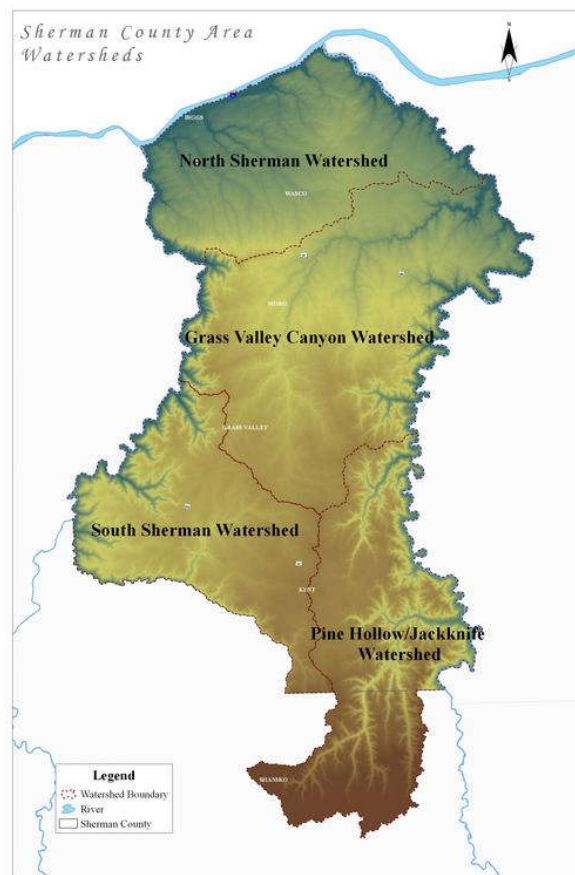


SHERMAN COUNTY SOIL AND WATER
CONSERVATION DISTRICT

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

For the Year Ended June 30, 2020



SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2020

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
Jesse Stutzman	PO Box 116 Wasco, OR 97065	Chair Zone 1
Trevor Fields	75960 Highway 97 Wasco, OR 97065	Director Zone 2
Thad Eakin	63793 Fairview Road Moro, OR 97037	Director Zone 3
Clint Moore	72214 Oehman Road Wasco, OR 97065	Treasurer At Large 1
Josh Hilderbrand	PO Box 2 Wasco, OR 97065	Vice Chair At Large 2
Amanda Whitman		District Manager/Registered Agent
Emily Freilich		Watershed Coordinator
	PO Box 405 Moro, OR 97039	

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SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
**INDEPENDENT AUDITOR’S REPORT AND
FINANCIAL STATEMENTS**
June 30, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) qualified audit opinion on the governmental activities; and (2) unmodified audit opinion on each major fund.

Basis for Qualified Opinion on 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.

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, 2020, 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, 2020, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the district's 2019 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed a qualified audit opinion on the governmental activities, and an unmodified audit opinion on the major funds and aggregate remaining fund information in our report dated November 27, 2019. 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, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 management's discussion and analysis 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 and 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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.

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 schedules, and the 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

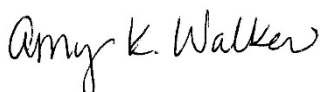
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2020, on our consideration of the district's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 28, 2020, 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 28, 2020

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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, 2020. 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, 2020 by \$1,457,834. Of this amount, \$15,438 represents the district's net investment in capital assets, \$103,004 is restricted for special programs, and the balance of \$1,339,392 is unrestricted and available to meet the district's ongoing obligations to citizens and creditors.
- The district's total net position increased by \$71,609 primarily due to property taxes and SIP income.
- The district recognized \$474,847 of operating grant revenue, representing 73% of total revenue, and \$118,703 of property tax revenue, representing 18.4% 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, 2020

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 2 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 \$1,457,834 at June 30, 2020, an increase of \$71,609 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, 2020

Net Position at June 30, 2020

	Governmental Activities	
	June 30, 2020	June 30, 2019
Current and other assets	\$ 1,458,643	\$ 1,394,302
Capital assets	15,438	18,944
Total assets	1,474,081	1,413,246
Current liabilities	16,247	27,021
Total liabilities	16,247	27,021
Net position:		
Invested in capital assets	15,438	18,944
Restricted	103,004	100,134
Unrestricted	1,339,392	1,267,147
Total net position	\$ 1,457,834	\$ 1,386,225

Governmental Activities. During the current fiscal year, the district's net position increased by \$71,609 representing an increase of 5.2 percent from the prior year. The key elements of the change in the district's net position for the year ended June 30, 2020 are as follows:

- Property taxes of \$118,703.
- Strategic investment program in lieu of taxes of \$37,139.

