

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon

**INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2013

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
June 30, 2013

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INTRODUCTORY SECTION

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**BOARD OF DIRECTORS AND OFFICIALS**  
June 30, 2013

**Board of Directors**

Pat Voigt Prairie City, Oregon	Chairperson
Phil St. Clair Canyon City, Oregon	Vice-Chairperson
John Morris John Day, Oregon	Secretary
Rick Henslee Long Creek, Oregon	Director
Joanne Keerins Canyon City, Oregon	Director

**Officials**

Jason Kehrberg	District Manager
Pat Holliday	Program Assistant

**Address**

Grant Soil and Water Conservation District  
721 South Canyon Blvd.  
John Day, Oregon 97845  
Telephone (541) 575-0135

FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Grant Soil and Water Conservation District  
John Day, Grant County, Oregon

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Grant Soil and Water Conservation District, as of and for the year ended June 30, 2013, 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*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 district'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 district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Grant Soil and Water Conservation District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information for all funds on pages 27 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grant Soil and Water Conservation District's financial statements as a whole. The other supplementary information, other financial schedules, and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, as listed in the table of contents, 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.

## ***Reporting on Other Legal and Regulatory Requirements***

### *Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated December 30, 2013 on our consideration of Grant Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant Soil and Water Conservation District's internal control over financial reporting and compliance.

### *Reporting Required by Oregon Revised Statutes*

In accordance with 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, we have issued our report dated December 11, 2013 on our consideration of Grant Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering Grant Soil and Water Conservation District's internal control over financial reporting and compliance.

*Oster Professional Group, CPA's, PC*

By \_\_\_\_\_

Burns, Oregon  
December 30, 2013



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**Grant Soil and Water Conservation District**

721 S. Canyon Blvd. - John Day, OR 97845 - Phone (541) 575-0135 - FAX (541) 575-0646

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013**

This discussion and analysis of Grant Soil and Water Conservation District's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on district financial performance as a whole. Efforts have been made to provide comparison to prior year when such data is available.

Grant Weed Control is a department of the Grant Soil and Water Conservation District. All financial transactions are tracked separately but are included in the district's totals.

**Financial Highlights**

- The district's financial status, as reflected in total net position, was \$2,136,577 as of June 30, 2013. Of this amount \$392,312 was the net investment in capital assets. Chemical inventory was \$49,265 and \$319,609 was in steel inventory. Net position restricted for special programs were \$1,359,505. The remaining \$384,760 was unrestricted.
- At June 30, 2013, Grant Soil and Water Conservation District's governmental funds reported an ending fund balance of \$1,762,181. \$1,359,505 was restricted for special projects. Nonspendable fund balance was \$380,972, and the remaining \$21,884 is available to meet general obligations of the district.

**Overview of the Financial Statement**

This annual report consists of three parts – *Management's Discussion and Analysis* (this section), *the basic financial statements*, and *the notes to the basic financial statements*. The basic financial statements present financial position and results of operation of the district and consist of the *Statement of Net Position* and the *Statement of Activities* which provide both long-term and short-term information about the district's financial status. The *notes to the basic financial statements* explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *Required Supplemental Information* that further explains and supports the information in the financial statements.

The *Statement of Net Position* presents information regarding all assets, deferred outflows, liabilities, and deferred inflows with the difference between the four being reported as net position. Changes in net position may serve as a useful indicator of whether or not the overall financial position of Grant Soil and Water Conservation District is improving or deteriorating.

The *Statement of Activities* presents information showing how Grant Soil and Water Conservation district's net position increased or decreased during the year under review. All activities in the government-wide financial statements are presented on the full accrual basis of accounting, in which they are reported as soon as the event occurs, regardless of the timing of associated cash flow.

### Condensed Statement of Net Position

	June 30, 2013	June 30, 2012
<b>Assets</b>		
Cash and investments	\$ 1,382,726	\$ 1,159,490
Accounts receivable	61,031	284,310
Inventory	362,574	369,657
Capital assets, net of depreciation	392,312	374,021
Total assets	2,198,643	2,187,478
<b>Liabilities</b>		
Accounts payable	39,112	32,388
Accrued liabilities	5,038	3,592
Compensated absences	17,916	12,646
Total liabilities	62,066	48,626
<b>Net position</b>		
Net investment in capital assets	392,312	374,021
Restricted for special programs	1,359,505	1,286,571
Unrestricted	384,760	478,260
Total net position	\$ 2,136,577	\$ 2,138,852

### Revenue and Expense Information

The district received revenue from several different sources. Those sources include USDA Malheur National Forest, (Title II Grants), Oregon Watershed Enhancement Board (OWEB), Oregon Department Fish and Wildlife, Oregon Department of Agriculture, USDA Natural Resources Conservation Service, Bonneville Power Administration through the Confederated Tribes of Warm Springs, Farm Service Agency, US Fish and Wildlife Services, and the Bureau of Reclamation. Revenue received from these sources is used for planning, design, administration, fiscal management, project inspection and construction to implement watershed restoration projects. Grant Weed Control receives revenue from Grant County, USDA Malheur National Forest (Title II Grants), Confederated Tribes of Warm Springs, Bureau of Land Management, private landowners, Oregon State Weed Board, and Oregon Department of Fish & Wildlife. This revenue is for weed control activity.

