

# UNION SOIL & WATER CONSERVATION DISTRICT

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## ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2021





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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	2022
Paul Boehne	Vice-Chairman	At-Large	2024
Curt Ricker	Treasurer	At-Large	2024
Doug Watts	Secretary	Zone 3	2024
Fred Wallender	Director	Zone 2	2022

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  
Union Soil & Water Conservation District  
10507 McAlister Road  
La Grande, OR 97850

### Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities and each major fund of Union Soil & Water Conservation District, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 of 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 auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Union Soil & Water Conservation District, as of June 30, 2021, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements that 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 opinions are not modified with respect to this matter.

### Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise Union Soil & Water Conservation District's basic financial statements. The introductory section, management's



discussion and analysis and other financial schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other financial schedules were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The other financial schedules have 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 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.

The introductory section and management's discussion and analysis have 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 such information.

### **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 20, 2021 on our consideration of Union Soil & 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 Roberts, CPA  
Owner/Member

October 20, 2021  
La Grande, Oregon

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

**UNION COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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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, 2021. The information should be read in conjunction with the financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- The District's total assets increased by \$21,218 to \$441,153.
- The District's total liabilities increased by \$24,267 to \$66,661.
- The District's net position decreased by \$3,049 to \$374,492.
- The District's revenue increased by \$22,916 to \$495,231.

**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. The receipts and disbursements are presented by function. All changes in net position are reported as soon as the related cash flow occurs.

**Fund Financial Statements**

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

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 decreased by \$3,049. The following is a condensed version of the government-wide statement of net position.

	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2021</b>
Cash and Investments	\$ 416,353	\$ 440,641
Capital Assets, Net of Accumulated Depreciation	3,582	512
Total Assets	<u>419,935</u>	<u>441,153</u>
Deferred Outflows of Resources	-	-
Total Liabilities	<u>42,394</u>	<u>66,661</u>
Deferred Inflows of Resources	-	-
Net Position:		
Net Investment in Capital Assets	3,582	512
Restricted	42,394	66,661
Unrestricted	331,565	307,319
Total Net Position	<u>\$ 377,541</u>	<u>\$ 374,492</u>

Unrestricted net position that can be used to finance day-to-day operations decreased by \$24,246. Restricted net position increased by \$24,267 due to unearned revenues. Net investment in capital assets decreased by \$3,070 which was current year depreciation expense.

### Changes in Net Position

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

	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2021</b>
Program Revenues		
Operating grants	\$ 466,506	\$ 486,788
General Revenues		
Interest Income	97	57
Dividend Income	2,389	540
Rent Income	2,800	700
Miscellaneous Income	523	7,146
Total Revenues	<u>472,315</u>	<u>495,231</u>
Expenses	<u>490,666</u>	<u>498,280</u>
Change in Net Position	(18,351)	(3,049)
Net Position - Beginning	395,892	377,541
Net Position - Ending	<u>\$ 377,541</u>	<u>\$ 374,492</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, 2021, the District's General Fund reported an ending fund balance of \$542,288 which was an increase of \$16,461 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 \$512 in capital assets net of depreciation at June 30, 2021 allocated as follows:

	<b>Year Ended June 30,</b>	
	<b>2020</b>	<b>2021</b>
Equipment and vehicles	3,582	512

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, 2021. 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 different Federal, State and Local agencies. These agencies are only able to provide funding based on their funding levels. Therefore, revenue received by the District will fluctuate. It is anticipated that revenues will 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, 10508 McAlister Road, Room 7, La Grande, Oregon 97850.

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## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Statement of Net Position - Modified Cash Basis**  
**June 30, 2021**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Petty cash	\$ 100
Cash and investments	440,541
Total current assets	440,641
Capital assets being depreciated, net	512
Total assets	441,153
<b>Deferred Outflows of Resources</b>	-
<b>Liabilities</b>	
Unearned revenue	66,661
<b>Deferred Inflows of Resources</b>	-
<b>Net Position</b>	
Net investment in capital assets	512
Restricted	66,661
Unrestricted	307,319
Total net position	\$ 374,492

*(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, 2021**

<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	\$ 498,280	\$ -	\$ 486,788	\$ -	\$ (11,492)

**General revenues:**

Rent income	700
Miscellaneous income	7,146
Dividend income	540
Interest income	57
Total general revenues	<u>8,443</u>
Change in net position	(3,049)
Net position - beginning	<u>377,541</u>
Net position - ending	<u><u>\$ 374,492</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, 2021**

	<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	440,541	-	440,541
Due from special revenue fund	101,647	-	101,647
Total assets	542,288	-	542,288
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	<u>\$ 542,288</u>	<u>\$ -</u>	<u>\$ 542,288</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Unearned revenue	-	66,661	66,661
Due to general fund	-	101,647	101,647
Total liabilities	-	168,308	168,308
Deferred inflows of resources	-	-	-
Fund balance:			
Restricted		66,661	66,661
Unassigned	542,288	(234,969)	307,319
Total fund balance	<u>542,288</u>	<u>(168,308)</u>	<u>373,980</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 542,288</u>	<u>\$ -</u>	<u>\$ 542,288</u>

