

**KLAMATH SOIL AND  
WATER CONSERVATION DISTRICT**  
Klamath County, Oregon

**FINANCIAL STATEMENTS  
AND INDEPENDENT ACCOUNTANTS  
REVIEW REPORT**

**JUNE 30, 2022**

Prepared by  
Accounting Associate CPA PC  
430 Walnut Avenue  
Klamath Falls, OR 97601

**KLAMATH SOIL AND WATER CONSERVATION DISTRICT**  
Klamath County, Oregon

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**KLAMATH SOIL AND WATER CONSERVATION DISTRICT**

Klamath County, Oregon

**Board of Directors and Appointed Officials**

June 30, 2022

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>
Earl Miller 47367 Gerber Rd Bonanza, Oregon	Chairperson
Ken Masten 4550 Burgdorf Rd Bonanza, Oregon	Vice Chairperson
David Cone 11010 Yonna Loop Drive Bonanza, Oregon	Treasurer/Secretary
Denise Kandra 23195 Hwy 50 Merrill, Oregon	Director
Todd Kepple 2384 Linda Vista #2 Klamath Falls, Oregon	Director
Martin Kerns 9350 Hwy 66 Klamath Falls, OR	Director
Grant Knoll 6149 Reader Road Klamath Falls OR 97603	Director

APPOINTED OFFICIALS

Brian Quick	District Manager
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REGISTERED AGENT

Brian Quick	Registered Agent
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ADDRESS

Klamath Soil and Water Conservation District  
1945 Main Street , Suite 200  
Klamath Falls, OR 97601  
phone (541) 883-6932

# Accounting

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## Associate CPA PC

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Klamath Falls, OR 97601

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### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Klamath Soil and Water Conservation District  
Klamath Falls Oregon

I have reviewed the accompanying financial statements of the governmental activities and major fund of Klamath Soil and Water Conservation District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Klamath Soil and Water Conservation District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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

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

#### Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Klamath Soil and Water Conservation District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

#### Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

#### Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by the missing information.

#### Other Information

The information included on Page 15, titled Management Representation of Fiscal Affairs Required by Oregon Regulation, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management. I have not audited or reviewed such information, and I do not express an opinion, a conclusion, nor provide any form of assurance on it.

Todd Goebel, CPA

Klamath Falls Oregon  
December 15, 2022

Klamath Soil and Water Conservation District  
Statement of Net Position  
June 30, 2022

Governmental  
Activities

**ASSETS**

**Current Assets:**

Cash and Cash Investments	\$78,597
Accounts Receivable	7,550
Prepaid Expenses	<u>1,637</u>
 Total Current Assets	 <u>87,784</u>

**Capital Assets:**

Property and Equipment	86,792
Accumulated Depreciation	<u>(82,242)</u>
 Net Property and Equipment	 <u>4,550</u>
 Total Assets	 <u>\$92,334</u>

**LIABILITIES**

Accounts Payable	\$10,542
Accrued payroll liabilities	1,147
Compensated absences payable	<u>5,937</u>
 Total Liabilities	 <u>17,626</u>

**NET POSITION**

Net investment in capital assets	4,550
Unrestricted	<u>70,158</u>
 Total Net Position	 <u>74,708</u>
 Total Liabilities and Net Position	 <u>\$92,334</u>

See accompanying notes and independent accountant's review report

Klamath Soil and Water Conservation District  
Statement of Activities  
June 30, 2022

		Program Revenues			
	Expenses	Charges for Services	Operating Grants		Net (Expense) Revenues and Changes in Net Assets
Governmental Activities:					
Conservation Projects:	\$90,854	\$0	\$109,539		\$18,685
General Operations	<u>139,981</u>	<u>39,666</u>	<u>91,396</u>		<u>(8,919)</u>
Total Governmental Activities	<u>\$230,835</u>	<u>39,666</u>	<u>\$200,935</u>		<u>9,766</u>
General Revenues					
Other Income					1,849
Unrestricted Investment Earnings					<u>13</u>
Total General Revenues					<u>1,862</u>
Change in Net Position					11,628
Total Net Position - July 1					<u>63,080</u>
Total Net Position - June 30					<u>\$74,708</u>

See accompanying notes and independent accountant's review report

Klamath Soil and Water Conservation District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2022

	<u>General Fund</u>	<u>Soil &amp; Water Projects Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Investments	\$57,235	\$21,362	\$78,597
Accounts Receivable	7,550		7,550
Prepaid Expenses	<u>1,637</u>		<u>1,637</u>
 Total Assets	 <u>\$66,422</u>	 <u>\$21,362</u>	 <u>\$87,784</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts Payable	\$10,542	\$0	\$10,542
Accrued payroll liabilities	<u>1,147</u>	<u>0</u>	<u>1,147</u>
 Total Liabilities	 <u>\$11,689</u>	 <u>\$0</u>	 <u>11,689</u>
 Fund Balances:			
Assigned	<u>54,733</u>	<u>21,362</u>	<u>76,095</u>
 Total Fund Balances	 <u>54,733</u>	 <u>21,362</u>	 <u>76,095</u>
 Total Liabilities and Fund Balances	 <u>\$66,422</u>	 <u>\$21,362</u>	 <u>\$87,784</u>

