

**POLK SOIL AND WATER
CONSERVATION DISTRICT**

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2021

**POLK SOIL AND WATER CONSERVATION DISTRICT
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POLK SOIL AND WATER CONSERVATION DISTRICT

JUNE 30, 2021

BOARD OF DIRECTORS

Chad Woods – Board Chair

Judy Beebe – Vice Chair

Mike Wilson – Secretary

John Dalton – Treasurer

Pryor Garnett – Director

David Simmons – Director

Brad Ford - Director

REGISTERED AGENT & OFFICE

Chad Woods
580 Main Street, Suite A
Dallas, Oregon 97338



Certified Public Accountants

1800 Blankenship Rd., Suite 450
West Linn, OR 97068-4198
503-723-7600 503-723-5100 FAX

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Polk Soil and Water Conservation District
580 Main Street, Suite A
Dallas, Oregon 97338

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Polk Soil and Water Conservation District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 A; 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 financial statements that are free from material misstatement, whether due to error or fraud.

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 – modified cash basis of the governmental activities and each major fund of the District as of June 30, 2021, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A 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 Matters

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

The budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2020.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis and introductory section and the Schedule of Proportionate Share of the Net Pension Liability (Asset) and Schedule of Required Contributions, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated November 9, 2021, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants
West Linn, Oregon

By 
Russell T. Ries, Partner

November 9, 2021

POLK SOIL AND WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

Our discussion and analysis of Polk 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. Management has prepared the disclosures along with the discussion and analysis. The Management's Discussion and Analysis focuses on current year activities and resulting changes. Please read it in conjunction with the District's financial statements beginning on page 7.

FINANCIAL HIGHLIGHTS – FISCAL YEAR 2020-2021

The District was awarded multiple grants for implementation of conservation projects and programs.

- In 2021 the combined assets of the District exceeded its liabilities by \$1,331,734 (net position).
- The District recognized \$193,724 of operating grant revenue, representing 36.4% of total revenue, and \$321,752 of property tax revenue, representing 60.5% of total revenue. Total revenue of \$532,175 represents a decrease in revenue of \$352,009 from the prior year.
- Total expenditures during the year were \$401,880, a decrease of \$79,411 from the prior year.
- The District's net position increased by \$130,295 during the year ended June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Supplementary Information. The government-wide financial statements on pages 7 and 8 are designed to provide an overview of the District's finances. The statement of net position 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 presents information showing how the District's net position changed during the year.

The fund financial statements on pages 9 and 10 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison with the government-wide financial statements.

BASIS OF ACCOUNTING

The District has elected to present its financial statements on the modified cash basis of accounting. Under the District's modified cash basis of accounting revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the modified cash basis of accounting, certain assets and their related revenues, such as capital assets, and certain liabilities, such as accounts payable for goods and services received but not yet paid, are not recorded in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,349,484	\$ 1,213,423
Receivables	<u>8,920</u>	<u>10,061</u>
Total assets	1,358,404	1,223,484
LIABILITIES	17,750	11,984
DEFERRED INFLOWS	<u>8,920</u>	<u>10,061</u>
NET POSITION		
Restricted	622,262	623,888
Unrestricted	<u>709,472</u>	<u>577,551</u>
Total	<u>\$ 1,331,734</u>	<u>\$ 1,201,439</u>

STATEMENT OF ACTIVITIES

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Program revenues:		
Operating grants	\$ 193,724	\$ 241,871
Capital grants	-	291,482
Fees and charges for services	<u>-</u>	<u>24,267</u>
Total program revenues	193,724	557,620
General revenues:		
Property taxes	321,752	305,246
Other income	4,165	13,368
Interest income	<u>12,534</u>	<u>7,950</u>
Total general revenues	<u>338,451</u>	<u>326,564</u>
Total revenue	532,175	884,184
Expenses		
Watershed conservation/improvement	<u>401,880</u>	<u>481,291</u>
Change in net assets	130,295	402,893
Net assets, beginning of year	<u>1,201,439</u>	<u>798,546</u>
Net assets, end of year	<u>\$ 1,331,734</u>	<u>\$ 1,201,439</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental fund balances totaled \$1,331,734 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	<u>\$ 1,331,734</u>	<u>\$ 1,201,439</u>	<u>\$130,295</u>

BUDGETARY HIGHLIGHTS

Under the budgetary basis of accounting, revenues for the General Fund were \$473,275, \$107,221 below budget. Expenditures for the General Fund were \$333,785, which was \$359,811 under budget. The District budgets for potential revenue sources and projects, which creates large budget variances. Expenditures for personnel services and materials and services in the General Fund were all under budget. More detailed information on the budgets can be found in the supplementary schedules.

