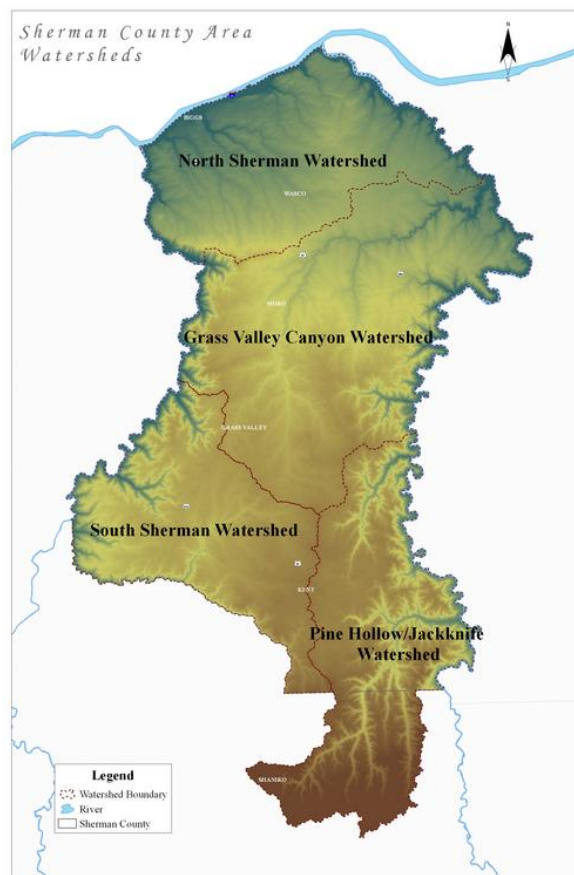


SHERMAN COUNTY SOIL AND WATER  
CONSERVATION DISTRICT

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021





SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**BOARD OF DIRECTORS AND OFFICIALS**  
June 30, 2021

BOARD OF DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Position</u>
Jesse Stutzman	PO Box 116 Wasco, OR 97065	Board Chair
Trevor Fields	75960 Highway 97 Wasco, OR 97065	Secretary
Clint Moore	96981 Monkland Ln Moro, OR 97039	Treasurer
Josh Hilderbrand	PO Box 2 Wasco, OR 97065	Vice Chair
Nick von Borstel	5713 von Borstel Rd Grass Valley, OR 97029	Member

ADMINISTRATIVE STAFF

Amanda Whitman	District Manager/Registered Agent
Hannah Fatland	Watershed Coordinator

PO Box 405  
Moro, OR 97039



SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon

**INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS**

June 30, 2021

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sherman County Soil & Water Conservation District  
Moro, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of Sherman County Soil & Water Conservation District, Moro, Oregon (the 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.

#### ***Qualified Opinion on the Governmental Activities***

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on governmental activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the district as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Unmodified Opinion on the Major Funds***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and Watershed Improvement Fund of the district as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the 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.

### ***Basis for Qualified Opinion on the Governmental Activities***

Management did not obtain an actuarial valuation for the implicit rate subsidy for retiree medical insurance coverage. This actuarial valuation was required as a part of the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result, no net OPEB liability/asset has been recorded for this implicit subsidy. The amount by which this departure would affect the assets, liabilities, net position, and expenses of the governmental activities has not been determined.

### ***Responsibilities of Management for the Financial Statements***

The district's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's 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 GAAS 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 GAAS, 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 the district's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

### ***Report on Summarized Comparative Information***

We have previously audited the district’s 2020 financial statements of the governmental activities and each major fund and we expressed a qualified opinion on governmental activities and an unmodified audit opinion on those audited financial statements in our report dated December 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects.

### ***Required Supplementary Information***

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

The budget to actual schedules for the General Fund and Watershed Improvement Fund, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Report on Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district’s basic financial statements. The accompanying combining and individual fund schedule and budgetary comparison schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 combining and individual fund schedule and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

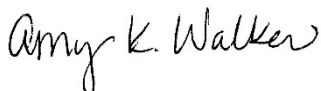
***Reports on Other Legal and Regulatory Requirements***

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated December 23, 2021, 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 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 the district's internal control over financial reporting and compliance.

*Other Reporting Required by Oregon Minimum Standards*

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 23, 2021, on our consideration of the 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.



For Solutions, CPAs PC  
John Day, Oregon  
December 23, 2021

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2021

As management of the Sherman County Soil and Water Conservation District (the district), we offer readers of the district's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements.

