

TUALATIN SOIL AND WATER  
CONSERVATION DISTRICT

Financial Statements

For the Year Ended June 30, 2021

TUALATIN SOIL AND WATER CONSERVATION DISTRICT  
June 30, 2021

BOARD OF DIRECTORS

<u>Name</u>	<u>Position/Zone</u>	<u>Term Expires</u>
Jerry Ward	Chairman Zone 1	December 31, 2024
Eldon Jossi	Director Zone 2	December 31, 2024
Thomas Dierickx	Director Zone 3	December 31, 2022
Dean Moberg	Director At Large 2	December 31, 2022
Matt Pihl	Secretary Zone 5	December 31, 2022
Anna Jesse	Treasurer Zone 4	December 31, 2022
Steve VanGrunsven	Vice-Chair At Large	December 31, 2024

REGISTERED AGENT

John McDonald

REGISTERED OFFICE

7175 NE Evergreen Pkwy #400  
Hillsboro, OR 97123

MAILING ADDRESS

Tualatin Soil and Water Conservation District  
7175 NE Evergreen Pkwy #400  
Hillsboro, OR 97124

TUALATIN SOIL AND WATER CONSERVATION DISTRICT  
Financial Statements  
For the year ended June 30, 2021

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Independent Auditor's Report

Board of Directors  
Tualatin Soil and Water Conservation District  
Washington County, Oregon

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**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 cash basis financial position of the governmental activities and each major fund of the Tualatin Soil and Water Conservation District as of June 30, 2021 and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

**Richard Winkel, CPA**  
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Beaverton, OR 97006

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## **Other Matters**

### *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 cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tualatin Soil and Water Conservation District's basic financial statements. The management discussion and analysis on pages 3-5, 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 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 budgetary comparison schedules on pages 16 to 18 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 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Oregon State Regulations**

In accordance with Oregon State Regulations, we have also issued our report dated October 12, 2021 on our consideration of Tualatin Soil and Water Conservation District's internal control over financial reporting and on our procedures to address 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 internal control over financial reporting or on compliance. That report is required by Oregon State Regulations.



Richard Winkel, CPA

October 12, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TUALATIN SOIL AND WATER CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2021**

Our discussion and analysis of Tualatin Soil and Water Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Our purposes are to assist users of these financial statements to interpret the information found in the following pages, highlight the major factors and impacts on the District's financial situation, and to explain significant changes from last year to this year. Please read it in conjunction with the District's financial statements beginning on page 6.

**FINANCIAL HIGHLIGHTS**

- Project revenues for the year ended June 30, 2021 were \$1,488,564, an increase of \$545,264 from the prior year. The majority of change resulted from increases in revenues from USDA-FSA, OWEB, and Clean Water Services for conservation projects and operations funding.
- Property tax levy revenues for the year ended June 30, 2021 were \$5,817,185 from Washington County collections.
- Total expenditures for the year ended June 30, 2021 were \$5,038,282, an increase of \$1,048,250 from the prior year. This increase was primarily due to the District's efforts to expand conservation programs.
- The District's net position increased by \$2,458,283 during the year ended June 30, 2021.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The government-wide financial statements on pages 6 and 7 are designed to provide an overview of the District's finances. The statement of net position – cash basis presents information regarding assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. The statement of activities – cash basis presents information showing how the District's net position changed during the year.

The fund financial statements on pages 8 and 9 focus on inflows and outflows of spendable resources, as well as balances of resources available at the end of the year for the District's funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the information in the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**SUMMARY STATEMENT OF NET POSITION - CASH BASIS**

	<b>FY 2021</b>	<b>FY 2020</b>
<b>ASSETS</b>		
Cash and investments	<u>\$ 11,165,121</u>	<u>\$ 8,701,326</u>
Total assets	11,165,121	8,701,326
<b>LIABILITIES</b>		
Payroll Taxes	<u>10,279</u>	<u>4,767</u>
Total liabilities	<u>10,279</u>	<u>4,767</u>
<b>NET POSITION:</b>		
Restricted	390,947	142,377
Unrestricted	<u>10,763,895</u>	<u>8,554,182</u>
Total net position	<u><u>\$ 11,154,842</u></u>	<u><u>\$ 8,696,559</u></u>

