	(1,929)	-
Willow Creek Fish Passage	-	76,857	72,649	(4,208)	-
Grande Ronde Valley Study	(12)	6,818	10,019	-	(3,213)
Buffalo Flats Floodplain Planning (BOR)	-	101,580	73,719	(27,861)	-
<b>Total - BOR</b>	<b>(3,824)</b>	<b>209,925</b>	<b>172,566</b>	<b>(39,854)</b>	<b>(6,319)</b>
BPA					
80100 Red Mill Stage 1	-	1,276	-	(1,276)	-
Additional Free Willow	-	347,075	343,475	(3,595)	5
79670 Aiwahi Construction	(15,019)	-	-	-	(15,019)
Little Creek Diversions 5/6 TA	(24,404)	151,703	119,787	(7,512)	-
<b>Total - BPA</b>	<b>(39,423)</b>	<b>500,054</b>	<b>463,262</b>	<b>(12,383)</b>	<b>(15,014)</b>
USDA					
NRCS RCPP	(23,422)	-	-	-	(23,422)
<b>Total Federal Source Transactions:</b>	<b>(66,669)</b>	<b>709,979</b>	<b>635,828</b>	<b>(52,237)</b>	<b>(44,755)</b>
<b>State Source Transactions:</b>					
Oregon Watershed Enhancement Board (OWEB)					
OWEB Free Willow	(25,738)	14,994	-	-	(10,744)
OWEB Free Willow Construction	-	386,360	382,417	(3,943)	-
OWEB Kinsley Design	(47)	-	-	-	(47)
OWEB Kinsley Construction	(1,673)	-	-	-	(1,673)
OWEB USFS Clarke Creek Fence	-	1,628	-	(1,628)	-
Aiwahi Construction	(2,978)	-	-	-	(2,978)
Aiwahi Dry Creek	(847)	-	-	-	(847)
OWEB	-	1,176	-	(1,176)	-
OWEB 27-18-001	-	1,629	-	(1,629)	-
OWEB 27-18-002	-	2,037	-	(2,037)	-
OWEB 27-18-003	(30)	-	-	-	(30)
OWEB Redmill Reach Stage 1	-	3,661	-	(3,661)	-
OWEB CC38 Construction	-	107,638	110,026	-	(2,388)
OWEB CC38 Design	-	7,702	3,817	(3,885)	-
<b>Totals - OWEB</b>	<b>(31,313)</b>	<b>526,825</b>	<b>496,260</b>	<b>(17,959)</b>	<b>(18,707)</b>
Oregon Department of Agriculture (ODA)					
ODA SIA	(11,247)	-	3,277	-	(14,524)
ODA	-	30,771	-	(30,771)	-
ODA 19693	-	83,089	71,633	(11,456)	-
ODA 2013 10705	-	-	2	-	(2)
2019 ODA 17128	(8,963)	-	-	-	(8,963)
ODA DO	-	26,508	30,642	-	(4,134)
<b>Totals - ODA</b>	<b>(20,210)</b>	<b>140,368</b>	<b>105,554</b>	<b>(42,227)</b>	<b>(27,623)</b>
Oregon Department of Fish and Wildlife					
Royes Dam Fish Passage	-	64,689	79,128	-	(14,439)
<b>Total State Source Transactions:</b>	<b>(51,523)</b>	<b>731,882</b>	<b>680,942</b>	<b>(60,186)</b>	<b>(60,769)</b>
<b>Total Federal and State Source Transactions:</b>	<b>\$ (118,192)</b>	<b>\$ 1,441,861</b>	<b>\$ 1,316,770</b>	<b>\$ (112,423)</b>	<b>\$ (105,524)</b>

*(The accompanying notes are an integral part of these financial statements)*

**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Summary of Cash Transactions - All Funds**  
**For the Fiscal Year Ended June 30, 2023**

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	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance</u>
General Fund	\$ 448,353	\$ 33,398	\$ (31,591)	\$ 513,342
Special Revenue Fund	-	1,357,346	1,357,346	-
 Total Cash & Investments	<u>\$ 448,353</u>	<u>\$ 1,390,744</u>	<u>\$ 1,325,755</u>	<u>\$ 513,342</u>