#### FINANCIAL HIGHLIGHTS

- In the government-wide statements, the assets of the district exceeded its liabilities as of June 30, 2021 by \$1,530,185. Of this amount, \$11,576 represents the district's net investment in capital assets, \$113,612 is restricted for special programs, and the balance of \$1,404,997 is unrestricted and available to meet the district's ongoing obligations to citizens and creditors.
- The district's total net position increased by \$72,351 primarily due to property taxes and SIP income.
- The district recognized \$217,082 of operating grant revenue, representing 55% of total revenue, and \$127,634 of property tax revenue, representing 33% of total revenue.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the district's basic financial statements. The district's basic financial statements consist of two components: 1) government-wide financial statements and 2) notes to basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business. These statements include:

**The Statement of Net Position:** The Statement of Net Position presents information on all of the assets and liabilities of the district at year end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

**The Statement of Activities:** The Statement of Activities presents information showing how the net position of the district changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the district's activities are shown in one category:

- **Governmental activities.** The district's activities are presented as governmental activities. These activities are primarily financed through intergovernmental revenue supplemented by charges for services and products.

The government-wide financial statements can be found on pages 11 through 12 of this report.

**Fund Financial Statements:** The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2021

for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district can be divided into one category: governmental funds.

**Governmental funds:** The 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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are reconciled to the government-wide Statements of Net Position and Statement of Activities.

The district maintains two individual governmental budgetary funds. Information is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Watershed Improvement Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

**Notes to Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 22 of this report.

**Required Supplementary Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the major governmental fund budget to actual statements. Required supplementary information can be found on pages 25 through 27 of this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the district, assets exceeded liabilities by \$1,530,185 at June 30, 2021, an increase of \$72,351 from the previous year.

Capital assets, which consist of the district's vehicles, and equipment, represent about 1.0 percent of total assets. The remaining assets consist of cash and receivables.

The district's liabilities consist primarily of accounts payable.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2021

	Governmental Activities	
	June 30, 2021	June 30, 2020
Current and other assets	\$ 1,533,872	\$ 1,458,643
Capital assets	11,576	15,438
Total assets	1,545,448	1,474,081
Current liabilities	15,263	16,247
Total liabilities	15,263	16,247
Net position:		
Invested in capital assets	11,576	15,438
Restricted	113,612	103,004
Unrestricted	1,404,997	1,339,392
Total net position	\$ 1,530,185	\$ 1,457,834

**Governmental Activities:** During the current fiscal year, the district's net position increased by \$72,351 compared to \$71,609 from the prior year. The key elements of the change in the district's net position for the year ended June 30, 2021 are as follows:

- Property taxes of \$217,082.
- Strategic investment program in lieu of taxes of \$36,010.

**Changes in Net Position  
For the year ended June 30, 2021**

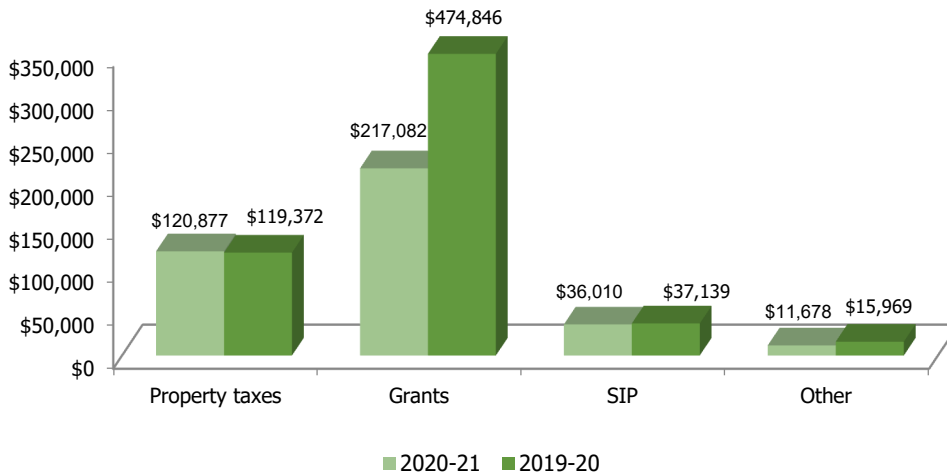
	Governmental Activities	
	June 30, 2021	June 30, 2020
<b>Revenues</b>		
Property taxes	\$ 127,634	\$ 118,703
Operating grants	217,082	474,847
SIP in lieu of taxes	36,010	37,139
Other	11,678	15,969
Total revenues	392,404	646,658
<b>Expenses</b>		
Watershed improvement	320,053	575,049
Total expenses	320,053	575,049
Increase in net position	72,351	71,609
Beginning net position	1,457,834	1,386,225
Ending net position	\$ 1,530,185	\$ 1,457,834