**Changes in Net Position
For the year ended June 30, 2020**

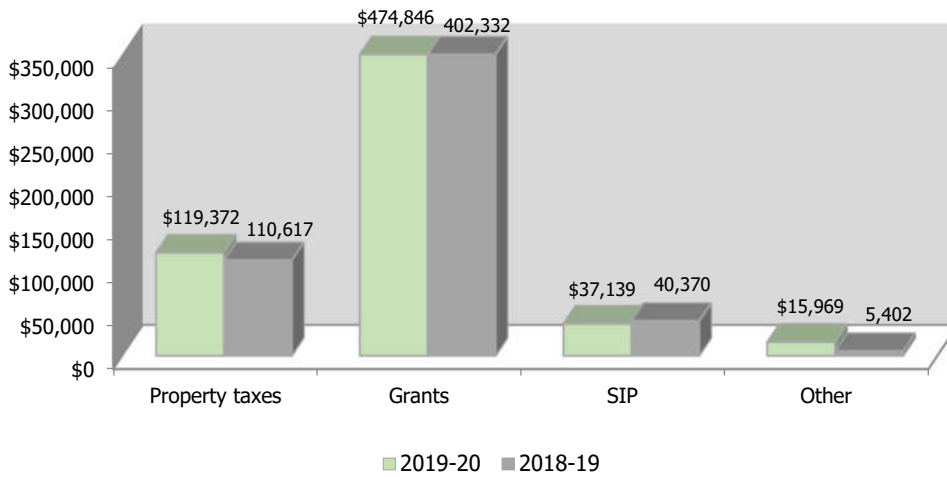
	Governmental Activities	
	June 30, 2020	June 30, 2019
Revenues		
Property taxes	\$ 118,703	\$ 110,617
Operating grants	474,847	402,332
SIP in lieu of taxes	37,139	40,370
Other	15,969	5,402
Total revenues	646,658	558,721
Expenses		
Watershed improvement	575,049	491,598
Total expenses	575,049	491,598
Increase in net position	71,609	67,123
Beginning net position	1,386,225	1,319,102
Ending net position	\$ 1,457,834	\$ 1,386,225

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

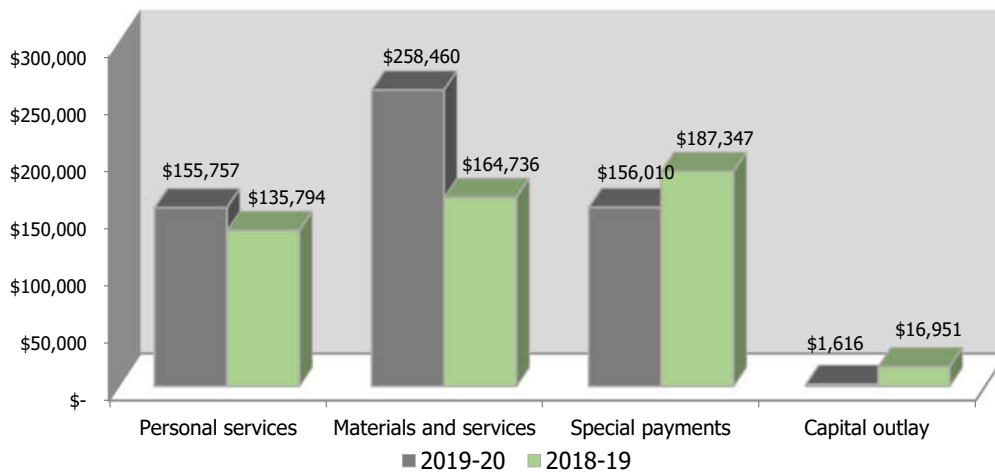
FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

At June 30, 2020, the district's General Fund reported an ending fund balance of \$1,340,377, an increase of \$72,613 in comparison with the prior year. \$509,728 of the ending fund balance is assigned to special projects and \$830,649 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 \$250,721. Revenues received from property taxes, grants, and miscellaneous receipts were \$101,989 more than anticipated.