**SUMMARY STATEMENT OF ACTIVITIES – CASH BASIS**

	<b>FY 2021</b>	<b>FY 2020</b>
<b>Program revenues:</b>		
Project income	\$ 1,488,564	\$ 943,300
<b>General revenues:</b>		
Property taxes	5,817,185	5,355,850
Strategic Investment Program revenue	108,115	115,577
Interest income	<u>82,701</u>	<u>169,094</u>
Total revenues	7,496,565	6,583,821
<b>Program expenditures</b>		
Soil and water conservation	<u>5,038,282</u>	<u>3,990,032</u>
Total expenses	<u>5,038,282</u>	<u>3,990,032</u>
Change in net position	2,458,283	2,593,789
Net position, beginning of year	<u>8,696,559</u>	<u>6,102,770</u>
Net position, end of year	<u><u>\$ 11,154,842</u></u>	<u><u>\$ 8,696,559</u></u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental fund balances totaled \$11,154,842 at June 30, 2021. A summary of changes in governmental fund balances follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
General fund	\$ 7,687,185	\$ 6,996,407	\$ 690,778
Special revenue fund	390,947	142,377	248,570
Opportunity reserve fund	<u>3,076,710</u>	<u>1,557,775</u>	<u>1,518,935</u>
Total	<u>\$ 11,154,842</u>	<u>\$ 8,696,559</u>	<u>\$ 1,518,935</u>

In 2021 the General Fund revenues were \$6,447,521, a decrease of \$25,498 from the prior year. The decrease in revenues for the year ended June 30, 2021 was due to the property tax levy and collections from Washington County being \$461,335 higher in 2021, offset by a decrease of \$391,465 in project funding. General Fund expenditures were \$4,192,238 during the year ended June 30, 2021, an increase of \$248,666 due to expanded program expenditures.

The revenues of the Special Revenue Fund were \$1,049,044 in 2021, expenditures were \$846,044 and there was a transfer to the general fund of \$59,430, resulting in the fund balance increasing \$248,570 for the year ended June 30, 2021.

During the year ended June 30, 2021 the District's Opportunity Reserve Fund increased by \$18,935 of interest income and \$1,500,000 transferred in from the General Fund to reserve funds for future projects.

## ECONOMIC FACTORS

Property tax revenues and project income are the main source of the District's operating revenue. All expenses for soil and water conservation must be paid for by these sources. For the year ended June 30, 2021 the programs had set aside a total of \$2,308,026 for local conservation awards. During the year ended June 30, 2021 the District awarded \$605,000 for local conservation projects leaving \$1,703,026 to award in future years. This amount is held in the General Fund until the amounts are awarded.

## FINANCIAL CONTACT

The District's financial statements are designed to give the public a general overview of the District's accountability. If you have questions about financial matters please contact the District at 7175 NE Evergreen Pkwy #400, Hillsboro, OR 97124. The District telephone number is (503) 334-2288.

## **FINANCIAL SECTION**

## **BASIC FINANCIAL STATEMENTS**

**TUALATIN SOIL AND WATER CONSERVATION DISTRICT**

**Statement of Net Position – Cash Basis**

**June 30, 2021**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 11,165,121</u>
Total assets	<u>11,165,121</u>
<b>LIABILITIES</b>	
Payroll and tax withholdings	<u>10,279</u>
Total liabilities	<u>10,279</u>
<b>NET POSITION:</b>	
Restricted	390,947
Unrestricted	<u>10,763,895</u>
Total net position	<u><u>\$ 11,154,842</u></u>

The accompanying notes are an integral part of these financial statements

**TUALATIN SOIL AND WATER CONSERVATION DISTRICT**

**Statement of Activities – Cash Basis**

**For the Year Ended June 30, 2021**

	<u>Governmental Activities</u>
<b>Program expenses</b>	
Soil and water conservation	\$ (5,038,282)
<b>Program revenues</b>	
Operating grants	<u>1,488,564</u>
Net program revenues	(3,549,718)
<b>General revenues</b>	
Property taxes	5,817,185
Strategic Investment Partnership revenue	108,115
Interest income	<u>82,701</u>
Total general revenues	<u>6,008,001</u>
Change in net position	2,458,283
Total net position – beginning of year	<u>8,696,559</u>
Total net position – ending of year	<u><u>\$ 11,154,842</u></u>

