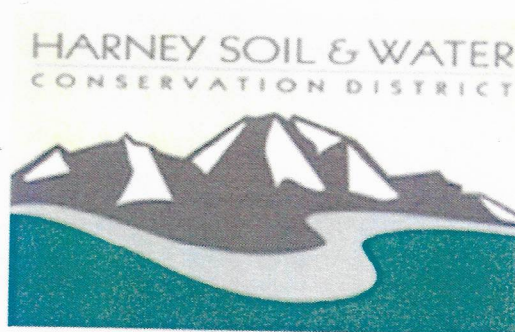


HARNEY SOIL & WATER
CONSERVATION DISTRICT

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020



HARNEY SOIL & WATER CONSERVATION DISTRICT

Basic Financial Statements
Year Ended June 30, 2020

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HARNEY SOIL & WATER CONSERVATION DISTRICT

Basic Financial Statements
Year Ended June 30, 2020

District Mailing Address

PO Box 848
Hines, OR 97738

DISTRICT OFFICIALS AS OF JUNE 30, 2020

<u>Official</u>	<u>Name</u>	<u>Mailing Address</u>	<u>Term Expires</u>
<u>Board of Directors</u>			
Member (Zone 1)	Louie Molt	77229 Turnout Road Burns, OR 97720	2020
Vice Chair (Zone 2)	Scott Franklin	71797 Turnout Road Burns, OR 97720	2020
Member (Zone 3)	Carol Dunten	PO Box 127 Drewsey, OR 97904	2022
Member (Zone 4)	Vacant		
Member (Zone 5)	Ken Bentz	68281 Crane Buchanan Rd. Burns, OR 97720	2022
Treasurer (At Large 1)	Pat Sharp	PO Box 85 Burns, OR 97720	2020
Chair (At Large 2)	Jeff Hussey	PO Box 224 Drewsey, OR 97904	2022

Administration

District Manager Shannon Brubaker PO Box 848
Hines, OR 97738



GASLIN ACCOUNTING, PC
CERTIFIED PUBLIC ACCOUNTANTS

2550 BROADWAY STREET
BAKER CITY, OR 97814
(541)523-6471

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors:
Harney Soil and Water Conservation District
Hines, Oregon 97738

We have audited the accompanying financial statements of the governmental activities and the major fund of Harney Soil and Water Conservation District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Harney Soil and Water Conservation District, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 5 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harney Soil and Water Conservation District's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule 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 budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 28, 2021 on our consideration of Harney Soil and Water Conservation District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Gaslin Accounting CPA's PC



Robert Gaslin, CPA
January 28, 2021

HARNEY SOIL & WATER CONSERVATION DISTRICT

Management Discussion and Analysis

Year Ended June 30, 2020

As management of Harney Soil and Water Conservation District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Financial Highlights

As of June 30, 2020, the District reported combined ending Net Position of \$12,727 a decrease of \$24,986 from June 30, 2019. None of this amount was invested in capital assets, and \$12,727 was unrestricted.

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 comprise three components: 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The Government-Wide financial statements on pages 7 and 8 are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private sector business, and includes the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 will only result in cash flows in future fiscal periods (e.g., earned by unused paid leave).

In the Government-Wide financial statements, the District's activities are shown in two categories: Soil and Water Conservation Projects and Administration. The soil and water projects provide local natural resource conservation efforts to citizens of Harney County. Charges for services and grants provide the resources for these projects.

Fund Financial Statements

The fund financial statements on pages 9 and 10 focus on inflows, outflows and balances of spendable resources as well as balances of resources available at the end of the year. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate comparison with the Government-Wide financial statements.

The fund financial statements are on the modified-accrual basis of accounting which differs from the Government-Wide statements only in the reporting of capital assets, depreciation on capital assets, debt, and accrued compensated absences. The District operates with one governmental fund, which is its General Fund.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Management Discussion and Analysis

Year Ended June 30, 2020

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial health. In the case of the District, assets exceeded liabilities by \$15,250 at June 30, 2020 and by \$37,713 at June 30, 2019. This is a net decrease of \$22,463 between 2019 and 2020.

