

**WHEELER SOIL AND WATER
CONSERVATION DISTRICT**

**Financial Statements and
Independent Auditor's Report**

June 30, 2020

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Board of Directors as of June 30, 2020

<u>Name</u>	<u>Term Expires</u>
Jeremiah Holmes, Chair	2020
Wayne Lindquist, Vice Chair	2022
David Hunt, Secretary/Treasurer	2022
Jason Davis	2020
Rusty Rutherford	2020
James Collins	2022
Kale Haberman	2020

REGISTERED AGENT:

Chase Schultz, District Manager
40535 HWY 19
Fossil, OR 97830

(541) 468-2990

WHEELER SOIL AND WATER CONSERVATION DISTRICT

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BARNETT & MORO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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MITCHELL L. BOYLAN, C.P.A.

GERALD J. MORO, C.P.A. EMERITUS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wheeler Soil and Water
Conservation District
Fossil, Oregon

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Wheeler 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Wheeler Soil and Water Conservation District, as of June 30, 2020, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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 4, 2020, on our consideration of Wheeler 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.

Barnett & Moro, P.C.

By: 
Richard L. Stoddard, Shareholder
Hermiston, Oregon
December 4, 2020

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Statement of Net Position and Governmental Funds Balance Sheet

-- Modified Cash Basis

June 30, 2020

	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Net Position</u>
<u>ASSETS:</u>			
Cash and investments	\$ 810,155	\$ -	\$ 810,155
Capital assets, net of accumulated depreciation	-	17,275	17,275
Total assets	<u>\$ 810,155</u>	<u>17,275</u>	<u>827,430</u>
Independent Auditor's Report			
<u>LIABILITIES</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES / NET POSITION:</u>			
Fund balances:			
Unassigned	<u>810,155</u>	<u>(810,155)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 810,155</u>		
Net position:			
Net Investment in capital assets		17,275	17,275
Unrestricted		<u>810,155</u>	<u>810,155</u>
Total net position		<u>\$ 17,275</u>	<u>\$ 827,430</u>

See accompanying independent auditor's report
and notes to the financial statements.

WHEELER SOIL AND WATER CONSERVATION DISTRICT

**Statement of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balances -- Modified Cash Basis
Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES:</u>			
Conservation operations:			
Personal services	\$ 285,286	\$ -	\$ 285,286
Materials and services:			
Grant project costs	691,758	-	691,758
Other administrative	37,164	(2,592)	34,572
Depreciation expense	-	14,224	14,224
Total expenditures/expenses	<u>1,014,208</u>	<u>11,632</u>	<u>1,025,840</u>
<u>PROGRAM REVENUES:</u>			
Charges for service	16,152	-	16,152
Operating grants and contributions	1,145,077	-	1,145,077
Total program revenues	<u>1,161,229</u>	<u>-</u>	<u>1,161,229</u>
Program revenues less expenditures/expenses	<u>147,021</u>	<u>(11,632)</u>	<u>135,389</u>
<u>GENERAL REVENUES:</u>			
Interest	14,467	-	14,467
Miscellaneous	4,340	-	4,340
Total general revenues	<u>18,807</u>	<u>-</u>	<u>18,807</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	165,828	(165,828)	-
<u>CHANGE IN NET POSITION</u>	-	154,196	154,196
<u>FUND BALANCES / NET POSITION:</u>			
Beginning of the year	644,327	28,907	673,234
End of the year	<u>\$ 810,155</u>	<u>\$ 17,275</u>	<u>\$ 827,430</u>

See accompanying independent auditor's report
and notes to the financial statements.

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting entity:

Wheeler Soil and Water Conservation District was established by statute under the administrative oversight authority of the Natural Resources Division of the Oregon Department of Agriculture. The District is a subdivision of state government.

The District is governed by a board of seven directors. Directors are locally elected officials who serve without pay. Directors are elected by nonpartisan ballot at the general election, for four year, staggered terms.

The purpose of the District is to provide for the conservation of the renewable natural resources of the state and thereby to conserve and develop natural resources, control and prevent soil erosion, control floods, conserve and develop water resources and water quality, prevent impairment of dams and reservoirs, assist in maintaining the navigability of rivers and harbors, preserve wildlife, conserve natural beauty, promote recreational development, protect the tax base, protect public lands and protect and promote the health, safety and general welfare of the people of Oregon state.

The District has determined that no other outside agency meets the criteria to be included as a component unit in the District's financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements (the statement of net position and the statement of activities) are reported using the economic resources measurement focus. The governmental fund financial statements (the fund balance sheets and the statement of revenues, expenditures, and changes in fund balances) are reported on the current financial resources measurement focus. Program revenues include: 1) charges for goods and services, and 2) operating grants and contributions, 3) capital grants and contributions. The principal revenues are operating grants from government entities.

The District uses the modified cash basis of accounting for preparation of financial statements. The District only recognizes items that involve receipts or disbursements of cash, except for the following modifications which have substantial support in generally accepted accounting principles:

The District capitalizes assets with an original cost over \$500 and an estimated useful life longer than one year. Capital assets are depreciated using the straight-line method over estimated useful lives. The District reports long-term debt that relates to the acquisition of capital assets.

Except for the modifications listed above, the District does not record transactions relating to revenues earned or expenses incurred until the period in which the cash is received or disbursed. Accordingly, receivables, payables, and accrued expenses are not reported.

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance.

The District uses only one governmental fund, the General Fund, to account for all operations of the District.