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The district's investment in capital assets includes vehicles and equipment. As of June 30, 2020, the district had invested \$15,438 in capital assets, net of accumulated depreciation.

During the year, the district's investment in capital assets decreased by \$3,506, net of depreciation. The increase is the result of depreciation in excess of current year purchases. 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 2019-20 fiscal year has total appropriations of \$1,104,183 as compared to the prior year of \$1,415,410. 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.

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BASIC FINANCIAL STATEMENTS

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
STATEMENT OF NET POSITION
June 30, 2020
(With Comparative Totals for 2019)

	Governmental Activities	
	June 30, 2020	June 30, 2019
ASSETS		
Cash with depositories	\$ 1,396,255	\$ 1,364,938
Property taxes receivable	1,690	2,359
Grants receivable	60,698	27,005
Capital assets, net of accumulated depreciation		
Equipment	15,438	18,944
Total capital assets	15,438	18,944
Total assets	1,474,081	1,413,246
LIABILITIES		
Accounts payable	9,253	22,796
Accrued liabilities	6,994	4,225
Total liabilities	16,247	27,021
NET POSITION		
Net investment in capital assets	15,438	18,944
Restricted for special programs	103,004	100,134
Unrestricted	1,339,392	1,267,147
Total net position	\$ 1,457,834	\$ 1,386,225

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, 2020

(With Comparable Totals for 2019)

Functions	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
			June 30, 2020	June 30, 2019
Governmental activities				
Watershed improvement	\$ 575,049	\$ 474,847	\$ (100,202)	\$ (89,266)
Total governmental activities	<u>\$ 575,049</u>	<u>\$ 474,847</u>	<u>(100,202)</u>	<u>(89,266)</u>
General revenues				
Property taxes			118,703	110,617
SIP in lieu of taxes			37,139	40,370
Interest income			11,999	2,348
Other income			3,970	3,054
Total general revenues			<u>171,811</u>	<u>156,389</u>
Changes in net position			71,609	67,123
Net position - beginning			<u>1,386,225</u>	<u>1,319,102</u>
Net position - ending			<u>\$ 1,457,834</u>	<u>\$ 1,386,225</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, 2020
(With Comparable Totals for 2019)

	General Fund	Watershed Improvement Fund	Total	
			June 30, 2020	June 30, 2019
ASSETS				
Cash and investments	\$ 1,339,641	\$ 56,613	\$ 1,396,254	\$ 1,364,938
Grants receivable	5,374	55,324	60,698	27,005
Property taxes receivable	1,690	-	1,690	2,359
Total assets	\$ 1,346,705	\$ 111,937	\$ 1,458,642	\$ 1,394,302
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 321	\$ 8,933	\$ 9,254	\$ 22,796
Accrued liabilities	4,317	-	4,317	1,249
Total liabilities	4,638	8,933	13,571	24,045
Deferred inflows of resources				
Unavailable property tax revenue	1,690	-	1,690	2,359
Total deferred inflows of resources	1,690	0	1,690	2,359
Fund balance				
Restricted	-	103,004	103,004	100,134
Assigned	509,728	-	509,728	521,000
Unassigned	830,649	-	830,649	746,764
Total fund balance	1,340,377	103,004	1,443,381	1,367,898
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,346,705	\$ 111,937	\$ 1,458,642	\$ 1,394,302

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, 2020

Total Fund Balances		\$ 1,443,381
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 67,915	
Accumulated depreciation	<u>(52,477)</u>	15,438
 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.		 1,690
 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.		 <u>(2,675)</u>
Total Net Position		<u><u>\$ 1,457,834</u></u>

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, 2020
(With Comparable Totals for 2019)