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2021

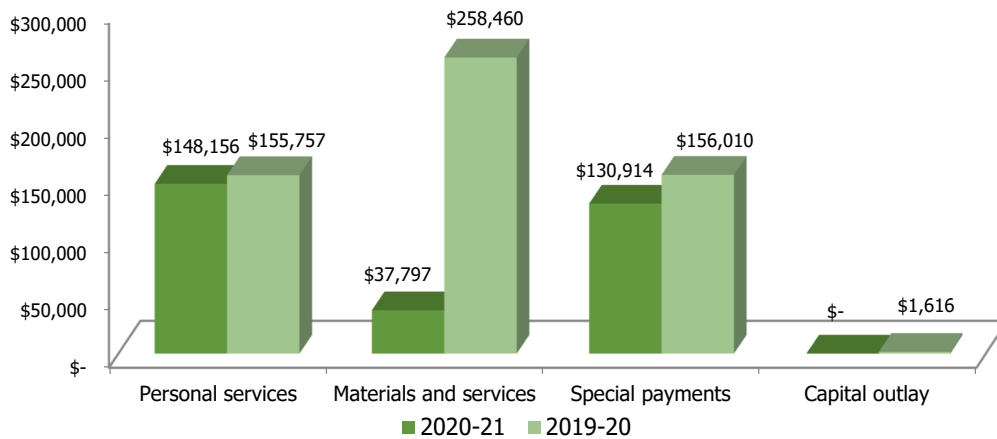
FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

At June 30, 2021, the district's General Fund reported an ending fund balance of \$1,398,550, an increase of \$58,173 in comparison with the prior year. \$499,945 of the ending fund balance is assigned to special projects and \$898,605 of the ending fund balance is unassigned, which is available for spending at the district's discretion.

**Revenue by Function - All Funds**



**Expenditures by Function - All Funds**



GENERAL FUND BUDGETARY HIGHLIGHTS

During the year the General Fund expenditures were under budget by \$334,200. Revenues received from property taxes, grants, and miscellaneous receipts were \$38,089 less than anticipated.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets:** The district's investment in capital assets includes vehicles and equipment. As of June 30, 2021, the district had invested \$11,576 in capital assets, net of accumulated depreciation.

During the year, the district's investment in capital assets decreased by \$3,863, net of depreciation. The decrease is the result of depreciation in excess of current year purchases and the removal of office and field equipment of \$4,099. Additional information on the district's capital assets can be found in note 3 on page 22 of this report.

**Long-Term Debt:** The district does not have any debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for the 2021-22 fiscal year has total appropriations of \$977,686 as compared to the 2020-21 fiscal year of \$1,104,183. This decrease can be attributed to decreased NRCS funding.

REQUESTS FOR INFORMATION

This financial report is designed to present the user (citizens, taxpayers, investors, and creditors) with a general overview of the district's finances and to demonstrate the district's accountability. Questions concerning any of the information provided in this report or requests for additional information can be obtained by calling the district's business office at (541) 565-3216 or by sending a written request to: Sherman County Soil and Water Conservation District, Business Office; PO Box 405; Moro, OR 97039.

## BASIC FINANCIAL STATEMENTS

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**STATEMENT OF NET POSITION**  
June 30, 2021  
(With Comparative Totals for 2020)

	Governmental Activities	
	June 30, 2021	June 30, 2020
<b>ASSETS</b>		
Cash with depositories	\$ 1,464,716	\$ 1,396,255
Property taxes receivable	8,447	1,690
Grants receivable	60,709	60,698
Capital assets, net of accumulated depreciation		
Equipment	11,576	15,438
Total capital assets	11,576	15,438
Total assets	1,545,448	1,474,081
<b>LIABILITIES</b>		
Accounts payable	6,870	9,253
Accrued liabilities	6,393	4,317
Accrued compensated absences	2,000	2,677
Total liabilities	15,263	16,247
<b>NET POSITION</b>		
Net investment in capital assets	11,576	15,438
Restricted for special programs	113,612	103,004
Unrestricted	1,404,997	1,339,392
Total net position	\$ 1,530,185	\$ 1,457,834

The Notes to Basic Financial Statements are an integral part of these statements.



SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT

Moro, Oregon

**STATEMENT OF ACTIVITIES**

For the Year Ended

June 30, 2021

(With Comparable Totals for 2020)

Functions	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position	
		Operating Grants and Contributions	June 30, 2021	June 30, 2020
Governmental activities				
Watershed improvement	\$ 320,053	\$ 217,082	\$ (102,971)	\$ (100,202)
Total governmental activities	<u>\$ 320,053</u>	<u>\$ 217,082</u>	<u>(102,971)</u>	<u>(100,202)</u>
General revenues				
Property taxes			127,634	118,703
SIP in lieu of taxes			36,010	37,139
Interest income			4,733	11,999
Other income			6,945	3,970
Total general revenues			<u>175,322</u>	<u>171,811</u>
Changes in net position			72,351	71,609
Net position - beginning			<u>1,457,834</u>	<u>1,386,225</u>
Net position - ending			<u>\$ 1,530,185</u>	<u>\$ 1,457,834</u>

The Notes to Basic Financial Statements are an integral part of these statements.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2021  
(With Comparable Totals for 2020)