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

Fund Balance - Total Governmental Funds - (from above)	<u>\$76,095</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$86,792 and the accumulated depreciation is \$82,242	<u>4,550</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences accrual	<u>(5,937)</u>
 Total Net Position - Governmental Activities	 <u>\$74,708</u>

See accompanying notes and independent accountant's review report

Klamath Soil and Water Conservation District  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
Governmental Funds  
June 30, 2022

	General Fund	Soil & Water Projects Fund	Total Governmental Funds
<u>REVENUES:</u>			
Grant income	91,396	109,539	200,935
Charges for services	39,666	0	39,666
Other income	<u>1,862</u>	<u>0</u>	<u>1,862</u>
Total Revenues	<u>132,924</u>	<u>109,539</u>	<u>242,463</u>
 <u>EXPENDITURES:</u>			
General government	144,118	0	144,118
Conservation projects	<u>0</u>	<u>90,854</u>	<u>90,854</u>
Total Expenditures	<u>144,118</u>	<u>90,854</u>	<u>234,972</u>
 <u>CHANGES IN FUND BALANCE</u>	 <u>(11,194)</u>	 <u>18,685</u>	 <u>7,491</u>
FUND BALANCE, beginning of year	<u>65,927</u>	<u>2,677</u>	<u>68,604</u>
FUND BALANCE, end of year	<u>54,733</u>	<u>21,362</u>	<u>76,095</u>

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

Net Change in Fund Balance - Total Governmental Funds ( from above)	<u>7,491</u>
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, much of the cost of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capitalized expenditures of \$0 exceeds depreciation expense of \$650 in the current period. (650)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences accrual	<u>4,787</u>
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Change in Net Position - Governmental Activities	<u>11,628</u>
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See accompanying notes and independent accountant's review report



# **KLAMATH SOIL AND WATER CONSERVATION DISTRICT**

Klamath County, Oregon  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Klamath Soil and Water Conservation District (the District) is a subdivision of state government and functions as a local unit under the direction of an elected board of directors. The District assists in local conservation, needs, encourages conservation practices by landowners on land and water resource problems, and promotes responsible use of natural resources by providing leadership and information and initiating various natural resource conservation activities.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

### **Organization**

The District is a municipal corporation and therefore is exempt from federal taxes. It operates under the provisions authorized by Oregon Revised Statute for the purpose of providing local natural resource conservation information.

There are various other governmental agencies and special service districts which provide services within the District's boundaries. However, the District is not financially accountable for any of these entities and accordingly their financial information is not included in these financial statements.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the non fiduciary activities of the District.

Governmental activities are financed primarily through grants. Major individual governmental funds are reported as separate columns in the fund financial statements. A fund is a separate accounting entity with a self balancing set of accounts.

# **KLAMATH SOIL AND WATER CONSERVATION DISTRICT**

Klamath County, Oregon

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The statement of activities 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 a meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The District has no indirect expense.

The financial activities of the District are conducted within the following major governmental funds.

### **General Fund**

This is the general operating fund of the District. The principal revenue is from grants. The expenditures cover the normal operations.

**Soil and Water Projects Fund**– This fund is used to account for all financial resources and disbursements that were used to perform the various conservation projects. These revenues are intend to be expended for specified purposes; as such the ending balance of this fund is classified as assigned.

### **Basis of Accounting**

The government- wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

# **KLAMATH SOIL AND WATER CONSERVATION DISTRICT**

Klamath County, Oregon  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

### **Deposit and Investments**

The Districts cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

The District's investment policies are governed by Oregon Statutes. The statutes authorized the District invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers acceptances, high-grade commercial paper and the State Treasurer's Local Government Investment Pool (LGIP).

The carrying value of cash and cash equivalents and investments approximate fair value.

# KLAMATH SOIL AND WATER CONSERVATION DISTRICT

Klamath County, Oregon  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### Capital Assets

Capital assets, which consists of equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined in the District's capitalization policy as having a historic cost or fair value in excess of \$5,000 and an estimated useful life in excess of one year. Donated assets are valued at their estimated fair value at the date of their donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>Years</u>
Equipment	5-30 years

### Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources is reported as expenditure and a fund liability of the governmental fund that will pay it. The amount of accumulated Personal Time Off (PTO), including associated payroll taxes that is payable from future resources is recorded in the government-wide financial statements. There is a limit on PTO of 240 hours per employee.