*(The accompanying notes are an integral part of these financial statements)*

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**INDEPENDENT AUDITORS'  
REPORT**

## **Independent Auditors' Report Required by Oregon State Regulations**

Board of Directors  
Union Soil and Water Conservation District  
10507 McAlister Road  
La Grande, OR 97850

We have audited the basic financial statements of the Union Soil and Water Conservation District as of and for the year ended June 30, 2023, and have issued our report thereon dated October 26, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Union 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.**
- **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).**

The independent elected officials of Union Soil and Water Conservation District do not collect or receive money and are, therefore, not subject to requirements of OAR 162-10-140.

In connection with our testing nothing came to our attention that caused us to believe Union 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.

### **OAR 162-10-0230 Internal Control**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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, we did not identify any deficiencies in internal controls that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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. We consider the deficiency described in the schedule of findings and questioned costs as item 2023-01 to be a material weakness.

**Purpose of this Report**

This report is intended solely for the information and use of the board of directors and management of Union 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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC  
Certified Public Accountants

By Yvonne K. Roberts, CPA  
Yvonne K. Roberts, Owner/Member

La Grande, Oregon  
October 26, 2023

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**AUDIT DELIVERABLES REQUIRED  
BY THE SINGLE AUDIT ACT OF  
1996**

**UNION SOIL AND WATER CONSERVATION DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

Program Title	Grant Number	Federal Assistance Number	Federal Revenue	Total Federal Expenditures
<b>Direct Federal Programs:</b>				
<b>Bonneville Power Administration</b>				
BPA Little Creek Diversions 5/6 Tech Assistance	85944	81.XXX	\$ 151,703	\$ 119,787
BPA Free Willow/ Lower Willow Ck Fish Passage	85908	81.XXX	106,828	105,720
BPA Willow Creek Fish Passage Huber Dam	90574	81.XXX	240,245	237,755
<b>Total Bonneville Power Administration</b>			<u>498,776</u>	<u>463,262</u>
<b>Oregon Watershed Enhancement Board:</b>				
<b>Pacific Coast Salmon Recovery- Pacific Salmon Treaty Program</b>				
Catherine Creek River Mile 38 Stream Restoration	220-8205-17297	11.438	6,662	6,662
Catherine Creek River Mile 38 Stream Restoration	220-8205-18750	11.438	107,638	107,181
Lower Willow Creek Fish Passage Restoration	220-8205-18751	11.438	339,105	321,843
OWEB Free Willow Construction		11.438	47,255	47,255
<b>Total Oregon Watershed Enhancement Board</b>			<u>500,660</u>	<u>482,941</u>
<b>Bureau of Reclamation:</b>				
BOR Bureau of Reclamation		15.517	181,666	172,567
<b>U.S. Fish and Wildlife Service</b>				
USFWS US Fish & Wildlife Service		15.631	27,910	27,910
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 1,209,012</u>	<u>\$ 1,146,680</u>

**Union Soil and Water Conservation District**  
**Notes to Schedule of Expenditures of Federal Awards**

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**Note A - Purpose of the Schedule:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to the Union Soil and Water Conservation District's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Union Soil and Water Conservation District, it is not intended to and does not present either the financial position, results of operations, or changes in net assets of the Union Soil and Water Conservation District.

**Note B - Significant Accounting Policies:**

**Reporting Entity**

The reporting entity is fully described in Note 1 to the Union Soil and Water Conservation District's basic financial statements. The Schedule includes all federal programs administered by the Union Soil and Water Conservation District for the year ended June 30, 2023.

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Union Soil and Water Conservation District under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Union Soil and Water Conservation District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Union Soil and Water Conservation District.

**Federal Financial Assistance**

Pursuant to the Single Audit Act and Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the Union Soil and Water Conservation District and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

**Major Programs**

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major programs. Major programs for the Union Soil and Water Conservation District are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

**Basis of Accounting**

Federal awards are reported using the modified cash basis of accounting. Revenues and expenses are recorded when they result from cash transaction.