	General Fund	Watershed Improvement Fund	Total	
			June 30, 2021	June 30, 2020
<b>ASSETS</b>				
Cash and investments	\$ 1,405,202	\$ 59,514	\$ 1,464,716	\$ 1,396,254
Grants receivable	-	60,709	60,709	60,698
Property taxes receivable	8,447	-	8,447	1,690
<b>Total assets</b>	<b>\$ 1,413,649</b>	<b>\$ 120,223</b>	<b>\$ 1,533,872</b>	<b>\$ 1,458,642</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 259	\$ 6,611	\$ 6,870	\$ 9,254
Accrued liabilities	6,393	-	6,393	4,317
<b>Total liabilities</b>	<b>6,652</b>	<b>6,611</b>	<b>13,263</b>	<b>13,571</b>
 <b>Deferred inflows of resources</b>				
Unavailable property tax revenue	8,447	-	8,447	1,690
<b>Total deferred inflows of resources</b>	<b>8,447</b>	<b>0</b>	<b>8,447</b>	<b>1,690</b>
 <b>Fund balance</b>				
Restricted	-	113,612	113,612	103,004
Assigned	499,945	-	499,945	509,728
Unassigned	898,605	-	898,605	830,649
<b>Total fund balance</b>	<b>1,398,550</b>	<b>113,612</b>	<b>1,512,162</b>	<b>1,443,381</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 1,413,649</b>	<b>\$ 120,223</b>	<b>\$ 1,533,872</b>	<b>\$ 1,458,642</b>

The Notes to Basic Financial Statements are an integral part of these statements.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION**  
June 30, 2021

<b>Total Fund Balances</b>		\$ 1,512,162
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 63,816	
Accumulated depreciation	(52,240)	11,576
A portion of the district's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		
		8,447
Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Compensated absences are not accrued in governmental funds, but rather are recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
		(2,000)
<b>Total Net Position</b>		<b>\$ 1,530,185</b>

The Notes to Basic Financial Statements are an integral part of these statements.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For the year ended  
June 30, 2021  
(With Comparable Totals for 2020)

	General Fund	Watershed Improvement Fund	Total	
			June 30, 2021	June 30, 2020
Revenues				
Operating grants	\$ 26,559	\$ 190,523	\$ 217,082	\$ 474,846
Property taxes	120,877	-	120,877	119,372
SIP in lieu of taxes	36,010	-	36,010	37,139
Other income	6,945	-	6,945	3,970
Interest income	4,733	-	4,733	11,999
Total revenues	<u>195,124</u>	<u>190,523</u>	<u>385,647</u>	<u>647,326</u>
Expenditures				
Current				
Personal services	54,959	93,197	148,156	155,757
Materials and services	20,468	17,329	37,797	258,460
Special payments	61,524	69,390	130,914	156,010
Capital outlay	-	-	-	1,616
Total expenditures	<u>136,951</u>	<u>179,916</u>	<u>316,867</u>	<u>571,843</u>
Excess of revenues over (under) expenditures and net change in fund balance	58,173	10,607	68,780	75,483
Fund balance at beginning of year	<u>1,340,377</u>	<u>103,005</u>	<u>1,443,382</u>	<u>1,367,898</u>
Fund balance at end of year - by category				
Restricted	-	113,612	113,612	103,004
Assigned	499,945	-	499,945	509,728
Unassigned	<u>898,605</u>	<u>-</u>	<u>898,605</u>	<u>830,649</u>
Fund balance at end of year - Total	<u>\$ 1,398,550</u>	<u>\$ 113,612</u>	<u>\$ 1,512,162</u>	<u>\$ 1,443,381</u>

The Notes to Basic Financial Statements are an integral part of these statements.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**  
For the Year Ended  
June 30, 2021

<b>Net Change in Fund Balance</b>		\$ 68,780
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. 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 depreciation exceeded capital outlay.</p>		
Less current year depreciation	\$ (3,862)	(3,862)
<p>Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.</p>		
		6,756
<p>Governmental funds report the effect of accrued compensated absences when paid. In the Statement of Activities, however, compensated absences are recognized when accrued. The change in compensated absences is recognized as an expense on the Statement of Activities.</p>		
		677
<b>Change in Net Position</b>		<b>\$ 72,351</b>

The Notes to Basic Financial Statements are an integral part of these statements.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

Note 1. Significant Accounting Policies

The Sherman County Soil and Water Conservation District (the district) is organized under the general laws of the State of Oregon to promote conservation techniques to sustain and restore the soil and local watershed areas. The administration of the district is vested in an elected five-member board of directors.

The district's annual financial report includes the accounts of all district operations. The following summary of significant accounting policies is presented to assist the reader in evaluating the district's financial statements.

A. The Reporting Entity

The district is a political subdivision of the state of Oregon. It is governed by an elected five-member board of directors. These financial statements present all the funds of the district.

In evaluating how to define the district for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibilities include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the district is able to exercise oversight responsibilities. The district currently has no component units that should be included in the reporting entity.