The accompanying notes are an integral part of these financial statements

**FUND FINANCIAL STATEMENTS**

**TUALATIN SOIL AND WATER CONSERVATION DISTRICT**

**Balance Sheet – Cash Basis – Governmental Funds**

**June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and investments	\$ 10,774,174	\$ 390,947	\$ 11,165,121
Total assets	<u>\$ 10,774,174</u>	<u>\$ 390,947</u>	<u>\$ 11,165,121</u>
<b>LIABILITIES:</b>			
Payroll and tax withholdings	\$ 10,279	\$ -	\$ 10,279
Total liabilities	<u>10,279</u>	<u>-</u>	<u>10,279</u>
<b>CASH BASIS FUND BALANCES:</b>			
Restricted for conservation	-	390,947	390,947
Committed for conservation	3,076,710	-	3,076,710
Unassigned	<u>7,687,185</u>	<u>-</u>	<u>7,687,185</u>
Total fund balances	<u>10,763,895</u>	<u>390,947</u>	<u>11,154,842</u>
Total liabilities and fund balances	<u>\$ 10,774,174</u>	<u>\$ 390,947</u>	<u>\$ 11,165,121</u>

The accompanying notes are an integral part of these financial statements

**TUALATIN SOIL AND WATER CONSERVATION DISTRICT**

**Statement of Revenues, Expenditures and Changes in  
Fund Balances – Cash Basis – Governmental Funds**

**For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
Property taxes	\$ 5,817,185	\$ -	\$ 5,817,185
Project income	443,909	1,044,655	1,488,564
Strategic Investment Partnership revenue	108,115	-	108,115
Interest income	78,312	4,389	82,701
	<hr/>	<hr/>	<hr/>
Total revenues	6,447,521	1,049,044	7,496,565
<b>EXPENDITURES:</b>			
Current:			
Personnel services	1,625,730	-	1,625,730
Materials and services	1,979,625	846,044	2,825,669
Capital outlay	586,883	-	586,883
	<hr/>	<hr/>	<hr/>
Total expenditures	4,192,238	846,044	5,038,282
Revenues over (under) expenditures	2,255,283	203,000	2,458,283
Transfers in/(out)	(45,570)	45,570	-
	<hr/>	<hr/>	<hr/>
Change in fund balances	2,209,713	248,570	2,458,283
Fund balance, beginning of year	8,554,182	142,377	8,696,559
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 10,763,895	\$ 390,947	\$ 11,154,842
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

# TUALATIN SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2021

### 1. Summary of Significant Accounting Policies

#### Organization

Tualatin Soil and Water Conservation District (the “District”) is organized under the general laws of the State of Oregon. The administration of the District is the responsibility of a seven member Board of Directors. The District is a non-regulatory agency that works with Washington County residents and organizations on a cooperative, voluntary basis to conserve natural resources.

#### Reporting Entity

The District is the political subdivision of the State of Oregon. The reporting entity consists of the primary government, any organization for which the primary government is financially accountable, and any other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity.

The District is governed by an independently elected Board of Directors and is legally separate from all other entities. It is also financially independent of other state and local governmental units. Based on these criteria, the District is not a component unit of another entity, nor is any other entity required to be included in the financial statements of the District.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position – cash basis and the statement of activities – cash basis) report information on all of the governmental activities of the District in one column. The statement of activities demonstrates the degree to which expenses are offset by program revenues. Items not properly included among program revenues are reported as general revenues.

The statement of activities demonstrates the degree to which the expenses of each function are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operating requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are also provided. Major governmental funds are reported as separate columns in the fund financial statements.

#### Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or regulations of other governments. When both restricted and unrestricted resources are available, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

# TUALATIN SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements – Continued

June 30, 2021

Net position is classified in the following three categories:

Invested in capital assets, net – consists of capital assets net of accumulated depreciation.

Restricted net position – consists of net position with constraints placed on them by entities outside of the District.

Unrestricted net position – all other net positions that do not meet either of the criteria above.

### Fund Accounting

The District has two major funds:

- The General Fund accounts for the general operations of the District. The principal revenue sources are property taxes and project income.
- The Special Revenue Fund accounts for the proceeds of specific revenue sources such as state and federal grants and contracts that are required to be spent according to the individual grant or contract.