Revenue decreased in 2012-2013 by 25%. The decrease in revenue is partly due to several in-stream projects that were completed in 2012-2013. Expenses for 2012-2013 had a 24% decrease. This is again a factor of the number of projects completed.

### Condensed Statement of Activities

	June 30, 2013	June 30, 2012
<b>Revenues</b>		
Program revenues		
Operating grants	\$ 1,854,917	\$ 2,584,607
Charges for services	-	6,819
General revenues		
Interest	5,008	5,384
Miscellaneous	97,798	41,121
Total revenues	1,957,723	2,637,931
<b>Expenses</b>		
Personal services	610,352	553,004
Purchased services	141,550	33,563
Materials and supplies	1,122,496	1,892,869
Total expenses	1,874,398	2,479,436
Change in net position	83,325	158,495
Beginning net position	2,138,852	1,992,113
Restatement	(85,600)	(11,756)
Ending net position	\$ 2,136,577	\$ 2,138,852

### Funds

The Grant Soil and Water Conservation District has three funds reported on the financial statements. The soil and water projects fund is used to implement landowner projects for soil and water conservation practices and fish habitat improvements. This fund had an increase in fund balance of \$95,099 taking it from \$831,582 (after restatement) to \$926,681. The weed control fund receives revenue from various agencies committed to the control of noxious weeds on public and private lands. Expenditures are mainly used for the purchase of chemicals and for labor to treat weeds. The weed control fund had an increase in fund balance of \$18,181 taking it from \$475,826 to \$494,007. The general fund is used for the general operations of the district. There was a decrease in the fund balance in the general fund of \$27,022. The fund balance in the general fund was \$368,515 at June 30, 2012 (after restatement), and is at \$341,943 as of June 30, 2013.

### Capital Assets

The district had the following capital asset activity:

	June 30, 2012	Restatements	Additions/Deletions	June 30, 2013
Land	\$ 91,205	\$ -	\$ -	\$ 91,205
Buildings	187,987	-	-	187,987
Equipment	289,054	-	13,724	302,778
Total	568,246	-	-	581,970
Accumulated depreciation	194,225	(15,954)	11,387	189,658
Invested in capital assets	\$ 374,021	\$ 15,954	\$ 11,387	\$ 392,312

Depreciation expense of \$20,344 was charged to materials and supplies. The district purchased new software and two ATV's this year. A 1994 Dodge pickup was sold.

## **Budget**

Grant Soil and Water Conservation District is not subject to Oregon local budget law.

## **Economic Factors Bearing on District's Future**

Grant Soil and Water Conservation District is a non-taxing subdivision of the state and receives no tax money or guaranteed revenue. All revenue received is through contracts, cooperative agreements, or grants for implemented work. The loss of a contract or cooperative agreement would have the potential to reduce the amount of revenue the district would receive.

The district maintains a high level of program activity and net position. The strong financial position of the district reduces the reliance on funding from government sources. The board utilizes government funding as much as possible, but is able to easily manage cash flow on projects. The Grant Soil and Water Conservation District owns the building where their office is located and rents space to two USDA agencies on long-term contracts. The district no longer have any debt on the building and this revenue will allow the district to maintain their office space and continue to generate income, separate from government grants, far into the future.

## **Contact Information**

This financial report is designed to provide information on a general overview of the district's finances and to demonstrate the district's accountability for the funding it receives. If you have any questions about this report or need additional information, contact:

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John Day, OR 97845

Phone: 541 575-0135, ext. 101  
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OR

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**STATEMENT OF NET POSITION**  
June 30, 2013

	June 30, 2013
<b>ASSETS</b>	
Cash and investments	\$ 1,382,726
Receivables (net)	
Accounts	61,031
Inventory, at cost	362,574
Capital assets	
Land	\$ 91,205
Equipment	302,778
Buildings	187,987
Less accumulated depreciation	<u>(189,658)</u>
Total capital assets, net accumulated depreciation	<u>392,312</u>
Total assets	<u>2,198,643</u>
 <b>DEFERRED OUTFLOW OF RESOURCES</b>	
	<u>-</u>
 <b>LIABILITIES</b>	
Accounts payable	39,112
Accrued liabilities	5,038
Compensated absences	17,916
Total liabilities	<u>62,066</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
	<u>-</u>
 <b>NET POSITION</b>	
Net investment in capital assets	392,312
Restricted for special programs	1,359,505
Unrestricted	384,760
Total net position	<u><u>\$ 2,136,577</u></u>