	General Fund	Watershed Improvement Fund	Total	
			June 30, 2020	June 30, 2019
Revenues				
Operating grants	\$ 264,001	\$ 210,845	\$ 474,846	\$ 402,332
Property taxes	119,372	-	119,372	111,793
SIP in lieu of taxes	37,139	-	37,139	40,370
Other income	3,970	-	3,970	3,054
Interest income	11,999	-	11,999	2,348
Total revenues	<u>436,481</u>	<u>210,845</u>	<u>647,326</u>	<u>559,897</u>
Expenditures				
Current				
Personal services	42,137	113,620	155,757	135,794
Materials and services	236,764	21,696	258,460	164,736
Special payments	84,967	71,043	156,010	187,347
Capital outlay	-	1,616	1,616	16,951
Total expenditures	<u>363,868</u>	<u>207,975</u>	<u>571,843</u>	<u>504,828</u>
Excess of revenues over (under) expenditures	72,613	2,870	75,483	55,069
Other financing sources (uses)				
Transfers in	-	-	-	2,298
Transfers out	-	-	-	(2,298)
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net changes in fund balances	72,613	2,870	75,483	55,069
Fund balance at beginning of year	<u>1,267,764</u>	<u>100,134</u>	<u>1,367,898</u>	<u>1,312,829</u>
Fund balance at end of year - by category				
Restricted	-	103,004	103,004	100,134
Assigned	509,728	-	509,728	521,000
Unassigned	830,649	-	830,649	746,764
Fund balance at end of year - Total	<u>\$ 1,340,377</u>	<u>\$ 103,004</u>	<u>\$ 1,443,381</u>	<u>\$ 1,367,898</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, 2020

Net Change in Fund Balance		\$ 75,483
<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>		
Expenditures for capital assets	\$ 1,584	
Less current year depreciation	<u>(5,091)</u>	(3,507)
<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>		
		(667)
<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>		
		<u>300</u>
Change in Net Position		<u><u>\$ 71,609</u></u>

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2019.

Note 2. Deposits

At June 30, 2020 the carrying amount of the district's deposits was \$1,396,255 and the bank balance was \$1,403,660. 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, 2020 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, 2020

Note 3. Changes in Capital Assets

The following is a summary of changes in capital assets:

Capital assets	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Office and field equipment	\$ 66,331	\$ 1,584	\$ -	\$ 67,915
	<u>66,331</u>	<u>1,584</u>	<u>0</u>	<u>67,915</u>
<u>Accumulated depreciation</u>				
Office and field equipment	47,386	5,091	-	52,477
	<u>47,386</u>	<u>5,091</u>	<u>0</u>	<u>52,477</u>
Capital assets, net	<u>\$ 18,945</u>	<u>\$ (3,507)</u>	<u>\$ 0</u>	<u>\$ 15,438</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, 2020 was \$2,677 compared to \$2,976 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, 2020

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Operating grants	\$ 264,001	\$ 374,000	\$ 374,000	\$ 109,999
Property taxes	115,692	111,790	111,790	(3,902)
SIP in lieu of taxes	37,139	40,000	40,000	2,861
Interest	11,999	1,000	1,000	(10,999)
Other income	3,970	8,000	8,000	4,030
Total revenues	<u>432,801</u>	<u>534,790</u>	<u>534,790</u>	<u>101,989</u>
Expenditures				
Personal services	39,068	76,000	76,000	36,932
Materials and services	237,847	317,500	317,500	79,653
Capital outlay	-	40,000	40,000	40,000
Special payments	80,864	75,000	75,000	(5,864)
Contingency	-	100,000	100,000	100,000
Total expenditures	<u>357,779</u>	<u>608,500</u>	<u>608,500</u>	<u>250,721</u>
Excess of revenues over (under) expenditures	75,022	(73,710)	(73,710)	(148,732)
Other financing sources (uses)				
Transfers out	-	(259,500)	(259,500)	(259,500)
Net change in fund balance	75,022	(333,210)	(333,210)	(408,232)
Fund balance, July 1	<u>754,892</u>	<u>633,933</u>	<u>633,933</u>	<u>(120,959)</u>
Fund balance, June 30	829,914	<u>\$ 300,723</u>	<u>\$ 300,723</u>	<u>\$ (529,191)</u>
Reconciliation to fund basis:				
Property taxes receivable				
Accounts receivable	5,373			
Accounts payable	(321)			
Accrued liabilities	<u>(4,317)</u>			
Modified accrual fund balance	<u>\$ 830,649</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, 2020