### Fund Balances

The District follows fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts constrained to specific purpose by their providers (such as grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level authority action to remove or change the constraint.
- Assigned fund balance represents amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance represents amounts that are available for any purpose; these amounts are reported only in the General Fund.

The governing body has not established a policy on the order in which unrestricted resources are to be used when these amounts are available for expenditure. As a result of this, the default approach assumes that committed amounts should be reduced first, followed by assigned amounts, and then the unassigned amounts.

# TUALATIN SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2021

### Measurement Focus and Basis of Accounting

All financial statements have been prepared on the cash basis of accounting, whereby revenue is recognized when received and expenditures are recognized when paid. Although not in conformity with generally accepted accounting principles, this is permissible under the laws of the state of Oregon.

The cash basis of accounting differs from the modified accrual basis as prescribed by generally accepted accounting principles for governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures, with certain exceptions, are recognized when the related liability is incurred. The cash basis also differs from the accrual basis as prescribed by generally accepted accounting principles for the government-wide financial statements. The major differences between the cash basis and the accrual basis relate to capital outlay and debt service. Under the cash basis, capital outlays are recognized as expenses when the assets are purchased and depreciation is not recorded. Also, proceeds of long-term borrowings are recognized as an “other financing source” and principal repayments are considered expenditures when paid.

### Cash and Cash Equivalents

The District has defined cash and cash equivalents to include cash on hand, demand deposits and short term investments with original maturities of three months or less. The carrying amount of the cash and cash equivalents approximate fair value due to the short term maturities of these instruments.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal Deposit Insurance Corporation (FDIC) insurance of up to \$250,000 applies to total deposits at each financial institution.

### Property Taxes

Real property taxes are levied and attached as an enforceable lien on property as of July 1 of each fiscal year. Real property taxes may be paid in full by November 15 with a 3% discount, or paid in three equal payments on November 15, February 15, and May 15. Washington County, Oregon, makes all assessments of property value and levies and collects property taxes for all levying districts within the County. The District considers all property taxes to be fully collectible and therefore, no allowance for uncollectible property taxes has been made.

### Transfers

The District makes transfers in two instances: 1) the District applies for and collects administrative or fiscal fees for some projects. As funds are received during a project’s year or the project is completed, the allowed administrative/fiscal fees are transferred to SWCD (Soil and Water Conservation District) Discretionary, which are reported herein as general funds; 2) when the District has a contract for deliverables not tied to specific budget line items, once the final contract report is approved, unused monies can be transferred to the general fund. There was \$45,570, net in transfers of funds from the General Fund to the Special Revenue Fund during the year ended June 30, 2021.

# TUALATIN SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2021

### 2. Stewardship, Compliance and Accountability

The District is subject to the budget requirements of state law. The resolution authorizing appropriations of each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, debt service, interfund transactions, operating contingency and unappropriated balance are the levels of control established by resolution. The detail budget document, however, is required to contain more specific detailed information for the above-mentioned expenditure categories.

The budget is adopted and appropriations are made no later than June 30<sup>th</sup>. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication 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 controls. Such transfers require the approval of the Board of Directors.

Expenditures cannot legally exceed the appropriation levels. Appropriations lapse at the end of each fiscal year. Expenditures of the various funds shown in the financial statements were within authorized appropriation levels.

### 3. Cash and Investments

Cash and investments of the District consisted of the following at June 30, 2021:

Cash on deposit with financial institution	\$	45,907
Local Government Investment Pool		<u>11,119,214</u>
Total	\$	<u>11,165,121</u>

#### Deposits

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal Deposit Insurance Corporation (FDIC) insurance of \$250,000 applies to total deposits at each financial institution. When balances exceed \$250,000, ORS 295.002 requires the bank depository to enter into an agreement described in ORS 295.008(2)(b) and to deposit securities pursuant to ORS 295.015(1). The Oregon State Treasurer's Office facilitates these agreements and maintains a list of qualified depositories. Well capitalized depository banks must pledge securities with a value of at least 10 percent of their quarter-end public fund deposits, unless otherwise directed by the Oregon State Treasurer. Adequately capitalized or undercapitalized bank depositories are required to pledge collateral valued at 110 percent of their uninsured public fund deposits. The securities are held by a custodian for the benefit of the State of Oregon. Any balances in excess of the FDIC insurance plus 10 percent are considered exposed to custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will be unable to recover deposits or collateral securities in the hands of an outside party. At June 30, 2021, all balances were deposited with qualified financial institutions.