Condensed Statement of Net Position

	Fiscal Year-Ended		Increase
	2020	2019	(Decrease)
Assets:			
Current Assets	\$ 251,046	\$ 220,513	\$ 30,533
Capital Assets, net	-	-	-
Total Assets	251,046	220,513	30,533
Liabilities			
Current Liabilities	235,152	98,495	136,657
Long-term Liabilities	3,167	1,331	1,836
Total Liabilities	238,319	99,826	138,493
Deferred Inflows of Resources			
Deferred Grant Revenue	-	82,974	(82,974)
Total Deferred Inflows of Resources	-	82,974	(82,974)
Net Position			
Net Investment in Capital Assets	-	-	-
Unrestricted	12,727	37,713	(24,986)
Total Net Position	\$ 12,727	\$ 37,713	\$ (24,986)

Condensed Statement of Activities

	Fiscal Year-Ended		Increase
	2020	2019	(Decrease)
Revenues			
Program Revenues and Grants	\$ 664,815	\$ 805,627	\$ (140,812)
General Revenues	56,505	25,752	30,753
Total Revenues	721,320	831,379	(110,059)
Expenses			
Program Expenses	715,878	815,608	(99,730)
Administrative Expenses	30,428	45,622	(15,194)
Total Expenses	746,306	861,230	(114,924)
Changes in Net Position	\$ (24,986)	\$ (29,851)	\$ 4,865

Financial Analysis of the Governmental Fund

At June 30, 2020, the District's Governmental Fund reported an ending fund balance of \$15,894, a decrease of \$107,841 from the prior year. This decrease was primarily due to the District's repayment of a line of credit during the year.

Requests for Information

This financial report is designed to provide a general overview of Harney Soil and Water Conservation District. Copies of the audit can be obtained at the office of Harney Soil and Water Conservation District, 530 Highway 20 South, Hines, Oregon 97720.

BASIC FINANCIAL STATEMENTS

HARNEY SOIL & WATER CONSERVATION DISTRICT

Statement of Net Position

June 30, 2020

	Governmental Activities	Total Primary Government
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 83,137	\$ 83,137
Accounts Receivable	167,909	167,909
Total Current Assets	251,046	251,046
Capital Assets:		
Property and Equipment	24,337	24,337
Accumulated Depreciation	(24,337)	(24,337)
Net Property and Equipment	-	-
Total Assets	251,046	251,046
 <u>LIABILITIES</u>		
Accounts Payable	27,275	27,275
Accrued Wages and Benefits	12,766	12,766
Unearned Grant Revenue	195,111	195,111
Total Current Liabilities	235,152	235,152
Long-Term Liabilities		
Accrued Compensated Absences	3,167	3,167
Total Long-Term Liabilities	3,167	3,167
Total Liabilities	238,319	238,319
 <u>NET POSITION</u>		
Unrestricted	12,727	12,727
Total Net Position	\$ 12,727	\$ 12,727

The notes to the financial statements are an integral part of this statement.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Governmental Activities:	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Total
Conservation Projects	\$ 715,878	\$ 664,815	\$ -	\$ (51,063)	\$ (51,063)
General Operations	<u>30,428</u>	<u>-</u>	<u>-</u>	<u>(30,428)</u>	<u>(30,428)</u>
Total Governmental Activities	<u>746,306</u>	<u>664,815</u>	<u>-</u>	<u>(81,491)</u>	<u>(81,491)</u>
Total Primary Government	<u>\$ 746,306</u>	<u>\$ 664,815</u>	<u>\$ -</u>	<u>(81,491)</u>	<u>(81,491)</u>
General Revenues:					
Other Income				56,439	56,439
Unrestricted Investment Earnings				<u>66</u>	<u>66</u>
Total General Revenues				<u>56,505</u>	<u>56,505</u>
Change in Net Position				(24,986)	(24,986)
Total Net Position - July 1				<u>37,713</u>	<u>37,713</u>
Total Net Position - June 30				<u>\$ 12,727</u>	<u>\$ 12,727</u>