B. Basis of Presentation

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the district. These statements include the governmental financial activities of the overall district. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through property taxes and operating grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues are operating grants. Revenues that are not classified as program revenues are classified as general revenues, including property taxes and interest.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

Net position is reported as restricted when constraints placed on net position use are either externally restricted, imposed by creditors (such as through grantors, contributors, or laws) or through constitutional provisions or enabling resolutions.

**Fund Financial Statements**

The fund financial statements provide information about the district's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The district reports the following major governmental funds:

*General Fund* The General Fund is the primary operating fund of the district. Its purpose is to account for and report all general operations of the district. The principal revenue sources are property taxes, operating grants, and interest. Included in the General Fund are the budgeted funds, General Operation Reserve Fund and the Watershed Education Reserve Fund.

*Watershed Improvement Fund* The Watershed Improvement Fund accounts for grants received from various state and federal agencies. These grants vary in designated time limitations for utilization of the grant funds, and vary as to requirements that must be met as to how the funds are used. The grant fund purposes range from conservation and education to administrative and are handled according to the rules and regulations set forth by the granting agencies.

C. Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the district receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the district funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The district considers property taxes as available if they are collected within 60 days after

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

year-end. Expenditures are recorded when the related fund liability is incurred. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Capital Assets

Capital assets, which include property, equipment, and vehicles, are reported in the governmental activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the district as assets with initial, individual costs in excess of \$1,000 and a useful life in excess of one year.

Depreciation is provided in amounts sufficient to recover the cost of the depreciable assets over their estimated service lives on the straight-line basis. Depreciation on all assets is provided on the straight-line basis over estimated useful lives of 5-10 years.

E. Budgets and Budgetary Accounting

A budget is prepared for the district in accordance with the cash basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, special payments, capital outlay, and transfers by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at June 30.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the board of directors. The district does not utilize encumbrance accounting for budgeted funds.

F. Property Taxes Receivable

The district levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15 and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The district turns all tax collection duties over to Sherman County, Oregon. Property tax revenues are recognized when they are collected.



SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

G. Deposits and Investments

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a demand account.

Oregon statutes and local ordinances authorize the district to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho, and California, certain interest bearing bonds of a county, port or school district, certain interest bearing bonds on any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds.

H. Compensated Absences

Employees of the district are entitled to paid vacation and compensatory time depending on job classification and length of service. Accrued vacation and compensatory time accrue monthly and are only paid out upon separation from employment. An employee can carry forward a maximum of 240 hours of vacation and compensatory time.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles used in the United States 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.

J. Fund Balances

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable fund balance is the portion of net resources that cannot be spent because they are either (a) in a nonspendable form or (b) legally or contractually required to be maintained intact. Fund balance is reported as restricted when the constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the board of directors passes a resolution that places specific constraints on how the resources may be used. The board action that imposed the limitation would need to occur no later than the close of the reporting period. The board can modify or rescind the action at any time through passage of an additional resolution.

The net resources that are constrained by the district's intent to use them are reported as assigned fund balance. Intent is expressed when the board approves which resources

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

should be set aside for specific purposes during the adoption of the annual budget. The board and office manager use that information to determine whether those resources should be classified as assigned in the district's financial statements. Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

The district applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Prior Period Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the district's financial statements for the year ended June 30, 2020.

Note 2. Deposits

At June 30, 2021 the carrying amount of the district's deposits was \$1,464,716 and the bank balance was \$1,472,337. The district maintains depository relationships with area financial institutions that are Federal Depository Insurance Corporation (FDIC) insured institutions. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer's Oregon Public Funds Collateralization Program (PFCP) web site. Oregon Revised Statute Chapter 295 requires all Oregon bank depositories holding public fund deposits to maintain securities totaling a value not less than 110 percent of the greater of:

- a. All public funds held by the bank depository; or
- b. The average of the balances of public funds held by the bank depository, as shown on the last four immediately preceding treasurer reports.

Custodial credit risk is the risk that in the event of a financial institution failure, the district's deposits may not be returned to it. The district does not have a policy for custodial credit risk. However, the balances in excess of the FDIC insurance are considered collateralized by PFCP. As of June 30, 2021 the district had no balances exposed to custodial credit risk.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2021

Note 3. Changes in Capital Assets

The following is a summary of changes in capital assets:

<u>Capital assets</u>	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Office and field equipment	\$ 67,915	\$ -	\$ 4,099	\$ 63,816
	<u>67,915</u>	<u>0</u>	<u>4,099</u>	<u>63,816</u>
<u>Accumulated depreciation</u>				
Office and field equipment	52,476	3,863	4,099	52,240
	<u>52,476</u>	<u>3,863</u>	<u>4,099</u>	<u>52,240</u>
Capital assets, net	<u>\$ 15,439</u>	<u>\$ (3,863)</u>	<u>\$ 0</u>	<u>\$ 11,576</u>

Note 4. Changes in Long-Term Debt

The only long-term debt of the district is the accrued compensated absences (accrued vacation and compensatory time). The balance as of June 30, 2021 was \$2,000 compared to \$2,677 for the prior year.