ECONOMIC FACTORS

Operating grants and property taxes are the main sources of the District's operating revenue. All expenses for soil and water conservation must be paid for by these sources.

OUTLOOK FOR THE FUTURE, BASED ON CURRENTLY KNOWN FACTS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operation. Management is actively monitoring the global situation on its financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

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 580 Main Street, Suite A, Dallas Oregon 97338. The District telephone number is (503) 623-9680.

**POLK SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments, unrestricted	\$ 727,222
Cash and investments, restricted	622,262
Property taxes receivable	<u>8,920</u>
Total assets	<u>1,358,404</u>
LIABILITIES	
Accounts payable	5,097
Accrued payroll	<u>12,653</u>
	<u>17,750</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue – property taxes	<u>8,920</u>
NET POSITION	
Restricted	622,262
Unrestricted	<u>709,472</u>
Total	<u>\$ 1,331,734</u>

(See accompanying notes to basic financial statements)

**POLK SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
Watershed conservation and improvements	\$ <u>401,880</u>	\$ <u>-</u>	\$ <u>193,724</u>	\$ <u>-</u>	\$ <u>(208,156)</u>
General Revenues					
Taxes:					
Ad valorem					321,752
Miscellaneous income					4,165
Investment earnings					<u>12,534</u>
Total					<u>338,451</u>
CHANGE IN NET POSITION					130,295
NET POSITION, beginning					<u>1,201,439</u>
NET POSITION, ending					\$ <u>1,331,734</u>

(See accompanying notes to basic financial statements)

**POLK SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET – MODIFIED CASH BASIS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments, unrestricted	\$ 314,816	\$ 412,406	\$ 727,222
Cash and investments, restricted	622,262	-	622,262
Property taxes receivable	8,920	-	8,920
Total assets	<u>\$ 945,998</u>	<u>\$ 412,406</u>	<u>\$ 1,358,404</u>
LIABILITIES			
Accounts payable	\$ 5,097	\$ -	\$ 5,097
Accrued payroll	12,653	-	12,653
Total liabilities	<u>17,750</u>	<u>-</u>	<u>17,750</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	8,920	-	8,920
Total deferred inflows of resources	<u>8,920</u>	<u>-</u>	<u>8,920</u>
FUND BALANCES			
Restricted for conservation easements	622,262	-	622,262
Committed for conservation projects	-	412,406	412,406
Assigned:			
Projected budgetary deficit	220,000	-	220,000
Unassigned	<u>77,066</u>	<u>-</u>	<u>77,066</u>
Total fund balances	<u>919,328</u>	<u>412,406</u>	<u>1,331,734</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	<u><u>\$ 945,998</u></u>	<u><u>\$ 412,406</u></u>	<u><u>\$ 1,358,404</u></u>

(See accompanying notes to basic financial statements)

**POLK SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 321,752	\$ -	\$ 321,752
Charges for services	-	-	-
Grant income	144,133	49,591	193,724
Other income	4,165	-	4,165
Interest income	11,339	1,195	12,534
Total revenues	<u>481,389</u>	<u>50,786</u>	<u>532,175</u>
EXPENDITURES:			
Watershed conservation and improvements	343,525	58,355	401,880
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	137,864	(7,569)	130,295
FUND BALANCE, beginning of year	<u>781,464</u>	<u>419,975</u>	<u>1,201,439</u>
FUND BALANCE, end of year	<u>\$ 919,328</u>	<u>\$ 412,406</u>	<u>\$ 1,331,734</u>

(See accompanying notes to basic financial statements)

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Polk Soil and Water Conservation District (the "District") is organized under the general laws of the State of Oregon to promote conservation techniques to sustain and restore the soil and local watershed areas. The administration of the District is the responsibility of a seven member Board of Directors.

Reporting Entity

The District is a primary government. 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.

All significant activities have been included in the basic financial statements. The District is financially independent of other state and local governmental entities. 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.

Basic Financial Statements

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the District has only governmental funds (general). Accounting principles generally accepted in the United States of America sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of fund category) for the determination of major funds.

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Basis of Presentation

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

The District funds are described below:

General Fund

This is the District's primary operating fund. It accounts for all the financial operations of the District, except those required to be accounted for in another fund. Principal sources of revenues are property taxes, interest income and grants. Primary expenditures are for general administrative costs and for conservation activities not accounted for in other funds.