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**STATEMENT OF ACTIVITIES**  
For the Year Ended  
June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Change in
			Contributions	Net Assets
<b>GOVERNMENTAL ACTIVITIES</b>				
Natural resource personnel	\$ 610,352	\$ -	\$ 218,067	\$ (392,285)
Natural resource services	141,550	-	1,140,210	998,660
Conservation supplies and materials	1,122,496	-	496,640	(625,856)
Total governmental activities	<u>\$ 1,874,398</u>	<u>\$ -</u>	<u>\$ 1,854,917</u>	<u>(19,481)</u>
<b>GENERAL REVENUES</b>				
Earnings on investments				5,008
Miscellaneous				97,798
Total general revenues				<u>102,806</u>
Change in net position				83,325
Net position - June 30, 2012, before restatement				2,138,852
Restatement, see note 8				(85,600)
Net position - June 30, 2012, after restatement				<u>2,053,252</u>
Total net position - June 30, 2013				<u>\$ 2,136,577</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2013

	General	Weed Control	Soil and Water Projects	Total June 30, 2013
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Cash and investments	\$ -	\$ 436,219	\$ 946,507	\$ 1,382,726
Accounts receivable	45,141	15,890	-	61,031
Inventory - at cost	319,609	42,965	-	362,574
Due from General Fund	-	-	18,219	18,219
Total assets	<u>364,750</u>	<u>495,074</u>	<u>964,726</u>	<u>1,824,550</u>
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 364,750</u>	<u>\$ 495,074</u>	<u>\$ 964,726</u>	<u>\$ 1,824,550</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 1,066	\$ 38,046	\$ 39,112
Payroll liabilities	5,038	-	-	5,038
Due to Soil and Water Projects	18,219	-	-	18,219
Total liabilities	<u>23,257</u>	<u>1,066</u>	<u>38,046</u>	<u>62,369</u>
Deferred inflows of resources	-	-	-	-
<b>Fund balances</b>				
Nonspendable	319,609	42,965	18,218	380,792
Spendable				
Restricted	-	451,043	908,462	1,359,505
Unassigned	21,884	-	-	21,884
Total fund balances	<u>341,493</u>	<u>494,008</u>	<u>926,680</u>	<u>1,762,181</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 364,750</u>	<u>\$ 495,074</u>	<u>\$ 964,726</u>	<u>\$ 1,824,550</u>

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
June 30, 2013

Total fund balances		\$ 1,762,181
Capital assets are not financial resources and therefore, are not reported in the governmental funds.		
Cost	\$ 581,970	
Accumulated depreciation	<u>(189,658)</u>	392,312
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the balance sheet of governmental funds.		
Compensated absences		(17,916)
Total net position		<u><u>\$ 2,136,577</u></u>

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended  
June 30, 2013

	General	Weed Control	Soil and Water Projects	Total June 30, 2013
Revenues				
Grants and intergovernmental revenue	\$ 65,490	31,273	\$ 1,432,104	\$ 1,528,867
Rental income	26,754	625	-	27,379
Interest income	3,054	1,954	-	5,008
Other income	122,507	269,973	5,290	397,770
Total revenues	<u>217,805</u>	<u>303,825</u>	<u>1,437,394</u>	<u>1,959,024</u>
Expenditures				
Current				
Personal services	99,212	96,611	409,258	605,081
Purchased services	34,181	11,002	43,831	89,014
Materials and supplies	111,434	178,031	889,206	1,178,671
Total expenditures	<u>244,827</u>	<u>285,644</u>	<u>1,342,295</u>	<u>1,872,766</u>
Net change in fund balances	(27,022)	18,181	95,099	86,258
Fund balances, beginning of year, before restatement	440,858	475,826	860,793	1,777,477
Restatement - see note 8	(72,343)	-	(29,211)	(101,554)
Fund balances, beginning of year, after restatement	<u>368,515</u>	<u>475,826</u>	<u>831,582</u>	<u>1,675,923</u>
Fund balances, end of year	<u>\$ 341,493</u>	<u>\$ 494,007</u>	<u>\$ 926,681</u>	<u>\$ 1,762,181</u>

Grant Soil and Water Conservation District  
Grant County, Oregon  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended  
June 30, 2013

Net change in fund balances		\$ 86,258
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 29,719	
Less current year depreciation	<u>(20,344)</u>	9,375

In the Statement of Activities, the loss on the disposition of capital assets is reported while in the governmental funds it is not. This is the amount by which the net book value decreased.

Net book value		(7,038)
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Compensated absences are included in the government-wide financial statements however they are not included in the governmental funds.

		(5,270)
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CHANGE IN NET POSITION

		<u><u>\$ 83,325</u></u>
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NOTES TO THE BASIC FINANCIAL STATEMENTS

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

Note 1. Significant Accounting Policies

Grant Soil and Water Conservation District was formed on July 20, 1956, on a vote of the landowners within the district. Its purpose is to provide technical assistance to landowners within the district for land and water management and conservation. Assistance is provided through the U.S. Department of Agriculture's Natural Resources Conservation Service. The administration of the district is vested in a five member board of directors.

The following is a summary of significant accounting policies utilized by the district in preparation of the accompanying financial statements.

A. Reporting Entity

For financial reporting purposes, Grant Soil and Water Conservation District has included all funds, organizations, agencies, boards, commissions and authorities. The district has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the district are such that exclusion would cause the district's financial statements to be misleading or incomplete. The five member board of directors receives funding from local, intermediate, state and federal sources. However, Grant Soil and Water Conservation district is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. No other entities met requirements for inclusion in Grant Soil and Water Conservation District.