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

**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Reconciliation of The Governmental Fund Balance Sheet**  
**to the Statement of Net Position - Modified Cash Basis**  
**June 30, 2021**

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**Total fund balance for governmental fund** \$ 373,980

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Equipment	53,329	
Less: accumulated depreciation	<u>(52,817)</u>	<u>512</u>
<b>Total net position of governmental activities</b>		<b><u><u>\$ 374,492</u></u></b>

*(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, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Revenues</b>			
Intergovernmental revenue:			
Grants BOR	\$ -	\$ 174,076	174,076
Grants BPA	-	38,702	38,702
Grants OWEB	-	154,036	154,036
Grants ODA	-	118,351	118,351
Grants USDA	-	1,623	1,623
Miscellaneous income:			
Equipment rental income	700	-	700
Other income	7,146	-	7,146
Indirect cost allocation	63,911	-	63,911
Dividend income	540	-	540
Interest income	57	-	57
Total revenues	<u>72,354</u>	<u>486,788</u>	<u>559,142</u>
<b>Expenditures</b>			
Current:			
Training	-	109	109
Bank Charge	407	-	407
Printing and copying	-	2,535	2,535
Dues and memberships	-	2,021	2,021
Employee benefits - health insurance	-	13,257	13,257
Insurance	782	3,503	4,285
Licenses, fees, permits	150	1,235	1,385
Travel and entertainment	-	-	-
Office supplies and postage	6,919	3,502	10,421
Project expense	-	194,607	194,607
Personnel	26,453	168,239	194,692
Payroll taxes	2,870	14,172	17,042
Professional services	8,050	19,851	27,901
Retirement	1,051	5,172	6,223
Rent	6,303	6,302	12,605
Utilities	860	2,715	3,575
Vehicle expense	1,064	-	1,064
Advertising	531	-	531
Supplies	75	2,097	2,172
Other	1	-	1
Annual Meeting Expense	377	-	377
Indirect cost allocation	-	63,911	63,911
Total expenditures	<u>55,893</u>	<u>503,228</u>	<u>559,121</u>
Net change in fund balance	16,461	(16,440)	21
Fund balance - beginning	<u>525,827</u>	<u>(151,868)</u>	<u>373,959</u>
Fund balance - ending	<u>\$ 542,288</u>	<u>\$ (168,308)</u>	<u>\$ 373,980</u>

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



**UNION SOIL & WATER CONSERVATION DISTRICT**  
**Reconciliation of The Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of The Governmental Fund**  
**to the Statement of Activities - Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2021**

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**Net change in fund balance - total governmental fund** \$ 21

Governmental funds report capital outlays as disbursements. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay capitalized (\$0) exceeds depreciation (\$3,070) in the current period. (3,070)

**Change in net position of governmental activities** \$ (3,049)

*(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	\$ 168,308	Grant expenditures expected to be reimbursed

**Note 3 - Deposits and Investments:**

Deposits and Investments are comprised of the following at June 30, 2021:

Deposits with financial institutions	\$ 310,632
Investments	129,909
	\$ 440,541

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

Cash and investments	\$ 440,541
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**Deposits**

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$324,712 at June 30, 2021. 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, 2021, the District held 12,936.566 shares in Lord Abbot's Ultra Short Bond A Fund at a total cost of \$129,909. 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, 2021.

Level 1	Level 2	Level 3	Total
\$ 130,293	\$ -	\$ -	\$ 130,293

**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, 2021, was as follows:

	<u>Balance at July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2021</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Equipment	53,329	-	-	53,329
Less: accumulated depreciation:				
Equipment	<u>(49,747)</u>	<u>(3,070)</u>	<u>-</u>	<u>(52,817)</u>
Net capital assets - Governmental Activities	<u>\$ 3,582</u>	<u>\$ (3,070)</u>	<u>\$ -</u>	<u>\$ 512</u>

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

Conservation District	<u>\$ 3,070</u>
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**Note 5 - Internal Balances:**

Internal balances at June 30, 2021, consist of the following receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General Fund	\$ 101,647	\$ -
Special Revenue Fund	-	101,647

Interfund receivables are to supplement funds operating a deficit. The \$101,647 due to the general fund from the Special Revenue 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 Department of Agriculture, United States Bureau of Reclamation, Oregon Department of Agriculture, 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**

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**Note 8 - Operating Leases:**

The District has entered into an operating 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. The following is a schedule by year for the remaining four years which totals all future minimum lease payments under operating leases:

<u>Year ended June 30,</u>	<u>Governmental Funds</u>
2022	13,730
2023	13,730
2024	13,730
2025	657
	<u>\$ 41,847</u>

**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.

The total payroll for the fiscal year ended June 30, 2021 was \$194,692, and the amount of these wages qualifying for the pension plan contributions amounted to \$194,691. There were three employees covered under the plan during the fiscal year. The total pension plan contributions for the fiscal year ended June 30, 2021 amounted to \$17,646. Of this amount \$11,423 was paid by the employees and \$6,223 was paid 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, 2021.

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.