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2020

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

Fund balance:

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.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

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 District Board passes a resolution that places specific constraints on how the resources may be used. The District Board can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the District Board approves which resources should be assigned to expenditure for particular purposes during the adoption of the annual budget. The District Board uses that information to determine whether those resources should be classified as assigned or unassigned for presentation 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.

When the option is available to use restricted or unrestricted resources for any purpose, the District expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the District expends committed resources before assigned resources, and assigned resources before unassigned resources.

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2020

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

Budget reporting:

The District is exempt from Oregon state budget laws because it is organized under ORS chapter 568 as a soil and water conservation district that does not levy an ad valorem tax.

Capital assets:

Capital assets generally result from expenditures in the governmental funds. These assets are reported as assets on the statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at original cost. Donated assets are valued at their estimated fair market value on the date donated. Improvements are capitalized, however normal maintenance and repairs are not capitalized. Capital outlay expenditures below \$500 are not recorded as capital assets.

Investment policy:

Statutes authorize the District to invest in certificates of deposit, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. Presently all investments are in bank short-term investments and the Oregon Local Government Pool.

The Oregon Short Term Fund (OSTF) is the LGIP for local governments and was established by the State Treasurer. OSTF investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The fair value of the District's position in the pool is the same as the value of its pools shares.

Investments are stated at cost under the modified cash basis of accounting; market value of investments is approximately the same as cost.

Income taxes:

The District is exempt from federal and state income tax.

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net position:

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets are: capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by laws or regulations. When the option is available to use restricted or unrestricted resources for any purpose, the District will expend restricted resources first.

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 2 - CASH AND INVESTMENTS:

Cash and investments consisted of the following:

Bank checking accounts	\$ 9,164
Bank money market account	382,992
Local government investment pool	417,999
Total cash and investments	<u>\$ 810,155</u>

All cash and investments are carried at cost which equals market value.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. The Public Funds Collateralization Program was created by the Office of the State Treasurer to facilitate bank depository, custodian and public official compliance with ORS 295. ORS 295 requires the qualified depository to pledge collateral against any public funds deposits in excess of deposit insurance amounts. As of June 30, 2020, the total bank balances were \$250,364. Of these deposits, \$250,000 was covered by federal depository insurance. The District keeps its deposits at financial institutions deemed to be qualified depositories by the Office of the State Treasurer. The District's remaining deposits in excess of federal deposit insurance are considered by management to be fully collateralized. The District's policy is to keep deposits only at financial institutions deemed to be qualified depositories by the Office of the State Treasurer.

Interest Rate Risk - Investments

The District invests in a highly liquid sweep account with daily maturities. Fair value of these investments is not expected to vary greatly as interest rates change. The District's policy is to not hold securities with maturities longer than 12 months.

Credit Risk - Investments

The Local Government Investment Pool's credit risk is not rated.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. All of the District's investments are held by a third party not in the District's name. The District's policy is to only invest in the Office of the State Treasurer's Local Government Investment Pool.

The Local Government Investment Pool is not subject to custodial credit risk because it is not evidenced by securities that exist in physical or book entry form.

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 3 - CAPITAL ASSETS:

Capital assets are depreciated using the straight-line method over their estimated useful lives.

Capital assets and related changes therein consisted of the following:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Equipment	\$ 137,736	\$ 2,592	\$ (1,103)	\$ 139,225
Less: Accumulated depreciation	108,829	14,224	(1,103)	121,950
	<u>\$ 28,907</u>	<u>\$ (11,632)</u>	<u>\$ -</u>	<u>\$ 17,275</u>

NOTE 4 - RELATED PARTY TRANSACTIONS:

District's Contracted Finance Manager was paid \$11,400 in building rent. A board member was paid \$11,100 for labor and equipment use for grant projects. A spouse of an employee was paid \$5,536 for labor and materials for grant projects. A relative of the District Manager was paid \$4,420 for labor and materials for grant projects.

The Board of Directors approved these payments.

NOTE 5 - RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES:

Total governmental funds balances	\$ 810,155
Capital assets used in the governmental activities are not current financial resources and therefore are not reported in the funds.	<u>17,275</u>
Net position of governmental activities	<u>\$ 827,430</u>

NOTE 6 - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES:

Net change in governmental fund balances	\$ 165,828
Governmental funds report capital outlays as expenditures. Instead of expensing these costs in the statement of activities the costs are capitalized in the statement of net position.	2,592
Depreciation expense reported in the statement of activities does not require the use of current financial resources, and therefore is not reported as an expenditure in the governmental funds.	<u>(14,224)</u>
Change in net position of governmental activities	<u>\$ 154,196</u>

WHEELER SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2020

NOTE 7 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

NOTE 8 – SUBSEQUENT EVENTS:

The District has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would materially effect the financial statements.

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Wheeler Soil and Water Conservation District
Fossil, Oregon

We have audited the basic financial statements of the Wheeler Soil and Water Conservation District as of and for the year ended June 30, 2020, and have issued our report thereon dated December 4, 2020. 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 the Wheeler 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, except as follows:

The District submitted some required grant project reports after their due date. The District Manager indicated that late reports were due to: delays from landowners, delays in responses from assisting agencies, and staffing changes.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Wheeler Soil and Water Conservation District's internal control over financial reporting (internal control) 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 the 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 controls over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness in overall internal accounting control exists because the functions of handling cash and the recording of financial transactions are not adequately separated due to the small number of staff employed by the district.

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

Barnett & Moro, P.C.

By: 
Richard L. Stoddard, Shareholder
December 4, 2020