Special Revenue Fund

These funds account for revenues derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities.

Fund Balance

In governmental funds, the District's policy is to first apply the expenditures toward restricted fund balance, and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Restricted – Amounts that can be spent only for specific purposes because of 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 Board of Directors. The Board of Directors can modify or rescind the commitment at any time through taking a similar formal action.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed when the Board of Directors approves which resources should be "reserved" during the adoption of the annual budget. The District's Budget Officer uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District's Annual Financial Report.

Unassigned – All amounts not included in other spendable classifications. This classification is also used to report any negative fund balance amounts in other governmental funds.

POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), governmental activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized..
4. Capital assets for which cash is expended for the asset and then depreciated over its useful life.

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The District's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

When expenditures are paid for purposes in which both restricted and unrestricted net position are available, the District deems restricted net position be spent first.

Cash and Investments

The District maintains cash and investments in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and investments.

Oregon Revised Statutes authorize the District to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments in the Local Government Investment Pool are stated at cost, which approximates fair value.

POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property Taxes

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. The District's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

Capital assets (items costing more than \$5,000 and lasting more than one year) are capitalized on the Statement of Net Position (Modified Cash Basis). In the fund statements, capital assets are charged as expenditures as purchased. Capital assets are recorded at cost or estimated historical cost where records are available. Donated assets are not recorded. During 2020, the District was the recipient of donated conservation easement property valued at approximately \$1,400,000. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized.

Depreciation is computed over the estimated useful lives of the capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

Equipment and vehicles	5 years
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Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts.

Accrued Compensated Absences

Earned compensation time and vacation pay is recorded as a disbursement when paid.

Budgets and Budgetary Accounting

The District prepares its budget on the cash basis for all funds. Expenditures of a fund may not legally exceed the annual appropriations for the major object class (personnel services, materials and services, capital outlay, debt service, contingency and interfund transfers). The Board of Directors may amend the budget to expend unforeseen revenue by supplemental appropriations. All supplemental appropriations are included in the budget column of all budget comparison statements. All annual appropriations lapse at fiscal year-end. The District does not use encumbrance accounting.

NOTE B – CASH AND INVESTMENTS:

Cash and investments are comprised of the following at June 30, 2021:

Checking accounts	\$	137,392
Money market accounts		608,309
Certificates of Deposit		247,331
Investments - External Investment Pool		356,452
	\$	<u>1,349,484</u>

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE B – CASH AND INVESTMENTS (Continued):

Deposits

At year end, the book balance of the District's bank deposits was \$993,032 and the bank balance was \$995,093. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. Any remaining amounts would be secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned. The Federal Depositary Insurance Corporation (FDIC) provides insurance for the District's deposits with financial institutions for up to \$250,000 for the aggregate of all time and savings accounts and for up to \$250,000 for the aggregate of all demand deposits accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2021, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE B – CASH AND INVESTMENTS (Continued):

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment policy limits the types of investments that may be held.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments.

The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

NOTE C – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS):

Plan Description - The District contributes to two pension plans administered by Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the District's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the Pension Program, the defined benefit portion of the plan, applies to qualifying District employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE C – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued):

Contributions – Per ORS 238.225, contribution requirements of the active employees and the participating District is established and may be amended by an act of the Oregon Legislature. Employees are required to contribute 6.00 percent of their annual pay which is covered by the District. The District's contractually required contribution rate for the years ended June 30, 2021 and 2020 was 20.77% (OPRF) and 13.14% (OPSRP), of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$24,834 and \$28,425 for the years ended June 30, 2021 and 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the District would have reported if not for the fact that they utilize the modified cash basis of accounting, a liability of \$247,831 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 and rolled forward to June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts, actuarially determined. At June 30, 2021, the District's proportion was 0.00113562% as compared to 0.00133918% at June 30, 2020. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position has been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension investments are reported at fair value.

For the year ended June 30, 2021, the District would have recognized if not for the fact that they utilize the modified cash basis of accounting, pension expense of \$49,031. At June 30, 2021, the District's deferred outflows of resources and deferred inflows under GAAP accounting of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,908	\$ -
Changes in assumptions	13,300	466
Net difference between projected and actual earnings on pension plan investments	29,142	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	154,561	29,287
District contributions subsequent to the measurement date	24,834	N/A
	<u>\$ 93,640</u>	<u>\$ 29,753</u>

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE C – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued):

\$24,834 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	8,507
2023		14,347
2024		12,081
2025		5,470
2026		(1,352)
	\$	<u>39,053</u>

Actuarial Cost Method and Assumptions

Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting changes, if available.