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

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**Note 10 - Fund Balance Classifications:**

Fund balances by classification for the year ended June 30, 2021 were as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<u>Fund balances:</u>			
Nonspendable:	\$ -	\$ -	\$ -
Restricted:			
Bureau of Reclamation	-	40,870	40,870
Buffalo Flats Floodplain	-	14,937	14,937
Oregon Watershed Enhancement Board	-	8,613	8,613
Other Projects	-	2,241	2,241
Unassigned	<u>542,288</u>	<u>(234,969)</u>	<u>307,319</u>
 Total fund balances	 <u>\$ 542,288</u>	 <u>\$ (168,308)</u>	 <u>\$ 373,980</u>

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, 2021**

	Balance June 30, 2020	Revenue	Expenditures	Transfers & Adjustments	Balance June 30, 2021
<b>Federal Source Revenue</b>					
Bureau of Reclamation (BOR)					
CC-38 2018	(7,200)	32,592	40,409		(15,017)
CC-38.5	(4,558)	12,219	5,487	(2,174)	-
BOR FOA 2018	(40,376)	108,469	91,311	(40,870)	(64,088)
Willow Creek Fish Passage	(6,785)	28,998	26,825	-	(4,612)
Grande Ronde Valley Study	-	1,516	1,449	(67)	-
Buffalo Flats Floodplain Planning (BOR)	(9,198)	48,330	23,815	(14,937)	380
<b>Total - BOR</b>	<b>(68,117)</b>	<b>232,124</b>	<b>189,296</b>	<b>(58,048)</b>	<b>(83,337)</b>
BPA					
80100 Red Mill Stage 1	(39,049)	40,325	-	-	1,276
79670 Aiwahi Construction	(15,019)	-	-	-	(15,019)
Little Creek Diversions 5/6 TA	-	-	29,852	-	(29,852)
<b>Total - BPA</b>	<b>(54,068)</b>	<b>40,325</b>	<b>29,852</b>	<b>-</b>	<b>(43,595)</b>
USDA					
NRCS RCPP	(23,422)	-	-	-	(23,422)
	(23,422)	-	-	-	(23,422)
<b>Total Federal Source Revenue</b>	<b>(145,607)</b>	<b>272,449</b>	<b>219,148</b>	<b>(58,048)</b>	<b>(150,354)</b>
<b>State Source Revenue</b>					
Oregon Watershed Enhancement Board (OWEB)					
OWEB Free Willow	(2,406)	41,402	64,734	-	(25,738)
OWEB Free Willow Construction	-	79,091	73,485	(5,606)	-
OWEB Kinsley Design	-	-	12,304	-	(12,304)
OWEB Kinsley Construction	-	-	985	-	(985)
Aiwahi Construction	(2,978)	-	-	-	(2,978)
Aiwahi Dry Creek	(847)	-	-	-	(847)
OWEB 27-16-008	-	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	-	5,014	1,353	(2,768)	893
OWEB CC38 Design	-	32,300	32,061	(239)	-
<b>Totals - OWEB</b>	<b>(6,261)</b>	<b>162,649</b>	<b>184,922</b>	<b>(8,613)</b>	<b>(37,147)</b>
Oregon Department of Agriculture (ODA)					
2017 ODA 15748	-	9,489	-	-	9,489
2019 ODA 17128	-	70,057	70,522	-	(465)
ODA DO	-	38,805	28,636	-	10,169
<b>Totals - ODA</b>	<b>-</b>	<b>118,351</b>	<b>99,158</b>	<b>-</b>	<b>19,193</b>
<b>Total State Source Revenue</b>	<b>(6,261)</b>	<b>281,000</b>	<b>284,080</b>	<b>(8,613)</b>	<b>(17,954)</b>
<b>Total All Sources</b>	<b>\$ (151,868)</b>	<b>\$ 553,449</b>	<b>\$ 503,228</b>	<b>\$ (66,661)</b>	<b>\$ (168,308)</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, 2021**

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	<b>Beginning Balance</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Ending Balance</b>
General Fund	\$ 373,959	\$ 72,354	\$ 5,672	\$ 440,641
Special Revenue Fund	-	486,788	486,788	-
Total	<u>\$ 373,959</u>	<u>\$ 559,142</u>	<u>\$ 492,460</u>	<u>\$ 440,641</u>

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

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**INDEPENDENT AUDITORS'  
REPORT REQUIRED BY OREGON  
STATE REGULATIONS**

## Independent Auditors' Report on Compliance and Internal Control Required by Oregon State Regulations

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

We have audited the basic financial statements of Union Soil & Water Conservation District as of and for the year ended June 30, 2021, and have issued our report thereon dated October 20, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Union Soil & 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

In connection with our testing nothing came to our attention that caused us to believe Union Soil & 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 & Water internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Soil & Water's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union Soil & Water's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, significant deficiencies may

exist that have not been identified. We identified a certain deficiency in internal control that we consider to be a material weakness, as described in a separate letter dated October 20, 2021.

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. We consider the deficiency described in a separate letter 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 & 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 specified parties.

Connected Professional Accountants, LLC  
Certified Public Accountants

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

La Grande, Oregon  
October 20, 2021