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Operating grants	\$ 180,833	\$ 370,500	\$ 370,500	\$ 189,667
Total revenues	<u>180,833</u>	<u>370,500</u>	<u>370,500</u>	<u>189,667</u>
Expenditures				
Personal services	113,620	113,410	113,410	(210)
Materials and services	23,312	38,000	38,000	14,688
Special payments	76,334	175,000	175,000	98,666
Contingency	-	60,000	60,000	60,000
Total expenditures	<u>213,266</u>	<u>386,410</u>	<u>386,410</u>	<u>173,144</u>
Excess of revenues over (under) expenditures and net change in fund balance	(32,433)	(15,910)	(15,910)	16,523
Fund balance, July 1	<u>89,046</u>	<u>82,519</u>	<u>82,519</u>	<u>(6,527)</u>
Fund balance, June 30	56,613	<u>\$ 66,609</u>	<u>\$ 66,609</u>	<u>\$ 9,996</u>
Reconciliation to fund basis:				
Accounts receivable	55,324			
Accounts payable	<u>(8,933)</u>			
Modified accrual fund balance	<u>\$ 103,004</u>			

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
For the Year Ended
June 30, 2020

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, 2020 disbursements in the General Fund and Watershed Improvement Fund were within certified budget amounts with the exception of expenditures in excess of appropriations in the General Fund - Special Payments of \$5,864, and the Watershed Improvement Fund - Personal Services of \$210.

SUPPLEMENTARY SCHEDULES

SHERMAN COUNTY SOIL AND WATER CONSERVATION DISTRICT
Moro, Oregon
COMBINING BALANCE SHEET - GENERAL FUND
June 30, 2020

	General Fund	General Operating Reserve Fund	Watershed Education Reserve Fund	Total June 30, 2020
ASSETS				
Cash and investments	\$ 829,913	\$ 465,000	\$ 44,728	\$ 1,339,641
Grants receivable	5,374	-	-	5,374
Property taxes receivable	1,690	-	-	1,690
Total assets	\$ 836,977	\$ 465,000	\$ 44,728	\$ 1,346,705
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 321	\$ -	\$ -	\$ 321
Accrued liabilities	4,317	-	-	4,317
Total liabilities	4,638	0	0	4,638
 Deferred inflows of resources				
Unavailable property tax revenue	1,690	-	-	1,690
Total deferred inflows of resources	1,690	0	0	1,690
 Fund balance				
Assigned	-	465,000	44,728	509,728
Unassigned	830,649	-	-	830,649
Total fund balance	830,649	465,000	44,728	1,340,377
Total liabilities, deferred inflows of resources, and fund balance	\$ 836,977	\$ 465,000	\$ 44,728	\$ 1,346,705

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, 2020

	General Fund	General Operating Reserve Fund	Watershed Education Reserve Fund	Total June 30, 2020
Revenues				
Operating grants	\$ 264,001	\$ -	\$ -	\$ 264,001
Property taxes	119,372	-	-	119,372
Strategic investment program in lieu of taxes	37,139	-	-	37,139
Other income	3,970	-	-	3,970
Interest income	11,999	-	-	11,999
Total revenues	<u>436,481</u>	<u>0</u>	<u>0</u>	<u>436,481</u>
Expenditures				
Current				
Personal services	42,137	-	-	42,137
Materials and services	236,764	-	-	236,764
Special payments	73,695	-	11,272	84,967
Total expenditures	<u>352,596</u>	<u>0</u>	<u>11,272</u>	<u>363,868</u>
Excess of revenues over (under) expenditures and net changes in fund balances	83,885	0	(11,272)	72,613
Fund balance at beginning of year	<u>746,764</u>	<u>465,000</u>	<u>56,000</u>	<u>1,267,764</u>
Fund balance at end of year - by category				
Assigned	-	465,000	44,728	509,728
Unassigned	830,649	-	-	830,649
Fund balance at end of year - Total	<u>\$ 830,649</u>	<u>\$ 465,000</u>	<u>\$ 44,728</u>	<u>\$ 1,340,377</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, 2020