The notes to the financial statements are an integral part of this statement.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Balance Sheet
Governmental Funds
June 30, 2020

<u>ASSETS</u>	<u>General Fund</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 83,137	\$ 83,137
Accounts Receivable	167,909	167,909
Total Assets	<u>\$ 251,046</u>	<u>\$ 251,046</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts Payable	\$ 27,275	\$ 27,275
Accrued Wages and Benefits	12,766	12,766
Unearned Revenue	195,111	195,111
Total Liabilities	<u>235,152</u>	<u>235,152</u>
Fund Balances:		
Unassigned	15,894	15,894
Total Fund Balances	<u>15,894</u>	<u>15,894</u>
Total Liabilities and Fund Balances	<u>\$ 251,046</u>	<u>\$ 251,046</u>

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance - Total Governmental Funds - (from above)	\$ 15,894
Accrued compensated absences are not included in the governmental fund financial statements.	(3,167)
Debt is recorded on the Statement of Net Position in the government-wide financial statements.	-
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$24,337 and the accumulated depreciation is \$24,337.	-
Total Net Position - Governmental Activities	<u>\$ 12,727</u>

The notes to the financial statements are an integral part of this statement.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Statement of Revenue, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2020

	General Fund	Total Governmental Funds
Revenues:		
Direct Revenues:		
Grant Income - Governmental	\$ 457,574	\$ 457,574
Grant Income - Other	185,529	185,529
Non-Project Income	52,907	52,907
Project Income	3,531	3,531
Interest Income	66	66
Total Direct Revenues	699,608	699,608
In-Kind Revenues:		
Grant Income	21,712	21,712
Total In-Kind Revenues	21,712	21,712
Total Revenues	721,320	721,320
Expenditures:		
Program Expenses - Direct	692,330	692,330
Program Expenses - In-Kind	21,712	21,712
Operating Expenses	30,428	30,428
Total Expenditures	744,470	744,470
Other Funding Sources (Uses):		
Debt Repayment	(84,691)	(84,691)
Total Other Funding Sources (Uses)	(84,691)	(84,691)
Excess (Deficiency) of Revenues Over Expenditures	(107,841)	(107,841)
Fund Balance - July 1	123,735	123,735
Fund Balance - June 30	\$ 15,894	\$ 15,894

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance - Total Governmental Funds (from above)	\$ (107,841)
Debt is reported on the Statement of Net Position in the government wide financial statements	84,691
(Increase) decrease in accrued compensated absences	(1,836)
Change in Net Position - Governmental Activities	\$ (24,986)

The notes to the financial statements are an integral part of this statement.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements
Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Harney Soil and Water Conservation District, Hines, Oregon, was established in 1972 and operates under the authority of Oregon Revised Statute (ORS) 568 to provide programs designed to conserve and enhance soil and water resources in Harney County, Oregon and the surrounding rural areas. The administration of the District is vested in a five-member board of directors plus two at-large positions. The District's board members are elected by the public and have decision making authority, the power to appoint administrators and management, and significantly influence operations. It has primary accountability for fiscal matters.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. The Reporting Entity

These financial statements present the District (primary government). There are no component units included within the reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

In the government-wide *Statement of Net Position*, the governmental column presents consolidated governmental information on the full-accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets, restricted, and unrestricted net position.

The government-wide *Statement of Activities* reports both the gross and net cost of the District's functions. This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

The *Statement of Activities* reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary grants and contributions, while the capital grants column reports capital-specific grants and contributions. The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, interest income, etc.).

In the *Statement of Activities*, some functions, such as general government, support services, or administration, include expenses that are in essence, *indirect* expenses of other functions. For the most part, these *indirect* expenses are inconsequential; accordingly, the District does not allocate indirect expenses to other functions.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in the governmental activities category. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental category) for the determination of major funds.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements

Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basic Financial Statements – Fund Financial Statements – (Continued)

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports one major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. At this time, the District has not established any funds outside of the *General Fund*.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which they are levied. Other non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available). *Available* means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

3. Use of Estimates

Management uses estimates and assumptions in preparing basic financial statements in accordance with US generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

E. Financial Statement Amounts

1. Cash and Cash Investments

State statutes authorize the District to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool.