# TUALATIN SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2021

### Investments

Oregon Revised Statutes 294.035 authorizes the District to invest in general obligations of the U.S. government and its agencies, bankers' acceptances, commercial paper rated A-2 or better by Standard & Poor's Corporation or P-2 by Moody's Investors Service, and the state of Oregon Local Government Investment Pool (LGIP), among others.

The only investments held by the District at June 30, 2020 were amounts deposited with the state of Oregon LGIP. The District's investment in the LGIP is carried at cost, which approximates fair value. The state of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its fair value will decline if interest rates rise. In order to manage the interest rate risk of its investments, the District only invests in the LGIP. The LGIP has rules that require at least 50 percent of its investments to mature within 93 days, not more than 25 percent may mature in over a year, and all other investments must mature in no more than three years.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investments in the LGIP are not required to be rated for credit risk.

*Custodial Credit Risk – Investments.* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the state of Oregon's name.

#### 4. Related Party Transactions

During the year ended June 30, 2021, a member of the Board of Directors participated in the Enhanced Conservation Reserve Enhancement Program (ECREP) and received \$238. Four other members of the Board of Directors were contracted for soil and irrigation work related to program work in the amounts of \$450, \$75,465, \$15,482 and \$59,100, respectively, for the year ended June 30, 2021.

**TUALATIN SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2021**

**5. Leases**

The District leases office space under a non-cancelable operating lease agreement for office space that expires on January 31, 2025.

Total rent expense was \$227,017 for the year ended June 30, 2021 under the terms of the operating lease.

Future minimum payments under the operating lease are as follows:

2022	\$	182,500
2023		188,500
2024		194,500
2025		<u>115,500</u>
	\$	<u>681,000</u>

**6. 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; injuries to employees; and natural disasters for which the District has purchased insurance coverage through the Oregon Department of Agriculture. In addition, the District purchases and carries vehicle liability insurance for any state or federal vehicles it may use.

Workers compensation insurance is purchased from a commercial carrier. Premiums are determined based on payroll paid at various employment classification rates. Loss prevention services are available from the carrier and the District has no potential liability beyond the premiums paid and deductible

No losses were incurred during the prior three years ended June 30, 2021 that exceeded the District's insurance coverage.

**7. Subsequent Events**

The District did not have any subsequent events through October 12, 2021, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2021.

**SUPPLEMENTARY INFORMATION**

TUALATIN SOIL AND WATER CONSERVATION DISTRICT

Cash Basis Schedule of Receipts, Disbursements and  
Changes in Fund Balance – Budget and Actual – General Fund

For the Year Ended June 30, 2021

	Original and Final Budget Fund	Actual	Variance to Final Budget Positive (Negative)
<b>RECEIPTS:</b>			
Property taxes	\$ 6,116,108	\$ 5,817,185	\$ (298,923)
Project income	399,155	443,909	44,754
Strategic Investment Partnership revenue	-	108,115	108,115
Interest income	90,000	59,377	(30,623)
<b>Total receipts</b>	<b>6,605,263</b>	<b>6,428,586</b>	<b>(176,677)</b>
<b>DISBURSEMENTS:</b>			
Personnel services	1,838,000	1,625,730	212,270
Materials and services	6,449,596	1,979,625	4,469,971
Capital outlay	775,000	586,883	188,117
Contingency	340,059	-	340,059
<b>Total disbursements</b>	<b>9,402,655</b>	<b>4,192,238</b>	<b>5,210,417</b>
<b>Excess of receipts over (under) disbursements</b>	<b>(2,797,392)</b>	<b>2,236,348</b>	<b>5,033,740</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	59,430	59,430	-
Transfers out	(1,605,000)	(1,605,000)	-
<b>Total other financing sources (uses)</b>	<b>(1,545,570)</b>	<b>(1,545,570)</b>	<b>-</b>
<b>Change in fund balance</b>	<b>(4,342,962)</b>	<b>690,778</b>	<b>5,033,740</b>
Cash Basis Net Position - beginning of year	6,842,962	6,996,407	153,445
Cash Basis Net Position - end of year	<u>\$ 2,500,000</u>	<u>\$ 7,687,185</u>	<u>\$ 5,187,185</u>
Reconciliation to Governmental Fund Balance as required by GASB 54			
Ending fund balance:			
Reserve Fund		3,076,710	
<b>Total</b>		<u>\$ 10,763,895</u>	