	Actual	Budget		(Over) Under Budget
		Original	Final	
Revenues				
Other income	\$ -	\$ 259,500	\$ 259,500	\$ 259,500
Total revenues	<u>0</u>	<u>259,500</u>	<u>259,500</u>	<u>259,500</u>
Expenditures				
Personal services	-	76,000	76,000	76,000
Special payments	-	70,000	70,000	70,000
Total expenditures	<u>0</u>	<u>146,000</u>	<u>146,000</u>	<u>146,000</u>
Excess of revenues over (under) expenditures and net change in fund balance	0	113,500	113,500	113,500
Fund balance, July 1	<u>465,000</u>	<u>465,000</u>	<u>465,000</u>	<u>-</u>
Fund balance, June 30	<u>\$ 465,000</u>	<u>\$ 578,500</u>	<u>\$ 578,500</u>	<u>\$ 113,500</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, 2020

	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	11,272	15,000	15,000	3,728
Total expenditures	<u>11,272</u>	<u>15,000</u>	<u>15,000</u>	<u>3,728</u>
Excess of revenues over (under) expenditures and net change in fund balance	(11,272)	(15,000)	(15,000)	(3,728)
Fund balance, July 1	<u>56,000</u>	<u>44,000</u>	<u>44,000</u>	<u>(12,000)</u>
Fund balance, June 30	<u><u>\$ 44,728</u></u>	<u><u>\$ 29,000</u></u>	<u><u>\$ 29,000</u></u>	<u><u>\$ (15,728)</u></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, 2020, and have issued our report thereon dated December 28, 2020.

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*, with the exception of the following:

Expenditures in Excess of Appropriations:

General Fund	Special Payments	\$5,864
Watershed Improvement Fund	Personal Services	\$210

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 28, 2020, 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 28, 2020



Oregon Secretary of State – Audits Division

Summary of Revenues and Expenditures

Please refer to instructions on next page.

A. Municipal corporation information			
Municipality name: <u>Sherman County Soil and Water Conservation District</u>			
Address line 1:	<u>PO Box 405</u>	Reporting period: From	<u>07/01/2019</u>
Address line 2:		To	<u>06/30/2020</u>
City, state, ZIP:	<u>Moro</u>	<u>OR</u>	<u>97039</u>
Check if new address:	<input type="checkbox"/>	Report type:	<u>Audit</u>
If this is the final report, please enter the last date of operations:		Opinion issued:	<u>Qualified</u>
		Basis of accounting:	<u>GAAP</u>

B. Financial statement audit – Reported deficiencies	
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:	\$ 646,658	a. Expenditures from government-wide statement of activities:	\$ 575,049
b. Fiduciary fund additions:		b. Fiduciary fund deductions:	
c. Gross revenues subtotal (a + b):	\$ 646,658	c. Gross expenditures subtotal (a + b):	\$ 575,049
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:	
f. Exempt revenue subtotal (d + e):	\$ 0	f. Exempt expenditures subtotal (d + e):	\$ 0
g. Net revenues (c – f):	\$ 646,658	g. Net expenditures (c – f):	\$ 575,049

D. Filing fee:	\$ 200
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E. Submitted by	
Auditor name: <u>AMY K WALKER</u>	Municipal license number: <u>1604</u>
Firm name: <u>SOLUTIONS, CPAS PC</u>	Date: <u>12/28/2020</u>
Municipal contact name, title: <u>AMANDA WHITMAN, 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, 2020, 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 28, 2020. 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 2020-001 to be a material weakness.

Compliance and Other Matters

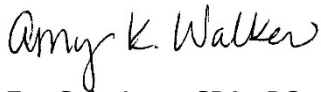
As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified 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 28, 2020

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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, 2020

MATERIAL WEAKNESS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2020-001

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.