2. Cash and Cash Equivalents

Cash and cash equivalents are presented in the basic financial statements at fair value and consist of demand deposits and short-term cash investments with original maturities of three months or less from the date of acquisition.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements
Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Financial Statement Amounts – (Continued)

3. Property Tax Calendar and Revenues

The District does not levy a property tax.

4. Capital Assets

Capital assets, which include equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets of the District are depreciated using the straight-line method over estimated useful lives: equipment, 7-10 years.

5. Accrued Wages and Benefits

The District pays its employees every two weeks, which results in the potential for amounts payable at year end. The balance of this account includes wages earned but not paid at the balance sheet date and the associated benefits and payroll taxes on those earnings.

6. Unearned Revenue

Unearned revenue is used to record grants cash receipts that have not yet been earned. The District receives many grants, some are received prior to the work being completed. Those grants are listed in detail in Note 6, and the portion of grants received but not yet earned are reported in Unearned Revenue.

7. Accrued Compensated Absences

The District employees are allowed to accumulate earned but unused vacation time. A liability for the vested portion of the leave is reported in the Government-Wide financial statements.

8. Line of Credit

Changes in the Line of Credit are reported in Other Funding Source in the governmental fund financial statements and as a liability in the Government-Wide financial statements.

9. Government-wide Net Position

Government-wide fund net position is divided into three components 1) *Net investment in Capital Assets*, consisting of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets; 2) *Restricted Net Position* – consisting of net position that is restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors; 3) *Unrestricted* – all other net position is reported here.

10. Governmental Fund Balances

GASB No. 54 requires the fund balance reported in the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The hierarchy from most restrictive to least restrictive is as follows: *non-spendable*, *restricted*, *committed*, *assigned*, and *unassigned*. For the classification of governmental fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements
Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Governmental Fund Balances, continued

- *Non-spendable* – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – Amounts that can be spent only for specific purposes because of the District Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed* – Amounts that can be used only for specific purposes determined by a formal action by District Board of Directors resolution.
- *Assigned* – Amounts that are designated by the District Board of Directors for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval for capital projects or debt service) by the District Board of Directors. Assignments are made by District management based on the District Board of Directors direction.
- *Unassigned* – All amounts not included in other spendable classifications.

F. Prior Period Comparative Data

The Management's Discussion and Analysis include certain prior-year summarized comparative information in total but not at the level of detail required for a 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, from which the summarized information was derived.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Under ORS 294.316, the District is exempt from local budget law requirements. However, the District decided to include budget to actual presentations in this report, and they are included as Other Supplemental Information.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

Bank of Eastern Oregon - General Checking	2020
	<u>\$ 83,137</u>
Total Cash and Cash Investments	<u>\$ 83,137</u>

Interest Rate Risk

The District manages its exposure to declines in fair values of investments by limiting its investment portfolio to demand deposits and short-term investments with original maturities of 3 months or less.

Concentration of Credit Risk

The District addresses credit risk concentration by conforming to the State statutes that place limits on the type of investments that the District is authorized to purchase. The District currently invests its surplus cash in a business money market account.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. At year end, the bank balance of the District's deposits was \$93,529 and was covered by the Federal Depository Insurance Corporation (\$250,000 per depositor). 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 website. Qualifying depository banks must pledge securities with a particular value based on the bank's level of capitalization. The District was in compliance with the ORS requirement.