TUALATIN SOIL AND WATER CONSERVATION DISTRICT

Cash Basis Schedule of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual – Special Revenue Fund

For the Year Ended June 30, 2021

	Original and Final Budget Fund	Actual	Variance to Final Budget Positive (Negative)
<b>RECEIPTS:</b>			
Project income	\$ 1,771,557	\$ 1,044,655	\$ (726,902)
Interest	3,900	4,389	489
Total receipts	<u>1,775,457</u>	<u>1,049,044</u>	<u>(726,413)</u>
<b>DISBURSEMENTS:</b>			
Materials and services	<u>1,980,684</u>	<u>846,044</u>	<u>1,134,640</u>
Total disbursements	<u>1,980,684</u>	<u>846,044</u>	<u>1,134,640</u>
Excess of receipts over (under) disbursements	<u>(205,227)</u>	<u>203,000</u>	<u>408,227</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	105,000	105,000	-
Transfers out	<u>(59,430)</u>	<u>(59,430)</u>	<u>-</u>
Total other financing sources (uses)	<u>45,570</u>	<u>45,570</u>	<u>-</u>
Change in fund balance	<u>(159,657)</u>	<u>248,570</u>	<u>408,227</u>
Cash Basis Net Position - beginning of year	<u>159,657</u>	<u>142,377</u>	<u>(17,280)</u>
Cash Basis Net Position - end of year	<u>\$ -</u>	<u>\$ 390,947</u>	<u>\$ 390,947</u>

TUALATIN SOIL AND WATER CONSERVATION DISTRICT

Cash Basis Schedule of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual – Opportunity Reserve Fund

For the Year Ended June 30, 2021

	Original and Final Budget Fund	Actual	Variance to Final Budget Positive (Negative)
<b>RECEIPTS:</b>			
Interest	\$ 25,000	\$ 18,935	\$ (6,065)
Total receipts	<u>25,000</u>	<u>18,935</u>	<u>(6,065)</u>
<b>DISBURSEMENTS:</b>			
Capital outlay	<u>2,581,367</u>	<u>-</u>	<u>2,581,367</u>
Total disbursements	<u>2,581,367</u>	<u>-</u>	<u>2,581,367</u>
Excess of receipts over (under) disbursements	<u>(2,556,367)</u>	<u>18,935</u>	<u>2,575,302</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Change in fund balance	<u>(1,056,367)</u>	<u>1,518,935</u>	<u>2,575,302</u>
Cash Basis Net Position - beginning of year	<u>1,056,367</u>	<u>1,557,775</u>	<u>501,408</u>
Cash Basis Net Position - end of year	<u>\$ -</u>	<u>\$ 3,076,710</u>	<u>\$ 3,076,710</u>

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 because there are no substantial restricted or committed revenue inflows.

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

Independent Auditor's Report Required  
by Oregon State Regulations

To the Board of Directors  
Tualatin Soil and Water Conservation District  
Washington County, Oregon

We have audited the basic financial statements of Tualatin Soil and Water Conservation District (the District) as of and for the year ended June 30, 2021 and have issued our report thereon dated October 12, 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 Tualatin 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 provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

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

- Deposit of Public Funds with Financial Institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and Fidelity Bond Coverage in force or required by law
- Public Contracts and Purchasing
- Programs Funded From Outside Sources
- Authorized investment of surplus funds (ORS Chapter 294)

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In connection with our testing nothing came to our attention that caused us to believe Tualatin Soil and Water Conservation District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered Tualatin Soil and Water Conservation District's internal control over financial reporting as a basis for designing our audit 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 Tualatin Soil and Water Conservation District's internal control over financial reporting.

This report is intended for the information of Tualatin Soil and Water Conservation District's 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 parties.

A handwritten signature in black ink that reads "Richard Winkel, CPA". The signature is written in a cursive style.

Richard Winkel, CPA  
October 12, 2021