B. Basis of Presentation

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the district. These statements include the governmental financial activities of the overall district. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through intergovernmental revenues and charges for services.

The Statement of Net Position presents the district's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Net position is reported in three 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 attributable 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 resources imposed by management, which can be removed or modified.

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2013

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those specifically associated with a function and therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. 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 and, (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including earnings on investments are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the district's funds. Separate statements for each fund category (governmental) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregate and reported as nonmajor governmental funds. Currently, all the district's funds are considered major funds.

The district reports the following major governmental funds:

General Fund - the General Fund is the general operating fund of the district. It is used to account for all financial resources and disbursements except those accounted for in another fund.

Weed Control Fund—The Weed Control Fund is a special revenue fund used to account for the revenues and expenditures for the weed department.

Soil and Water Projects Fund—The Soil and Water Projects Funds is a special revenue fund used to account for the proceeds of grants to be used for projects by the district

C. Measurement Focus and Basis of Accounting

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 at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when 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 after year end.

Intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the district.

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Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims, judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the district funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the district's policy to first apply restricted cost-reimbursement grant resources to such programs, and then unrestricted general revenues.

D. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The district defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one reporting period. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 to 100 years
Equipment	5 to 30 years

E. Budgets and Budgetary Accounting

In accordance with district policy, Grant Soil and Water Conservation District prepares an annual budget that estimates the resources and expenditures required to conduct business in the upcoming year, with regards to the district funds. A properly prepared budget allows lawful appropriations, which provides the authority to spend money.

Grant Soil and Water Conservation District does not receive property tax revenues (i.e., ad valorem tax), consequently, the district is not required to prepare its budget according to Oregon budget law.

F. Project Beneficiaries

During the course of operations, numerous projects are undertaken involving watershed restoration and other conservation projects. Grant Soil and Water Conservation District's policy is to undertake projects with any party interested in such conservation projects, including members of the board of directors and employees of the district.

G. Cash and Cash Equivalents

Grant Soil and Water Conservation District's 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. All short-term cash surpluses are maintained at the Oregon State Treasury Local Government Investment Pool and allocated to each fund based on the amount of excess cash each fund has deposited.

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Oregon statutes and local ordinances authorize Grant Soil and Water Conservation District to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho, and California, certain interest bearing bonds of a county, port, or school district, certain interest bearing bonds of any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are stated at cost.

H. Inventories

Inventories consist primarily of chemicals, weed spray, and steel, valued at the lower of cost or market. These items are valued at cost, which approximates market. The cost of inventories is recorded as expense when consumed by projects. Inventory at June 30, 2013 was valued at \$362,574.

I. Deferred Outflows

Deferred outflows of resources in the *Statement of Net Position* represent consumption of net position that is applicable to a future reporting period. The district did not have any deferred outflows of resources as of June 30, 2013.

J. Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. In the *Statement of Net Position*, this includes resources that are received before the district has met its eligibility requirements related to time. In the governmental fund financial statements, deferred inflows of resources also include revenues that are measurable but not available.

K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The liability at June 30, 2013 is \$17,916 compared to \$12,646 at June 30, 2012.

L. Encumbrances

The district does not use encumbrance accounting.

M. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and

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liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period.

N. Fund Balances

The district implemented GASB Statement No. 54 for the year ending June 30, 2013. GASB statement No. 54 requires analysis and presentation of fund balances in five categories; the fund balance categories are:

- *Non-Spendable* – Includes items not immediately converted to cash, such as prepaid items, interfund receivables and inventory.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the district’s board of directors, by formal board action.
- *Assigned* – Includes items assigned for specific uses, authorized by the persons authorized by district manager and/or program assistant.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category.

The board authorized the district manager and the program assistant to make assignments of ending fund balance. Assignments of fund balances can be done at any time, including after fiscal year end date.

GASB 54 requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. The following is the board approved fund balance order of spending policy:

1. Restricted Fund Balance
2. Committed Fund Balance
3. Assigned Fund Balance
4. Unassigned Fund Balance

O. Change in Accounting Principle

Grant Soil and Water Conservation District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of July 1, 2012. This standard impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Grant Soil and Water Conservation District adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities* as of July 1, 2012. This standard impacted financial reporting by establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

There was no total impact on the beginning of the year net position.

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Note 2. Pension Plan

Grant Soil and Water Conservation District has adopted a savings incentive match plan for employees under section 408(p) of the Internal Revenue Code - the Grant Soil and Water Conservation District 5304 SIMPLE IRA Plan. The plan is a defined contribution plan and may be amended only as provided in the Internal Revenue Code. Each employee who is eligible to enroll as a contributing participant may set aside his or her pay into the plan by signing an elective deferral agreement. The elective deferral agreement replaces any earlier agreement and will remain in effect as long as the employee remains an eligible employee under the plan. To become eligible to participate in the plan, employees are required to earn at least \$5,000 during any of the two preceding years before enrollment. For the calendar year, Grant Soil and Water Conservation District will make a matching contribution in an amount equal to the employee's elective deferral not in excess of 3% of the employee's compensation. Employee contributions and employer contributions for the year ended June 30, 2013 and June 30, 2012 were \$48,455 and \$41,927, respectively.