Note 5. Risk Management

The district is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; natural disasters for which the district carries commercial insurance. The district does not engage in risk financing activities where the risk is retained (self-insurance). Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Note 6. Commitments and Contingencies

Amounts received from grantor agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the district. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although district management expects such amounts, if any, to be immaterial.

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REQUIRED SUPPLEMENTARY INFORMATION

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - Cash Basis**  
**GENERAL FUND**  
For the Year Ended  
June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Operating grants	\$ 26,559	\$ 52,337	\$ 52,337	\$ 25,778
Property taxes	126,250	118,749	118,749	(7,501)
SIP in lieu of taxes	36,010	41,000	41,000	4,990
Interest	4,733	15,000	15,000	10,267
Other income	6,945	11,500	11,500	4,555
Total revenues	<u>200,497</u>	<u>238,586</u>	<u>238,586</u>	<u>38,089</u>
Expenditures				
Personal services	52,883	88,354	88,354	35,471
Materials and services	20,530	41,000	41,000	20,470
Capital outlay	-	40,000	40,000	40,000
Special payments	51,741	90,000	90,000	38,259
Contingency	-	200,000	200,000	200,000
Total expenditures	<u>125,154</u>	<u>459,354</u>	<u>459,354</u>	<u>334,200</u>
Excess of revenues over (under) expenditures	75,343	(220,768)	(220,768)	(296,111)
Other financing sources (uses)				
Transfers out	-	(8,000)	(8,000)	(8,000)
Net change in fund balance	75,343	(228,768)	(228,768)	(304,111)
Fund balance, July 1	<u>829,914</u>	<u>396,027</u>	<u>396,027</u>	<u>(433,887)</u>
Fund balance, June 30	905,257	<u>\$ 167,259</u>	<u>\$ 167,259</u>	<u>\$ (737,998)</u>
Reconciliation to fund basis:				
Accounts payable	(259)			
Accrued liabilities	<u>(6,393)</u>			
Modified accrual fund balance	<u>\$ 898,605</u>			

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - Cash Basis**  
**WATERSHED IMPROVEMENT FUND**  
For the Year Ended  
June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Operating grants	\$ 185,139	\$ 386,197	\$ 386,197	\$ 201,058
Total revenues	<u>185,139</u>	<u>386,197</u>	<u>386,197</u>	<u>201,058</u>
Expenditures				
Personal services	93,197	117,032	117,032	23,835
Materials and services	16,949	47,500	47,500	30,551
Special payments	72,092	227,297	227,297	155,205
Contingency	-	60,000	60,000	60,000
Total expenditures	<u>182,238</u>	<u>451,829</u>	<u>451,829</u>	<u>269,591</u>
Excess of revenues over (under) expenditures and net change in fund balance	2,901	(65,632)	(65,632)	(68,533)
Fund balance, July 1	<u>56,613</u>	<u>81,591</u>	<u>81,591</u>	<u>24,978</u>
Fund balance, June 30	59,514	<u>\$ 15,959</u>	<u>\$ 15,959</u>	<u>\$ (43,555)</u>
Reconciliation to fund basis:				
Accounts receivable	60,709			
Accounts payable	<u>(6,611)</u>			
Modified accrual fund balance	<u>\$ 113,612</u>			

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**  
For the Year Ended  
June 30, 2021

In accordance with Oregon Revised Statutes, the board of directors annually adopts a budget following required public notice and hearing. The budget may be amended during the year through statutorily prescribed procedures. The district's budget is prepared on the cash basis of accounting. Appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon major classes of expenditures known as functions within each fund. The functions include: personal services, materials and services, special payments, capital outlay and contingencies. The district approved several changes to the adopted budget during the year.

During the year ended June 30, 2021 disbursements in the General Fund and Watershed Improvement Fund were within certified budget amounts.



SUPPLEMENTARY SCHEDULES

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**COMBINING BALANCE SHEET - GENERAL FUND**  
June 30, 2021

	General Fund	General Operating Reserve Fund	Watershed Education Reserve Fund	Total June 30, 2021
<b>ASSETS</b>				
Cash and investments	\$ 905,257	\$ 465,000	\$ 34,945	\$ 1,405,202
Property taxes receivable	8,447	-	-	8,447
Total assets	\$ 913,704	\$ 465,000	\$ 34,945	\$ 1,413,649
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 259	\$ -	\$ -	\$ 259
Accrued liabilities	6,393	-	-	6,393
Total liabilities	6,652	0	0	6,652
<b>Deferred inflows of resources</b>				
Unavailable property tax revenue	8,447	-	-	8,447
Total deferred inflows of resources	8,447	0	0	8,447
<b>Fund balance</b>				
Assigned	-	465,000	34,945	499,945
Unassigned	898,605	-	-	898,605
Total fund balance	898,605	465,000	34,945	1,398,550
Total liabilities, deferred inflows of resources, and fund balance	\$ 913,704	\$ 465,000	\$ 34,945	\$ 1,413,649