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements
Year Ended June 30, 2020

NOTE 4 – ACCOUNTS RECEIVABLE

Many of the District's grants are reimbursement grants, requiring the District to incur expenses which will subsequently be reimbursed. These unreimbursed expenditures are recorded as receivables. Accounts receivable consisted of the following at June 30:

	Amount
OWEB - 216-8203-15446	\$ 20,124
OWEB - 219-9001-16740	7,260
OWEB - 218-8203-16523	4,567
OWEB - 218-8010-16786	1,949
OWEB - 218-8203-16868	24,085
OWEB - 22-18-008	176
OWEB - 22-18-011	13,558
OWEB - 22-18-012	434
OWEB - 22-18-013	33
OWEB - Focused Investment II CM Implementation	53,162
OWEB - Focused Investment Partnership III SSP Dev	4,469
ODA SOW Fund	11,405
OACD-USFWS	13,281
CECIL DB	13,406
Total Accounts Receivable	\$ 167,909

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

	July 1 Balance	Increases	Decreases	June 30 Balance
<u>Governmental Activities</u>				
<i>Capital Assets, Being Depreciated:</i>				
Equipment	\$ 24,337	\$ -	\$ -	\$ 24,337
Total Capital Assets, Being Depreciated	24,337	-	-	24,337
<i>Less Accumulated Depreciated For:</i>				
Equipment	24,337	-	-	24,337
Total Accumulated Depreciation	24,337	-	-	24,337
Net Capital Assets, Being Depreciated	-	-	-	-
Net Capital Assets - Governmental Activities	\$ -	\$ -	\$ -	\$ -

Depreciation expense was charged to functions/programs of the primary government as follows:

<i>Governmental Activities:</i>	
Soil and Water Conservation	\$ -
Total Depreciation Expense - Governmental Activities	\$ -

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements
Year Ended June 30, 2020

NOTE 6 - UNEARNED REVENUE

The District receives grant funding in advance of certain portions of a particular project, because the work that is associated with that portion of the funding has not yet been performed, the revenue is not earned and is therefore considered unearned revenue. Unearned revenue consisted of the following at June 30:

Program	Amount
OWEB - 213-5034	\$ 2,100
OWEB - 213-5036	1,468
OWEB - 213-5075	840
OWEB - 214-5034	2,403
OWEB - 214-5037	2,572
OWEB - 215-5017	1,467
OWEB - 216-5037-12356	2,383
OWEB - 216-8203-15700	1,532
OWEB - 218-502-15658	3,715
OWEB - 219-5010-16349	1,952
OWEB - 22-14-009	200
OWEB - 22-16-002	117
OWEB - 22-16-005	120
OWEB - 22-16-011	400
OWEB - 22-18-002	19
ARS - 59-2070-5-001	63
NewSun Pronghorn Habitat	7,000
BPA Energy Fund	72,234
NACD TA2	12,148
CWMA OSWB Marshal Med Sage	3,656
HCCWMA GF	7,531
SDIS Safety and Security	272
ODA SOW Fund	42,683
OACD-RCPP	24,693
SONEC Agreement	3,544
Total Unearned Revenue	\$ 195,111

NOTE 7 – LINE OF CREDIT

On April 1, 2019, the District originated an unsecured line of credit with a maximum draw amount of \$175,396. The credit line has a stated interest rate of 7% and expired March 31, 2020. The District paid off the entire line of credit during the fiscal year and, accordingly, the balance as of June 30, 2020 is \$0. Interest of \$1,095 was paid by the District and is included in Conservation Expenses in the Statement of Activities

NOTE 8 – ACCRUED COMPENSATED ABSENCES

The District provides paid absences for vacation time to its employees. The value of those absences is recorded as a liability on the Government-Wide financial statements and the associated activity of that liability is shown below:

	Beginning Balance	Earned	Used	Ending Balance
Accrued Compensated Absences	\$ 1,331	\$ 5,013	\$ 3,177	\$ 3,167

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements
Year Ended June 30, 2020

NOTE 9 – CONSERVATION PROJECTS

Direct grant revenue and expenditures related to conservation projects are grant awards and expenses that flow directly through the District and are as follows:

Project	Funding Entity	Revenue Recognized			Expenditures Incurred			Excess
		Prior	Current	Total	Prior	Current	Total	
213-5034 Little Crane Creek	OWEB	\$ 10,921	\$ -	\$ 10,921	\$ 8,821	\$ -	\$ 8,821	\$ 2,100
213-5035 Bluebucket	OWEB	1,255	-	1,255	188	1,067	1,255	-
213-5075 Otis-Moffet Core Sage	OWEB	110,724	-	110,724	109,884	-	109,884	840
214-5034 Skull Creek	OWEB	2,822	-	2,822	174	245	419	2,403
214-5037 Thousand Springs	OWEB	7,056	-	7,056	4,484	-	4,484	2,572
215-5017 Cottonwood Phase II	OWEB	13,819	-	13,819	12,352	-	12,352	1,467
216-5037-12356 Coyote Creek	OWEB	106,393	-	106,393	104,010	-	104,010	2,383
216-8203-15446 Model T/A SSP	OWEB	53,643	20,124	73,767	53,643	20,124	73,767	-
216-8203-15700 Otis BLM	OWEB	130,657	3,000	133,657	130,657	1,468	132,125	1,532
218-502-15658 Beaver Table HCC	OWEB	36,575	21,639	58,214	2,126	52,374	54,500	3,715
219-5010-16349 Rock Creek	OWEB	6,045	127,363	133,408	6,045	125,411	131,456	1,952
219-9001-16740 Meeting Pro Goal	OWEB	158	35,258	35,416	158	35,258	35,416	-
22-10-001 Grassy Basin Range	OWEB	52	-	52	52	-	52	-
218-8203-16523 SG FIP Monitoring	OWEB	-	16,902	16,902	-	16,902	16,902	-
218-8203-16868 Drewsey WQ & Sage Grouse	OWEB	-	49,777	49,777	-	49,777	49,777	-
218-8010-16786 SIA Marching Down the Malheur	OWEB	-	1,949	1,949	-	1,949	1,949	-
22-14-009 Soldier Creek Upland	OWEB	366	-	366	166	-	166	200
22-16-002 Poison Creek Upland	OWEB	2,479	-	2,479	2,362	-	2,362	117
22-16-005 Little Crane Creek	OWEB	3,572	-	3,572	3,452	-	3,452	120
22-16-007 hC-20 CM Implementation	OWEB	3,752	-	3,752	3,558	194	3,752	-
22-16-011 Silvies Bell A	OWEB	6,732	-	6,732	6,332	-	6,332	400
22-18-002 Radar Ridge	OWEB	11,300	-	11,300	11,281	-	11,281	19
22-18-008 Grassy Hills Water	OWEB	12,414	176	12,590	12,414	176	12,590	-
22-18-011 Ten Cent Solar	OWEB	12,383	13,558	25,941	12,383	13,558	25,941	-
22-18-012 Smoky Hollow Solar	OWEB	12,473	-	12,473	12,473	-	12,473	-
22-18-013 Colby Upland Improvement	OWEB	33	-	33	33	-	33	-
ARS 59-2070-5-001	USDA	32,433	63	32,496	32,433	-	32,433	63
NewSun Pronghorn Habitat Restoration	OTHER	-	96,500	96,500	-	89,500	89,500	7,000
BPA Energy Fund	BPA	147,773	46,965	194,738	122,504	-	122,504	72,234
NACD TA2	NACD	-	25,000	25,000	-	12,852	12,852	12,148
Focused Investment II CM Implementation	OWEB	664,923	77,050	741,973	664,923	77,050	741,973	-
Focused Investment Partnership	OWEB	453,399	1,080	454,479	453,399	1,080	454,479	-
Focused Investment Partnership III SSP Dev	OWEB	-	4,469	4,469	-	4,469	4,469	-
CWMA OSWB Marshal Med Sage	OWEB	-	3,656	3,656	-	-	-	3,656
HCCWMA GF	OTHER	-	7,531	7,531	-	-	-	7,531
SDIS Safety and Security	SDIS	-	4,848	4,848	-	4,576	4,576	272
Administrative Funds	OWEB	-	20,749	20,749	-	20,749	20,749	-
ODA Capacity Operation	ODA	-	25,964	25,964	-	25,964	25,964	-
ODA SOW Fund	ODA	-	58,320	58,320	-	15,637	15,637	42,683
OACD-USFWS	USFWS	-	26,550	26,550	-	26,550	26,550	-
OACD-RCPP	NRCS	-	60,909	60,909	-	36,216	36,216	24,693
CECIL DB	OTHER	-	4,431	4,431	-	4,431	4,431	-
SONEC Agreement	DU	63,799	50,636	114,435	56,139	54,753	110,892	3,544
Total Direct Revenues and Expenditures		\$ 1,971,137	\$ 804,467	\$ 2,775,604	\$ 1,888,163	\$ 692,330	\$ 2,580,493	\$ 195,111
Grant Income - Projects - Governmental		\$ 1,907,338	\$ 575,422	\$ 2,530,389	\$ 1,832,024	\$ 526,218	\$ 2,358,242	\$ 172,147
Less: Changes in Unearned Revenue		-	(117,848)	-	-	-	-	-
Net Grant Activity		1,907,338	457,574	2,530,389	1,832,024	526,218	2,358,242	172,147
Grant Income - Projects - Other Sources		63,799	203,876	245,214	56,139	166,112	222,251	22,964
Less: Changes in Unearned Revenue		-	(18,347)	-	-	-	-	-
Net Grant Activity		63,799	185,529	245,214	56,139	166,112	222,251	22,964
Total Direct Revenues and Expenditures		\$ 1,971,137	\$ 643,103	\$ 2,775,604	\$ 1,888,163	\$ 692,330	\$ 2,580,493	\$ 195,111