Note 3. Deposits and Investments

Cash and Investments

The district maintains a cash and investment 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.

Cash and investments are comprised of the following at June 30, 2013:

Deposits with banks	\$ 957,001
Investments	<u>425,725</u>
	<u>\$ 1,382,726</u>

Cash and investments are shown on the basic financial statements as:

Statement of Net Position	
Cash and investments	<u>\$ 1,382,726</u>
	<u>\$ 1,382,726</u>

As of June 30, 2013, the district held the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Investment Portfolio</u>
Local Government Investment Pool	<u>\$ 425,725</u>	100%

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorized deposits to give an indication of the level of custodial risk assumed by the district at June 30, 2013. If bank deposits at year end are not entirely insured or collateralized with securities held by the district or by its agent in the district's name, the district must disclose the custodial credit risk (below) that exists. Deposits with

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financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2013, the carrying amount of the district's deposits (cash and certificates of deposit) was \$957,001 and the bank balance was \$1,002,757. Of these deposits, all were not covered by federal depository insurance. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. The district deposits were in compliance with requirements of ORS 295.018.

*Custodial Credit Risk*—Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The district does not have a policy for custodial credit risk for deposits.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying 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 State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of government entities.

#### Investments

At June 30, 2013, the district held \$425,725 of investments, which is all classified as cash and investments on the Statement of Net Position. The district has no policy for managing interest rate risk or credit risk.

The district has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2013. The Local Government Investment Pool 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). The Local Government Investment Pool is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. Oregon LGIP is unrated for credit quality.

In addition, the Oregon LGIP distributes investment income on an amortized cost basis and participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the district's cash position.

Investments in the Oregon LGIP are made under the provisions of ORS 194.180. These funds are held in the district's name and are not subject to collateralization requirements of ORS 295.018. Investments are stated at cost, which approximated fair value.

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A separate financial report for the Oregon Short-term Fund Local Government Investment Pool is prepared by the Secretary of State Audits Division in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of this report can be obtained from the Oregon Audits Division 255 Capitol Street NE, Suite 500 Salem, OR 97310 or online at <http://www.sos.state.or.us/audits.index.html>.

Oregon statutes restrict the types of investments in which the district may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker repurchase agreements, bankers' acceptance, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool. As of June 30, 2013 and for the year then ended, the district was in compliance with the aforementioned Oregon statutes.

*Credit Risk*—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize the district to invest primarily in general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper, and the Oregon Local Government Investment Pool, among others. The district has no formal investment policy that further restricts its investment choices.

*Concentration of Credit Risk*—Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The district is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the United States Government. The district has no such investments.

*Interest Rate Risk*—The district has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

*Foreign Currency Risk*—The district is prohibited from investments that are not US dollar-denominated; therefore, the district is not exposed to this risk.

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Note 4. Capital Assets

Capital assets activity for the year was as follows:

	July 1, 2012	Restatements	Increases	Decreases	June 30, 2013
Capital assets not being depreciated					
Land	\$ 91,205	\$ -	\$ -	\$ -	\$ 91,205
Total capital assets not being depreciated	<u>91,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,205</u>
Capital assets being depreciated					
Buildings and improvements	187,987	-	-	-	187,987
Equipment	289,054	-	29,719	15,995	302,778
Total capital assets being depreciated	<u>477,041</u>	<u>-</u>	<u>29,719</u>	<u>15,995</u>	<u>490,765</u>
Less accumulated depreciation	194,225	(15,954)	20,344	8,957	189,658
Total capital assets being depreciated, net	<u>282,816</u>	<u>(15,954)</u>	<u>50,063</u>	<u>24,952</u>	<u>301,107</u>
Total capital assets, net	<u>\$ 374,021</u>	<u>\$ (15,954)</u>	<u>\$ 50,063</u>	<u>\$ 24,952</u>	<u>\$ 392,312</u>

Depreciation expense of \$20,344 was charged to project materials and supplies.

Note 5. Accounts Receivable

Accounts receivable at June 30, 2013 were as follows:

Fund	Amount	Type
General Fund	\$ 45,141	Grants receivable
Weed Control Fund	15,890	Chemicals
	<u>\$ 61,031</u>	

Note 6. Risk Management

Grant Soil and Water Conservation District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks can be covered by the purchase of commercial insurance. The district assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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Note 7. Fund Balance Classifications

Below is a schedule of ending fund balances, based on GASB Statement No. 54 requirements:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Weed Control</u>	<u>Soil and Water Projects</u>	<u>Total</u>
<u>Nonspendable</u>				
Inventory	\$ 319,609	\$ 42,965	\$ 18,218	\$ 380,792
<u>Restricted</u>				
Special projects	-	451,043	908,462	1,359,505
<u>Unassigned</u>				
	21,884	-	-	21,884
<b>TOTAL FUND BALANCES</b>	<b>\$ 341,493</b>	<b>\$ 494,008</b>	<b>\$ 926,680</b>	<b>\$ 1,762,181</b>

Note 8. Restatements

The following shows the restatements of beginning balances for the year ended June 30, 2013.