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
For the year ended  
June 30, 2021

	General Fund	General Operating Reserve Fund	Watershed Education Reserve Fund	Total June 30, 2021
Revenues				
Operating grants	\$ 26,559	\$ -	\$ -	\$ 26,559
Property taxes	120,877	-	-	120,877
Strategic investment program in lieu of taxes	36,010	-	-	36,010
Other income	6,945	-	-	6,945
Interest income	4,733	-	-	4,733
Total revenues	<u>195,124</u>	<u>0</u>	<u>0</u>	<u>195,124</u>
Expenditures				
Personal services	54,959	-	-	54,959
Materials and services	20,468	-	-	20,468
Special payments	51,741	-	9,783	61,524
Total expenditures	<u>127,168</u>	<u>0</u>	<u>9,783</u>	<u>136,951</u>
Excess of revenues over (under) expenditures and net changes in fund balances	67,956	0	(9,783)	58,173
Fund balance at beginning of year	<u>830,649</u>	<u>465,000</u>	<u>44,728</u>	<u>1,340,377</u>
Fund balance at end of year - by category				
Assigned	-	465,000	34,945	499,945
Unassigned	898,605	-	-	898,605
Fund balance at end of year - Total	<u>\$ 898,605</u>	<u>\$ 465,000</u>	<u>\$ 34,945</u>	<u>\$ 1,398,550</u>

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - Cash Basis**  
**GENERAL OPERATING RESERVE FUND**  
For the Year Ended  
June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Operating grants	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Personal services	-	100,000	100,000	100,000
Special payments	-	70,000	70,000	70,000
Total expenditures	<u>0</u>	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>
Excess of revenues over (under) expenditures and net change in fund balance	0	(170,000)	(170,000)	(170,000)
Fund balance, July 1	<u>465,000</u>	<u>724,500</u>	<u>724,500</u>	<u>259,500</u>
Fund balance, June 30	<u>\$ 465,000</u>	<u>\$ 554,500</u>	<u>\$ 554,500</u>	<u>\$ 89,500</u>

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - Cash Basis**  
**WATERSHED EDUCATION RESERVE FUND**  
For the Year Ended  
June 30, 2021

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Operating grants	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Special payments	9,783	15,000	15,000	5,217
Total expenditures	<u>9,783</u>	<u>15,000</u>	<u>15,000</u>	<u>5,217</u>
Excess of revenues over (under) expenditures	(9,783)	(15,000)	(15,000)	(5,217)
Other financing sources (uses)				
Transfers in	-	8,000	8,000	8,000
Net change in fund balance	(9,783)	(7,000)	(7,000)	2,783
Fund balance, July 1	44,728	44,000	44,000	(728)
Fund balance, June 30	<u>\$ 34,945</u>	<u>\$ 37,000</u>	<u>\$ 37,000</u>	<u>\$ 2,055</u>

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INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS**

Board of Directors  
Sherman County Soil and Water Conservation District  
Moro, Oregon

We have audited, 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, the basic financial statements of Sherman County Soil and Water Conservation District (the district) as of and for the year ended June 30, 2021, and have issued our report thereon dated December 23, 2021.

**COMPLIANCE**

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

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

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



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

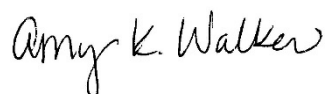
### **OAR 162-10-0280 INTERNAL CONTROL**

In planning and performing our audit of the financial statements, we considered the district's internal control over financial reporting to determine the 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. Deficiencies in internal control, in any, were communicated separately.

Our 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* dated December 23, 2021, is presented under separate cover.

### **RESTRICTIONS ON USE**

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



For Solutions, CPAs PC  
John Day, Oregon  
December 23, 2021



# Oregon Secretary of State – Audits Division

## Summary of Revenues and Expenditures

<b>A. Municipal corporation information</b>			
Municipality name: <u>Sherman County Soil and Water Conservation District</u>			
Address line 1: <u>PO Box 405</u>	Reporting period: From <u>07/01/2020</u>	To <u>06/30/2021</u>	
Address line 2: _____	City, state, ZIP: <u>Moro</u> <u>OR</u> <u>97039</u>		
Check if new address: <input type="checkbox"/>	Report type: <u>Audit</u>	Opinion issued: <u>Qualified</u>	
If this is the final report, please enter the last date of operations: _____		Basis of accounting: <u>GAAP</u>	

<b>B. Financial statement audit – Reported deficiencies</b>	
1. Regarding internal controls over financial reporting, how many significant deficiencies and material weaknesses were reported? <u>1</u>	3. How were deficiencies communicated? Check all that apply. <input checked="" type="checkbox"/> Report issued in accordance with Government Auditing Standards <input type="checkbox"/> Communication in accordance with Statements on Auditing Standards AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit" <input type="checkbox"/> Other (specify communication): _____ <input type="checkbox"/> No deficiencies
2. Of those control deficiencies reported, how many resulted in the following: Accounting errors/Misstatements: <u>0</u> Noncompliance: <u>0</u>	Per OAR 162-010-0230, a copy must be filed with Secretary of State.