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Insurance Coverage**

For the fiscal year ended June 30, 2023, Union Soil and Water Conservation District had insurance coverage in effect comparable to other entities of similar size and circumstance.

**Indirect Cost Rate**

The Union Soil and Water Conservation District has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Directors  
Union Soil and Water Conservation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Union Soil and Water Conservation District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2023.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies in internal control may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Union Soil and Water Conservation District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC

Certified Public Accountants

By Yvonne K. Roberts, CPA  
Yvonne K. Roberts, CPA  
Owner/Member

La Grande, Oregon  
October 26, 2023

## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
Union Soil and Water Conservation District

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Union Soil and Water Conservation District (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC  
Certified Public Accountants

By Yvonne K. Roberts, CPA  
Yvonne K. Roberts, CPA  
Owner/Member

La Grande, Oregon  
October 26, 2023

**Union Soil and Water Conservation District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

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**A. Summary of Audit Results**

	<b>Results</b>
<b>Financial Statements Audit</b>	
1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
Were significant deficiencies disclosed?	Yes
Of the significant deficiencies disclosed were any material weaknesses?	Yes
3. Did the audit disclose any noncompliance material to the financial statements?	No
<b>Federal Awards</b>	
1. Type of auditor's report issued:	
<u>Major programs:</u>	
Bonneville Power Administration	
CFDA Number 81.XXX	Unmodified
2. Internal control over major programs:	
Were significant deficiencies disclosed?	No
Of the significant deficiencies disclosed were any material weaknesses?	N/A
3. Were any of the following disclosed in accordance with section 510(a) of Uniform Guidance?	
Significant deficiencies in internal control over major programs?	No
Material Noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to major programs?	No
Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program?	No
Known questioned costs which are greater than \$10,000 for a federal program which is not audited as a major program?	No
4. The threshold for distinguishing Types A and B programs:	\$ 750,000
5. Auditee qualified as a low-risk auditee	No

**B. Findings and Questioned Costs - Financial Statement Audit**

**2023-001 Material Weakness:** The District relies on us as the auditor to assist them in drafting the financial statements. In addition, we verify the financial statements, including note disclosures, contain all of the elements required to comply with generally accepted accounting principles. We do believe the District has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both *Government Auditing Standards* and Section 1.2 of the Code of Professional Conduct. However, our assistance in drafting the financial statements described above does produce a material weakness in the District's internal control system.

**Questioned Costs**  
None noted as a result of our audit procedures

**Union Soil and Water Conservation District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

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**Criteria:** Auditing standards require us to assess the internal control system of the entity. In addition, the standards clearly state that the auditor cannot be relied upon as part of the entity's control system. Statement on Auditing Standards, *Communicating Internal Control Related Matters Identified in an Audit* defines the reporting requirements for internal Control related matters. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

**Condition:** Our assistance in drafting the financial statements described above produces a significant deficiency in the District's internal control system.

**Cause:** This condition is caused by the office manager's limited education and experience with the generally accepted accounting principles. Union Soil and Water Conservation District's personnel are unable to prepare the financial statements and related note disclosures without a likely material misstatement being prevented, or detected and corrected, on a timely basis; therefore, the entity relies on us, as the auditors, to assist them in drafting the financial statements and related notes.

**Effect:** Since the financial statements and related note disclosures are prepared by independent auditors annually, there is no effect caused by this condition.

**Context:** Although the condition results in a finding, the reader should be aware that it is not unusual for an entity to rely on its auditors to assist them in drafting the financial statements and related note disclosures.

**Recommendation:** We do not recommend any change in the preparation of the financial statements, but the Board of Directors should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

**Views of Responsible Officials and Planned Corrective Actions:** As recommended above, Union Soil and Water Conservation District has not made any change in the preparation of the financial statements. The District does not feel it is cost effective to hire additional staff or an independent contractor to prepare the financial statements.

**Union Soil and Water Conservation District  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2023**

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None noted as a result of our audit procedures.