### Budgets

The District is not subject to Oregon Local Budget Law under ORS 294.316 (6) Management prepares a budget for planning purposes only.

# KLAMATH SOIL AND WATER CONSERVATION DISTRICT

Klamath County, Oregon  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### Fund Balance/Net Position

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement defines the different categories of fund balances that are to be used by governmental entities. It requires the fund balance amounts to be reported within one or more of the categories shown below:

*Nonexpendable*, such as fund balance associated with inventories, prepaid expenses, long-term receivables and principal balances in permanent funds,

*Restricted*, which includes amounts that can be spent only for specific purposes as stipulated by constitution, external resource providers, or through enabling legislation,

*Committed*, which includes amounts that can be used only for the specific purposes determined by formal action of the Board of Directors,

*Assigned*, which includes amounts that are intended to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed, and

*Unassigned*, which is the residual classification for the General Fund and includes all amounts not included in the other categories.

The District reports according to net position balance classifications that comprise a hierarchy based on the extent of which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The following consists of net position categories:

***Net investment in capital assets*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other Debt attributed to the acquisition, construction, or improvement of those assets.

***Restricted net position*** results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

***Unrestricted net position*** consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resource imposed by management, which can be removed or modified.

# KLAMATH SOIL AND WATER CONSERVATION DISTRICT

Klamath County, Oregon  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

## Use of Estimates

The preparation of the financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## NOTE 2- RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government fund balance sheets include a reconciliation of differences between fund balance and net position. Adjustments for the current year were for capital assets and compensated absences.

The governmental fund statement of revenues, expenditures, and changes in the fund balance includes a reconciliation of differences between fund balances and net position. Adjustments for the current year were for depreciation and compensated absences.

## NOTE 3 – DETAILED NOTES ON ALL FUNDS

### A DEPOSITS AND INVESTMENTS

Deposits with financial institutions consist of the following:

	<u>Balance</u>
Checking Accounts	\$ 78,597

#### *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year end, the District has deposits of \$78,597, with a bank value of \$78,726, all insured by the Federal Depository Insurance Corporation (FDIC). The District does not have a formally adopted deposit policy for custodial credit risk.

**KLAMATH SOIL AND WATER CONSERVATION DISTRICT**

Klamath County, Oregon  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2022

*Interest Rate Risk*

Interest rate risk is the risk and changes in the interest rates will adversely affect the fair market value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate.

**B Schedule of Capital Assets**

Capital assets activity for the year was as follows:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2022</u>
Capital assets being depreciated				
Equipment	\$86,792	-	-	\$86,792
Total capital depreciated	<u>86,792</u>			<u>86,792</u>
Less accumulated depreciated	<u>(81,592)</u>	<u>(650)</u>		<u>(82,242)</u>
Total capital assets				
Depreciated, net	<u>\$5,200</u>	<u>\$ (650)</u>		<u>\$ 4,550</u>

Depreciation of \$1,781 is charged to the General Operations on the Statement of Activities.

**C Accounts Receivable**

At June 30, 2022 the District held the following accounts receivable:

Grants	\$ 0
No-till drill	<u>7,550</u>
Total	<u>\$ 7,550</u>

## **KLAMATH SOIL AND WATER CONSERVATION DISTRICT**

Klamath County, Oregon  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

### **D Related Parties**

The District had no related party transactions for the period ending June 30, 2022.

### **E Risk Management**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; tort; errors and omissions; injuries of employees; and natural disasters. The District purchases commercial insurance for such risks. In the last three years, there were no insurance claims filed.

### **F Compensated Absences**

Under the terms of District policy, employees are granted Personal Time Off (PTO). Employees are entitled to payment for unused time off upon termination or retirement. These amounts are accrued as a liability in the government-wide financial statements. In the fund financial statements, no liability is recorded.

### **NOTE 4 – SUBSEQUENT EVENTS**

The District's operations may be affected by the recent and ongoing outbreak of coronavirus disease 2019 (COVID- 19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain: however it may result in a material adverse impact on the District's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the District's customers and revenue, absenteeism in the District's workforce, and unavailability of products and supplies used in the District's operations.

Additionally, revenues/income may be reduced due to funding losses Statewide in lottery revenue that will affect grant opportunities



**KLAMATH SOIL AND WATER CONSERVATION DISTRICT**  
Klamath County, Oregon

**MANAGEMENT REPRESENTATION OF FISCAL AFFAIRS  
REQUIRED BY OREGON STATE REGULATIONS**

Klamath Soil and Water Conservation District is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operation and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law ( ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, Division 40) including, but not limited to:

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

The management of Klamath Soil and Water Conservation District is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date