Governmental funds restatement

	<u>General Fund</u>	<u>Soil &amp; Water Projects Fund</u>
Restatement to fix items that were incorrectly coded between funds in the prior year	\$ 29,211	\$ (29,211)
Restatement to correct accounts receivable recorded in the prior year	(101,554)	-
Net restatement in governmental funds	<u>\$ (72,343)</u>	<u>\$ (29,211)</u>

Governmental activities restatement

Accounts receivable restatement	\$ (101,554)
Further evaluation of fixed assets	15,954
	<u>\$ (85,600)</u>

Note 9. New Accounting Pronouncements and Accounting Standards

***GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.***

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This statement will improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (government) and an operator (governmental or nongovernmental), where the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (facility) in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The Statement applies only to those SCAs in which set criteria determine whether a transferor has control over the facility are met. This statement has been implemented by Grant Soil and Water Conservation District for fiscal year ending June 30, 2013. Management has evaluated existing contracts, leases and other agreements to determine if they are in fact a SCA, and if the criteria outlined in the statement for a SCA have been met. The district does not have any agreements which require accounting and reporting under GASB No. 60. On an annual basis, management will evaluate new lease agreements and other arrangements in accordance with the criteria outlined in statement No. 60.

***GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.***

The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amended statements No. 14, The Financial Reporting Entity, and No. 34, Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments, to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement has been implemented by Grant Soil and Water Conservation District for fiscal year ending June 30, 2013. Management reviewed the financial reporting criteria outlined in GASB No. 61 to identify any potential component units. Management’s analysis did not identify any reportable component units that were material to include or disclose in the financial statements.

***GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.***

The intent of this statement is to provide a single source for applicable guidance from FASB and the AICPA, rather than establishing new guidance on affected topics. Grant County Soil and Water Conservation District implemented this statement effective for fiscal year ending June 30, 2013. This statement has no impact to the district’s financial statements or related accounting and financial reporting.

***GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***

The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The statement provides reporting guidance for financial statement line items and the actual financial statements presentation and disclosure of these financial statement elements. Grant Soil and Water Conservation District implemented this standard for fiscal year ending June 30, 2013.

Management has reviewed the requirements of this standard and has determined the impact to the district’s financial reporting is to rename the Statement of Net Assets to the Statement of Net Position and change related references throughout the financial statements. In addition, the line item for “invested in capital assets, net of related debt” will change to “net investment in capital assets.” There does not appear to be any other impact to the district’s financial accounting and reporting.

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***GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities***

This statement evaluates and reclassifies various financial statements items that have been previously reported as either assets or liabilities and evaluates them against the definitions provided for deferred outflows and deferred inflows of resources. This statement is effective for fiscal year ending June 30, 2014; however management has elected to early implement this standard for fiscal year ending June 30, 2013.

***GASB Statement No. 66 – Technical Corrections***

This statement clarified conflicting guidance that was created by GASB statements No. 54 and No. 62 with existing guidance in statements No. 10, No. 13 and No. 48. More specifically, statement No. 66 addressed certain transactions related to risk financing activities, operating leases, purchased loans and gains or losses recognized when services fees related to a transferred loan is significantly difference than “normal” service fee rates. This statement is effective for fiscal year ending June 30, 2014; however management has elected to early implement this standard for fiscal year ending June 30, 2013.

*The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) but not yet implemented by the district.*

***GASB Statement No. 67 – Financial Reporting for Pension Plans***

The objective of this statement is to improve the financial reporting by state and local governmental pension plans. This statement replaces the requirements of statements No. 25 and will be effective for fiscal year ending June 30, 2014. This statement has no impact to the district’s financial statements or related accounting and financial reporting.

***GASB Statement No. 68 – Accounting and Financial Reporting for Pensions***

This statement was issued to improve accounting and financial reporting by state and local government for pensions. This statement replaces statement No. 27 as well as requirements of statement No. 50. This statement and statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pension and paying benefits to plan members as they come due. This statement has no impact to the district’s financial statements or related accounting and financial reporting.