Funding Entity Abbreviations

OWEB - Oregon Watershed Enhancement Board OTHER - Other Funding Source
NRCS - Natural Resources Conservation Service DU - Ducks Unlimited
BPA - Bonneville Power Administration

HARNEY SOIL & WATER CONSERVATION DISTRICT

Notes to Financial Statements
Year Ended June 30, 2020

NOTE 9 – CONSERVATION PROJECTS, CONTINUED

In-kind revenue and expenditures related to conservation projects are grant awards and expenses that are directed through other funding entities. These activities are directly related to District conservation projects and included in the related conservation project contract.

Project	Funding Entity	Grant Award	Revenue Recognized			Grant Remaining	Expenditures Incurred			Excess
			Prior	Current	Total		Prior	Current	Total	
OWEB 22-18-008	LO	\$ 6,368	\$ -	\$ 6,368	\$ 6,368	\$ -	\$ -	\$ 6,368	\$ 6,368	\$ -
OWEB 22-18-011	LO	4,062	-	4,062	4,062	-	-	4,062	4,062	-
NewSun Pronghorn habitat restoration	LO	9,650	-	9,650	9,650	-	-	9,650	9,650	-
220-8203-17512 FIP III	SWCD	1,632	-	1,632	1,632	-	-	1,632	1,632	-
Total In-Kind Revenues and Expenditures		\$ 21,712	\$ -	\$ 21,712	\$ 21,712	\$ -	\$ -	\$ 21,712	\$ 21,712	\$ -
Grant Income - Projects - Governmental		\$ 12,062	\$ -	\$ 12,062	\$ 12,062	\$ -	\$ -	\$ 12,062	\$ 12,062	\$ -
Grant Income - Projects - Other Sources		9,650	-	9,650	9,650	-	-	9,650	9,650	-
Total In-Kind Revenues and Expenditures		\$ 21,712	\$ -	\$ 21,712	\$ 21,712	\$ -	\$ -	\$ 21,712	\$ 21,712	\$ -

Funding Entity Abbreviations

SWCD - Harney Soil & Water Con. District LO - Land Owner

NOTE 10 – RETIREMENT PLAN

For the benefit of its employees, the District provides both full-time and part-time employees the option of contributing to a SIMPLE IRA. The District will match employee contributions up to three percent of salary. In the current fiscal year, the District contributed \$1,432 to employee accounts under this plan.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks or losses related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance for all claims other than that represented by minimal deductible amount per loss. There have been no significant reductions in insurance coverage from coverage in prior years in any of the major categories of risk. Amounts of any settlements or claims have not exceeded insurance coverage in any of the past three years.