### C. Summary of revenues and expenditures

Revenues and/or receipts		Expenditures and/or disbursements	
a. Revenues from government-wide statement of activities:	\$ 392,404	a. Expenditures from government-wide statement of activities:	\$ 320,053
b. Fiduciary fund additions:		b. Fiduciary fund deductions:	
<b>c. Gross revenues subtotal (a + b):</b>	<b>\$ 392,404</b>	<b>c. Gross expenditures subtotal (a + b):</b>	<b>\$ 320,053</b>
d. Revenues of component units:		d. Component unit expenditures reported with primary government:	
e. Taxes, assessments and other collections to be distributed to other governments:		e. Turnovers to other municipal corporations:	
<b>f. Exempt revenue subtotal (d + e):</b>	<b>\$ 0</b>	<b>f. Exempt expenditures subtotal (d + e):</b>	<b>\$ 0</b>
<b>g. Net revenues (c – f):</b>	<b>\$ 392,404</b>	<b>g. Net expenditures (c – f):</b>	<b>\$ 320,053</b>

**D. Filing fee:** \$ 150

<b>E. Submitted by</b>	
Auditor name: <u>AMY K WALKER</u>	Municipal license number: <u>1604</u>
Firm name: <u>SOLUTIONS, CPAS PC</u>	Date: <u>12/23/2021</u>
Municipal contact name, title: <u>AMANDA WHITMAN, DISTRICT MANAGER</u> Municipal phone: <u>(541) 565-3216</u>	

Within 30 days of delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Audits Division, and one copy must be delivered to the municipal corporation. If deficiencies are communicated in a separate letter or in a report issued in accordance with *Government Auditing Standards*, a copy of that communication must also be filed. (OAR 162-010-0230)

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

**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***

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sherman County Soil and Water Conservation District  
Moro, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sherman County Soil and Water Conservation District (the 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, and have issued our report thereon dated December 23, 2021. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. 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 *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 the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

### Compliance and Other Matters

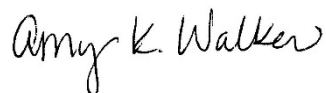
As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified 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. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. See Independent Auditor's Report Required by Oregon State Regulations for instances of noncompliance, if any, with matters related to Oregon statutes.

### District's Response to Findings

The district's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 it.

### 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.



For Solutions, CPAs PC  
John Day, Oregon  
December 23, 2021

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SCHEDULE OF FINDINGS AND RESPONSES

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Moro, Oregon  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2021

**MATERIAL WEAKNESS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**2021-001**

**Financial Statement Preparation**

*Criteria:* The financial statements are the responsibility of the district's management, including the prevention or detection of material misstatements in the presentation and disclosure of the financial statements. Non-attest services performed by the auditor in the preparation of the financial statements cannot be considered compensating controls.

*Condition:* The district engages their auditors to provide non-attest services for the preparation of its financial statements. Although common for municipalities the size of the district, this condition represents a control deficiency over the financial reporting process that is required to be reported under professional standards as long as management makes all financial reporting decisions, and accepts responsibility for the content of the financial statements. However, those activities performed by the auditor are not a substitute for, or extension of, internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

*Cause:* The district's accounting personnel do not possess the advanced training that would provide the expertise necessary to prepare the financial statements and related notes in accordance with GAAP, and therefore may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by GAAP.

*Effect:* Material misstatement in the preparation and disclosure of the financial statements in accordance with GAAP may not be prevented or detected. Misstatements in financial statements include not only misstated dollar amounts, but also the omission of disclosures required under GAAP.

*Recommendations:* We understand that it may not be practical to acquire or allocate the internal resources to perform all of the controls necessary over financial reporting. However, management (including the Board of Directors) should mitigate this deficiency by keeping informed about the district's internal controls, performing supervisory reviews, studying the financial statements and related footnote disclosures, and understanding its responsibility for the financial statements as a whole.

This deficiency is related specifically to the preparation of GAAP basis financial statements and does not adversely affect the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with their budget basis of accounting.

*Responsible Official's Response:* We understand the importance of risk management and the need to address risks in an informed, cost-beneficial way. As a result of our cost-benefit analysis we have determined the value of incurring the additional expense of hiring a staff person or another firm to prepare our financial statements does not justify the cost.