The total pension asset in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 percent overall payroll growth; salaries for individuals are assumed to grow at 3.50 percent plus assumed rates of merit/longevity increases based on service
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service

Healthy retirees and beneficiaries: Pub-2010 Healthy retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub – 2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retiree, sex-distinct, generational with Unisex, Social Security Data Scale.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of a 2018 actuarial experience study published July 24, 2019.

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE C – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued):

Assumed Asset Allocation:

Asset Class/Strategy	OIC Target
Cash	0.0%
Debt Securities	20.0%
Public Equity	32.5%
Private Equity	17.5%
Real Estate	12.5%
Alternative Equity	15.0%
Opportunity Portfolio	2.5%
Total	100.00%

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at: http://www.oregon.gov/pers/docs/financial_reports/2020_cafr.pdf.

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods whether the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method of making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the Plan:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE C – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued):

position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compound Annual (Geometric) Return</u>
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds – Diversified	1.50%	4.06%
Hedge Fund – Event-driven	0.38%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
Assumed Inflation - Mean		2.50%

Discount Rate – The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate – The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE C – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued):

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
District's proportionate share of the net pension liability	\$ 368,009	\$ 247,831	\$ 147,057

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position, assumptions, methods and plan provisions used in the calculations are described in the Oregon PERS system-wide – GASB 68 reporting summary dated March 12, 2021.

NOTE D – OTHER POST-EMPLOYMENT HEALTH BENEFITS:

Retirement Health Insurance Account (RHIA)

Plan Description

The District contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.50% of Tier 1 and Tier 2 payroll and 0.43% of OPSRP annual covered payroll. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE D – OTHER POST-EMPLOYMENT HEALTH BENEFITS (Continued):

the plan over a closed period not to exceed 30 years.

NOTE E – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the District has purchased insurance coverage.

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

NOTE F – COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the General Fund.

NOTE G – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 9, 2021, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

NOTE H – TAX ABATEMENTS:

Polk County negotiates property tax abatement agreements on an individual basis. For the fiscal year ended June 30, 2021, the County had agreements which reduced property taxes levied on 10 properties for certified historic properties and for enterprise zone properties.

Property taxes for certified historic properties are abated for 15 consecutive years on the assessed value of qualifying improvements to the property pursuant to ORS 358.475-545. The taxpayer is required to make qualified improvement to the property within the first five years in an amount of at least ten percent of the historic property's real market value at the time of program qualification. The County has not made any commitments as part of these agreements other than to reduce taxes. State law provides for the recapture of taxes abated, in addition to interest and penalties, if the property is disqualified during the term of the agreement.

Enterprise zones are property areas designated by the Oregon Business Development Department and determined on a case-by-case basis based on requirements under ORS 285C.090 which includes criteria for zone resident household income and unemployment rates. Qualifying enterprise zone businesses are exempted from paying property taxes on qualifying new construction and equipment for 3-5 years. The County has not made any commitments as part of these agreements other than to reduce taxes. State law provides for the recapture of taxes abated if the business ceases to meet the requirements of the program.

**POLK SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE H – TAX ABATEMENTS (Continued):

Information relevant to these abatements for the year ended June 30, 2021 is as follows:

Tax Abatement Program:	Amount Abated During the Year
Enterprise Zone (ORS 285C.175)	\$2,957
Historic Property (ORS 258.475)	<u>741</u>
	<u>\$3,698</u>