NOTE 12 – CONCENTRATION OF RISK

The District is dependent on the State of Oregon for a substantial portion of its operating funds with most funding grants being provided through the Oregon Watershed Enhancement Board (OWEB). During the fiscal year, 64% of the District's funding came from OWEB.

NOTE 13 – CONTINGENCIES

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

OTHER SUPPLEMENTAL INFORMATION

HARNEY SOIL & WATER CONSERVATION DISTRICT

Budget and Actual
General Fund
Year Ended June 30, 2020

Revenues:	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Intergovernmental				
State	\$ 719,739	\$ 719,739	\$ 419,453	\$ (300,287)
Federal Funding	43,464	43,464	58,841	15,377
County	5,000	5,000	-	(5,000)
Local				
Other Program Funding	245,759	245,759	285,072	39,313
Project Income	11,281	11,281	3,531	(7,749)
Interest Income	-	-	-	-
Administration Income	65,355	65,355	10,322	(55,033)
Total Revenues	<u>1,090,598</u>	<u>1,090,598</u>	<u>777,218</u>	<u>(313,380)</u>
Expenditures:				
Personal Services				
Salaries & wages	331,690	331,690	259,843	71,847
Total Personal Service	<u>331,690</u>	<u>331,690</u>	<u>259,843</u>	<u>71,847</u>
Materials and Services				
Project Cost				
Contracted Services	535,351	535,351	388,619	146,732
Operational Costs	52,898	52,898	16,198	36,700
Project cost and materials	35,591	35,591	30,768	4,823
Administration				
Administration Expense	65,355	65,355	6,100	59,255
Employee development	6,600	6,600	-	6,600
Lodging, meals and workshops	366	366	4,548	(4,182)
Per diem	10,189	10,189	6,923	3,266
Total Materials and Supplies	<u>706,350</u>	<u>706,350</u>	<u>453,157</u>	<u>253,194</u>
Capital Outlay				
Equipment and Computers	5,431	5,431	11,677	(6,246)
Total Capital Outlay	<u>5,431</u>	<u>5,431</u>	<u>11,677</u>	<u>(6,246)</u>
Total Expenditures	<u>1,043,471</u>	<u>1,043,471</u>	<u>724,677</u>	<u>318,794</u>
Excess (Deficiency) of Revenues Over Expenditure	<u>47,126</u>	<u>47,126</u>	<u>52,541</u>	<u>(5,415)</u>
Other Financing Sources (Uses):				
Debt (repayments)	-	-	(84,691)	(84,691)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(84,691)</u>	<u>(84,691)</u>
Net Change In Fund Balance	47,126	47,126	(32,150)	(90,106)
Fund Balance - July 1	<u>47,126</u>	<u>47,126</u>	<u>81,605</u>	<u>34,479</u>
Fund Balance - June 30	<u>\$ (0)</u>	<u>\$ (0)</u>	<u>\$ 49,455</u>	<u>\$ 49,455</u>

HARNEY SOIL & WATER CONSERVATION DISTRICT

Budget and Actual
General Fund
Year Ended June 30, 2020

Reconciliation to the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance:

Net Change In Fund Balance: General Fund Budget to Actual	(32,150)
Change In Grant Revenues Receivable	36,446
Change in Unearned Grant Revenues	<u>(112,137)</u>
Net Change In Fund Balance: Statement of Revenue, Expenditures and Changes in Fund Balance	<u><u>(107,841)</u></u>



GASLIN ACCOUNTING, PC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of Harney Soil and Water Conservation District as of and for the year ended June 30, 2020, and have issued our report thereon dated January 28, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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 162-10-0230 Internal Control

In planning and performing our audit, we considered Harney Soil and Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

We noted certain internal control matters that we reported to management of Harney Soil and Water Conservation District in separate letter dated January 28, 2021

This report is intended solely for the information and use of the council members and management of Harney Soil and Water Conservation District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Gaslin Accounting CPA's PC

Robert Gaslin, CPA
January 28, 2021