OTHER SUPPLEMENTARY INFORMATION

GRANT SOIL AND WATER CONSERVATION DISTRICT  
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Grants and intergovernmental revenue	\$ 240,500	\$ 240,500	65,490	\$ (175,010)
Rental income	34,300	34,300	26,754	(7,546)
Interest income	5,500	5,500	3,054	(2,446)
Other income	6,000	6,000	122,507	116,507
Total revenues	<u>286,300</u>	<u>286,300</u>	<u>217,805</u>	<u>(68,495)</u>
<b>Expenditures</b>				
Personal services				
Salaries and wages	175,500	175,500	57,993	117,507
Payroll taxes and insurance	-	-	41,219	(41,219)
Purchased services				
Professional fees	-	-	11,480	(11,480)
Telephone	1,500	1,500	1,123	377
Utilities	5,500	5,500	5,254	246
Printing and advertising	500	500	1,531	(1,031)
Dues and memberships	2,500	2,500	1,883	617
Legal and auditing	4,200	4,200	4,440	(240)
Insurance and fidelity bond	5,000	5,000	3,676	1,324
Travel and training	6,000	6,000	4,794	1,206
Materials and supplies				
Field materials and supplies	-	-	74,577	(74,577)
Office supplies	-	-	4,928	(4,928)
Freight and postage	2,000	2,000	1,908	92
Equipment purchases	8,000	8,000	21,322	(13,322)
Equipment maintenance	8,000	8,000	827	7,173
Equipment operating supplies	8,000	8,000	-	8,000
Fuel	5,000	5,000	3,312	1,688
Auto expense	3,000	3,000	410	2,590
Building maintenance	10,000	10,000	-	10,000
Miscellaneous	10,000	10,000	4,150	5,850
Capital outlay	20,000	20,000	-	20,000
Contingency	11,600	11,600	-	11,600
Total expenditures	<u>286,300</u>	<u>286,300</u>	<u>244,827</u>	<u>41,473</u>
Net change in fund balance	-	-	(27,022)	(27,022)
Fund balance, beginning of year, before restatement	-	-	440,858	440,858
Restatement, see note 8	-	-	(72,343)	(72,343)
Fund balance, beginning of year, after restatement	-	-	368,515	368,515
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,493</u>	<u>\$ 341,493</u>

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
WEED CONTROL FUND  
(BUDGET BASIS)**  
For the Year Ended  
June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Grants and intergovernmental revenue	\$ 353,599	\$ 353,599	\$ 23,469	\$ (330,130)
Rental income	-	-	625	625
Interest income	1,500	1,500	1,954	454
Other income	-	-	255,152	255,152
Charges for services and products	150,000	150,000	22,625	(127,375)
Total revenues	<u>505,099</u>	<u>505,099</u>	<u>303,825</u>	<u>(201,274)</u>
<b>Expenditures</b>				
Personal services				
Payroll expenses	90,000	90,000	96,611	(6,611)
Purchased services				
Telephone	350	350	755	(405)
Dues and fees	250	250	886	(636)
Insurance and fidelity bonds	900	900	875	25
Administration	6,000	6,000	7,644	(1,644)
Travel	1,000	1,000	1,602	(602)
Meetings	-	-	660	(660)
Freight	-	-	(1,420)	1,420
Legal and auditing	1,000	1,000	-	1,000
Materials and supplies				
Field materials and supplies	258,599	258,599	76	258,523
Equipment purchases	3,500	3,500	-	3,500
Equipment operating supplies	3,500	3,500	-	3,500
Equipment maintenance	3,000	3,000	22,380	(19,380)
Rent			1,129	
Vehicle fuel	9,000	9,000	8,589	411
Chemicals	115,000	115,000	107,978	7,022
Auto expense	2,000	2,000	-	2,000
Miscellaneous	5,000	5,000	37,879	(32,879)
Contingency	6,000	6,000	-	6,000
Total expenditures	<u>505,099</u>	<u>505,099</u>	<u>285,644</u>	<u>220,584</u>
Net change in fund balance	-	-	18,181	18,181
Fund balance, beginning of year	-	-	475,826	475,826
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,007</u>	<u>\$ 494,007</u>

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE -BUDGET AND ACTUAL  
SOIL AND WATER PROJECTS  
(BUDGET BASIS)  
For the Year Ended  
June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and intergovernmental revenue	\$ 2,855,806	\$ 2,855,806	\$ 1,432,104	\$ (1,423,702)
Other income	-	-	5,290	5,290
Total revenues	<u>2,855,806</u>	<u>2,855,806</u>	<u>1,437,394</u>	<u>(1,418,412)</u>
Expenditures				
Personal services	229,425	229,425	409,258	(179,833)
Purchased services	-	-	43,831	(43,831)
Materials and supplies	2,626,381	2,626,381	889,206	1,737,175
Total expenditures	<u>2,855,806</u>	<u>2,855,806</u>	<u>1,342,295</u>	<u>1,513,511</u>
Net change in fund balance	-	-	95,099	95,099
Fund balance, beginning of year, before restatement	-	-	860,793	860,793
Restatement, see note 8	-	-	(29,211)	(29,211)
Fund balance, beginning of year, after restatement	<u>-</u>	<u>-</u>	<u>831,582</u>	<u>831,582</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 926,681</u>	<u>\$ 926,681</u>

OTHER FINANCIAL SCHEDULES

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**SCHEDULE OF CASH, CASH ITEMS AND COLLATERAL SECURITY**  
June 30, 2013

	* Bank of Eastern Oregon Checking	* Bank of Eastern Oregon Money Market	* Bank of Eastern Oregon Certificates of Deposit	Total
Special Revenue Fund				
202 Soil and Water Projects	\$ 45,575	\$ 500,931	\$ 400,000	\$ 946,506
	* US Bank Checking		** Local Government Investment Pool	
Special Revenue Fund				
201 Weed Control	\$ 10,495		\$ 425,725	\$ 436,220
Total				\$1,382,726

**COLLATERAL SECURITY, per ORS 295.018**

Insurance under Federal Deposit Insurance Corporation Act (FDIC)	
Demand account - Bank of Eastern Oregon	\$ 250,000 *
Demand account - U. S. Bank	\$ 250,000 *

\*\* The Local Government Investment Pool is fully collateralized with the State of Oregon.