SUPPLEMENTARY INFORMATION

**POLK SOIL AND WATER CONSERVATION DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Year Ended June 30,</u>	<u>Proportion of the net pension liability(asset)(NPL)</u>	<u>Proportionate share of the net pension liability(asset)(NPL)</u>	<u>Actual covered payroll</u>	<u>NPL as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2021	0.00114%	\$ 247,831	\$ 202,282	122.5%	75.8%
2020	0.00134%	\$ 231,646	\$ 196,230	118.1%	80.2%
2019	0.00122%	\$ 185,191	\$ 244,426	75.8%	82.1%
2018	0.01172%	\$ 157,987	\$ 227,732	64.6%	83.1%
2017	0.01317%	\$ 197,820	\$ 195,141	86.9%	80.5%
2016	0.01658%	\$ 95,208	\$ 176,071	48.8%	91.9%
2015	0.02323%	\$ (52,666)	\$ 240,059	(29.9)%	103.6%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Actual employer contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Actual covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
2021	\$ 24,834	\$ 24,834	\$ -	\$ 189,419	13.1%
2020	\$ 28,440	\$ 28,440	\$ -	\$ 202,282	14.1%
2019	\$ 20,666	\$ 20,666	\$ -	\$ 196,230	10.5%
2018	\$ 36,393	\$ 36,393	\$ -	\$ 244,426	14.8%
2017	\$ 31,696	\$ 31,696	\$ -	\$ 227,772	13.9%
2016	\$ 26,550	\$ 26,550	\$ -	\$ 195,141	13.6%
2015	\$ 22,903	\$ 22,903	\$ -	\$ 176,071	13.0%

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**POLK SOIL AND WATER CONSERVATION DISTRICT
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30 2021**

	GENERAL FUND	CORNERSTONE RESERVE FUND	SMITHFIELD OAKS RESERVE FUND	TOTAL
ASSETS				
Cash and Investments, unrestricted	\$ 314,816	\$	\$	\$ 314,816
Cash and Investments, restricted		321,185	301,077	622,262
Accounts Receivable	-	-	-	-
Taxes Receivable	8,920	-	-	8,920
Grants Receivable				-
Inventories				-
Prepaid Items				-
Total Assets	<u>\$ 323,736</u>	<u>\$ 321,185</u>	<u>\$ 301,077</u>	<u>\$ 945,998</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 5,097	\$ -	\$ -	\$ 5,097
Accrued Wages and Payroll Taxes	12,653	-	-	12,653
Total Liabilities	<u>17,750</u>	<u>-</u>	<u>-</u>	<u>17,750</u>
Deferred Inflows of Resources:				
Unavailable Revenue - Property Taxes	8,920	-	-	8,920
Total Deferred Inflows of Resources	<u>8,920</u>	<u>-</u>	<u>-</u>	<u>8,920</u>
Fund Balances				
Non-Spendable				-
Restricted for conservation easements		321,185	301,077	622,262
Assigned:				-
Projected Budgetary Deficit	220,000	-	-	220,000
Unassigned	77,066	-	-	77,066
Total Fund Balances	<u>297,066</u>	<u>321,185</u>	<u>301,077</u>	<u>919,328</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 323,736</u>	<u>\$ 321,185</u>	<u>\$ 301,077</u>	<u>\$ 945,998</u>

**POLK SOIL AND WATER CONSERVATION DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	GENERAL	CORNERSTONE RESERVE FUND	SMITHFIELD OAKS RESERVE FUND	TOTAL
REVENUES:				
Taxes	\$ 321,752	\$ -	\$ -	\$ 321,752
Grant income	144,133			144,133
Sale of surplus property				-
Earnings on Investments	6,725	2,227	2,387	11,339
Charges for services				-
Other income	665	1,500	2,000	4,165
Total Revenues	473,275	3,727	4,387	481,389
EXPENDITURES:				
Watershed Conservation and Improvement				
Personal Services	273,569			273,569
Materials and Services	60,216	4,966	4,774	69,956
Debt service				
Capital Outlay				-
Total Expenditures	333,785	4,966	4,774	343,525
Excess of Revenues Over (Under) Expenditures	139,490	(1,239)	(387)	137,864
Other Financing Sources (Uses):				
Transfers In				-
Transfers Out		-	-	-
Net Change in Fund Balance	139,490	(1,239)	(387)	137,864
Beginning Fund Balance	157,576	322,424	301,464	781,464
				-
Ending Fund Balance	\$ 297,066	\$ 321,185	\$ 301,077	\$ 919,328

POLK SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
MODIFIED CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Property tax income	\$ 300,000	\$ 300,000	\$ 321,752	\$ 21,752
Grant income	213,901	213,901	144,133	(69,768)
Charges for services	27,995	27,995	-	(27,995)
Other income	27,600	27,600	6,725	(20,875)
Interest	<u>11,000</u>	<u>11,000</u>	<u>665</u>	<u>(10,335)</u>
Total revenues	<u>580,496</u>	<u>580,496</u>	<u>473,275</u>	<u>(107,221)</u>
EXPENDITURES:				
Personal services	369,272	369,272	273,569	95,703
Materials and services	135,850	135,850	60,216	75,634
Contingency	<u>188,474</u>	<u>188,474</u>	<u>-</u>	<u>188,474</u>
Total expenditures	<u>693,596</u>	<u>693,596</u>	<u>333,785</u>	<u>359,811</u>
Excess of revenues over expenditures	<u>(113,100)</u>	<u>(113,100)</u>	<u>139,490</u>	<u>252,590</u>
Fund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(113,100)	(113,100)	139,490	252,590
Fund balance, beginning of year	<u>263,100</u>	<u>263,100</u>	<u>157,576</u>	<u>(105,524)</u>
Fund balance, end of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 297,066</u>	<u>\$ 147,066</u>