\* For deposits held in excess of FDIC Insurance, the district is required to maintain accounts only with qualified depositories. The district is in compliance with this requirement. See note 3.

REPORTS REQUIRED BY OREGON STATE REGULATIONS

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

Board of Directors  
Grant Soil and Water Conservation District  
Grant County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant Soil and Water Conservation District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Grant Soil and Water Conservation District's basic financial statements and have issued our report thereon dated December 30, 2013.

### Compliance

As part of obtaining reasonable assurance about whether Grant 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions, and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and fidelity 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 Grant 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 162-10-230 Internal Control

In planning and performing our audit, we considered Grant 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grant 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a

material misstatement of the district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies that we consider to be material weaknesses, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Oregon Minimum Standards in considering the district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Oster Professional Group, CPA's, PC*

By 

Burns, Oregon  
December 30, 2013

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON**  
June 30, 2013

Oregon Administrative Rules 162-10-200 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the secretary of state in cooperation with the Oregon State Board of Accountancy, require certain comments and disclosures relating to the review of fiscal affairs and compliance with legal requirements. Comments relating to significant accounting policies, organization and fund structure, cash security, and investments are included in the notes to the basic financial statements. Other required comments and disclosures relating to this audit are set forth below.

Accounting Systems and Control Structure

The organizational structure of the district provides adequate accounting policies for maintaining an effective system of accountability and responsibility of funds. The accounting records are being maintained in a satisfactory manner which offers an adequate system of reporting to interested parties and compliance with legal requirements. However, we noted that the program assistant performs certain functions incompatible with preferred internal control procedures, such as recording revenues and performing account reconciliations. The district has assessed the risk of loss due to misappropriation resulting from the lack of segregation of incompatible functions as low.

Except as noted above, the district has maintained a plan of organization encompassing methods and measures on internal control to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and carry out board policies.

As we have stated in the following report on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, we do not express an opinion on the district's effectiveness in those areas. However, we did note certain matters that we reported to management in a separate letter dated December 30, 2013.

Budgets

Grant Soil and Water Conservation District is a municipal corporation formed under ORS 568. The district is funded by federal and state grants and is not subject to Oregon local budget law requirements for the preparation, adoption, and execution of annual budgets as applied to Oregon taxing districts, authorities, and units. The district is required, however, to prepare and file a budget with its oversight agency, which it has done.

Insurance and Fidelity Bond Coverage

We examined policies relating to insurance and fidelity bond coverages and ascertained that such policies appeared to be in force and that they appeared to satisfy bond ordinances. The Grant Soil and Water Conservation District has complied with the provisions of Oregon statutes with respect to persons authorized to handle district funds. We are not competent by training to state whether the insurance policies in force at June 30, 2013, provide adequate coverage. We understand coverages are reviewed periodically with the district's agent of record and that such reviews have been made recently.

GRANT SOIL AND WATER CONSERVATION DISTRICT  
Grant County, Oregon  
**COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON**  
June 30, 2013

Programs Funded From Outside Sources

We have audited the records and financial reports for Grant Soil and Water Conservation District grants and made such tests, to the extent deemed appropriate, for the programs in which the district participates. Based on our audit, we found that for the items tested, the district complied with the material terms and conditions of federal and state grant contracts and agreements. Further, based on our audit, nothing came to our attention to indicate that the district had not complied with the material terms and conditions of federal and state grant contracts and agreements which were not specifically tested. Each grant is subject to audit by the grantor agency and any adjustments may become a liability of the appropriate fund.

Public Contracts and Purchasing

Our review of district operations indicates the district is in compliance with Oregon statutes relating to public contracting.

Investments

We have reviewed Grant Soil and Water Conservation District's compliance with ORS 294.035 regarding the investment of surplus public funds. Our review disclosed no conditions which we considered to be matters of noncompliance.

Collateral Security

Grant County Soil and Water Conservation District's bank balances of deposit at June 30, 2013, were entirely insured or collateralized with the Federal Deposit Insurance Corporation. In addition, the district deposit accounts were only maintained at financial institutions on the list of qualified depositories compiled by the Oregon state treasurer.

Highway Funds

Grant County Soil and Water Conservation District does not receive revenue from taxes on motor vehicle fuel.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Grant Soil and Water Conservation District  
John Day, Grant County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant Soil and Water Conservation District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Grant Soil and Water Conservation District's basic financial statements and have issued our report thereon dated December 30, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Grant Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grant Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant Soil and Water Conservation District's internal control.

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 misstatements and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Grant 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the district's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

***Oster Professional Group, CPA's, PC***

By 

Burns, Oregon  
December 30, 2013