**POLK SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
MODIFIED CASH BASIS – BUDGET AND ACTUAL
CORNERSTONE RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Operating grants	\$ -	\$ -	\$ -	\$ -
Other revenue	1,500	1,500	1,500	-
Interest income	<u>2,000</u>	<u>2,000</u>	<u>2,227</u>	<u>227</u>
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>3,727</u>	<u>227</u>
EXPENDITURES:				
Personal services	-	-	-	-
Materials and services	<u>5,000</u>	<u>5,000</u>	<u>4,966</u>	<u>34</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,966</u>	<u>34</u>
Fund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(1,500)	(1,500)	(1,239)	261
Fund balance, beginning of year	<u>163,738</u>	<u>163,738</u>	<u>322,424</u>	<u>158,686</u>
Fund balance, end of year	<u>\$ 162,238</u>	<u>\$ 162,238</u>	<u>\$ 321,185</u>	<u>\$ 158,947</u>

**POLK SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
MODIFIED CASH BASIS – BUDGET AND ACTUAL
SMITHFIELD OAKS RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Operating grants	\$ -	\$ -	\$ -	\$ -
Other revenue	2,000	2,000	2,000	-
Interest income	<u>4,400</u>	<u>4,400</u>	<u>2,387</u>	<u>(2,013)</u>
Total revenues	<u>6,400</u>	<u>6,400</u>	<u>4,387</u>	<u>(2,013)</u>
EXPENDITURES:				
Personal services	-	-	-	-
Materials and services	<u>5,000</u>	<u>5,000</u>	<u>4,774</u>	<u>226</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,774</u>	<u>226</u>
Fund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	1,400	1,400	(387)	(1,787)
Fund balance, beginning of year	<u>294,009</u>	<u>294,009</u>	<u>301,464</u>	<u>7,455</u>
Fund balance, end of year	<u>\$ 295,409</u>	<u>\$ 295,409</u>	<u>\$ 301,077</u>	<u>\$ 5,668</u>

**POLK SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
MODIFIED CASH BASIS - BUDGET AND ACTUAL
SPECIAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Grant income	\$ 119,504	\$ 119,504	\$ 49,591	\$ (69,913)
Other income	-	-	-	-
Interest	-	-	1,195	1,195
Total revenues	<u>119,504</u>	<u>119,504</u>	<u>50,786</u>	<u>(68,718)</u>
EXPENDITURES:				
Personal services	-	-	-	-
Materials and services	399,632	399,632	58,355	341,277
Contingency	200,000	200,000	-	200,000
Total expenditures	<u>599,632</u>	<u>599,632</u>	<u>58,355</u>	<u>541,277</u>
Excess of revenues over expenditures	<u>(480,128)</u>	<u>(480,128)</u>	<u>(7,569)</u>	<u>472,559</u>
Fund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(480,128)	(480,128)	(7,569)	472,559
Fund balance, beginning of year	<u>480,128</u>	<u>480,128</u>	<u>419,975</u>	<u>(60,153)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,406</u>	<u>\$ 412,406</u>

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



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

We have audited the basic financial statements of the Polk Soil and Water Conservation District, as of and for the year ended June 30, 2021, and have issued our report thereon dated November 9, 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 the Polk 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).**
- Budgets legally required (ORS Chapter 294).**
- Insurance and fidelity bonds in force or required by law.**
- Programs funded from outside sources.**
- Authorized investment of surplus funds (ORS Chapter 294).**
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

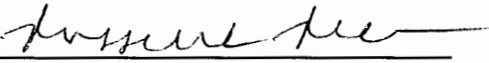
In planning and performing our audit, we considered Polk Soil and Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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.

This report is intended solely for the information and use of the Board of Directors and management of Polk 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.

JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants
West Linn, Oregon

By 
Russell T. Ries, Partner

November 9, 2021