



Financial Statements

As of and For the Year Ended June 30, 2020

Deschutes County Extension and 4-H County Service District

A Component Unit of Deschutes County, Oregon

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
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June 30, 2020

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Independent Auditor's Report

The Deschutes County Commissioners
Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Bend, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Deschutes County Extension and 4-H County Service District (the District), a component unit of Deschutes County, Oregon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the District are intended to present the financial position and changes in financial position attributable to the District. They do not purport to, and do not present fairly the financial position of Deschutes County, Oregon as of June 30, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions have not been modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, as listed in the table of contents, 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 management's discussion and analysis and the budgetary schedules 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 management's discussion and analysis or the budgetary schedules because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary schedules described above is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

The budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of property tax transactions (supplementary information) are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards of Audits of Oregon Municipal Corporations*, we have issued our report dated January 15, 2021, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



For Eide Bailly LLP
Boise, Idaho
January 15, 2021

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Management's Discussion and Analysis
June 30, 2020

As management of Deschutes County Extension and 4-H County Service District (the District), a component unit of Deschutes County, Oregon, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets of Deschutes County Extension and 4-H County Service District exceeded its liabilities at June 30, 2020, by \$1,423,757. Of this amount, \$338,531 is unrestricted.
- Total net position increased by \$115,389.
- As of June 30, 2020, Deschutes County Extension and 4-H County Service District's governmental fund reported an ending fund balance of \$327,873 or 22% of total General Fund Fiscal Year 2020 revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Deschutes County Extension and 4-H County Service District's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of Deschutes County Extension and 4-H County Service District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Deschutes County Extension and 4-H County Service District is improving or deteriorating.

The *Statement of Activities* presents information showing how Deschutes County Extension and 4-H County Service District's net position changed during the fiscal year ended June 30, 2020. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items, for example, property taxes and accrued vacation that will result in cash flows in future fiscal periods.

Each of these government-wide financial statements, *Statement of Net Position* and *Statement of Activities*, show the functions of the District that are supported primarily by taxes and inter-governmental revenues (*governmental activities*). The governmental activity of Deschutes County Extension and 4-H County Service District is providing agricultural education extension services to the citizens of Deschutes County, Oregon.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund utilized by Deschutes County Extension and 4-H County Service District is classified as a governmental fund.

Governmental funds are used to account for the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation from the Governmental Fund Balance Sheet for the General Fund to the Government-wide Statement of Net Position and a reconciliation from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund to the Government-wide Statement of Activities have been included in this report.

The District reported activity in one governmental fund during the fiscal year ended June 30, 2020. Information is presented in the Governmental Fund Balance Sheet for the General Fund and in the Governmental Fund Schedule of Revenues, Expenditures and Changes in Fund Balance for the General Fund.

The District adopts an annual budget for its funds. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the annual budget.

The General Fund Financial Statements can be found on pages 11-14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-19 of this report.

Government-wide Financial Analysis

Net position, at a specific point in time, serves as a useful indicator of an entity's financial position. In the case of Deschutes County Extension and 4-H County Service District, assets exceed liabilities by \$1,423,757 at June 30, 2020.

Approximately 76% of the District's net position represents its investment in capital assets (building and equipment). Deschutes County Extension and 4-H County Service District uses these capital assets to provide services to citizens and this net position is not available for future spending.

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Management's Discussion and Analysis
June 30, 2020

The remaining 24%, \$338,531, of Deschutes County Extension and 4-H County Service District's net position may be used to meet the District's on-going obligations to citizens and creditors.

As of June 30, 2020, Deschutes County Extension and 4-H County Service District reports positive balances in net position (net investment in capital assets and unrestricted) for the government as a whole and for the governmental activities. Deschutes County Extension and 4-H County Service District's net position increased by \$115,389 during the year ended June 30, 2020.

A comparison of the summarized government-wide statements to the prior year is as follows:

Statements of Net Position

| | June 30, 2020 | June 30, 2019 | Change |
|----------------------------------|----------------------------|----------------------------|--------------------------|
| Assets | | | |
| Current assets | \$ 417,150 | \$ 619,133 | \$ (201,983) |
| Capital assets | <u>1,934,105</u> | <u>1,293,344</u> | <u>640,761</u> |
| Total assets | <u>2,351,256</u> | <u>1,912,477</u> | <u>438,779</u> |
| Liabilities | | | |
| Current liabilities | <u>927,498</u> | <u>604,109</u> | <u>323,389</u> |
| Total liabilities | <u>927,498</u> | <u>604,109</u> | <u>323,389</u> |
| Net Position | | | |
| Net investment in capital assets | 1,085,226 | 1,293,344 | (208,118) |
| Unrestricted | <u>338,531</u> | <u>15,024</u> | <u>323,507</u> |
| Total net position | <u><u>\$ 1,423,757</u></u> | <u><u>\$ 1,308,368</u></u> | <u><u>\$ 115,389</u></u> |

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Management's Discussion and Analysis
June 30, 2020

Statements of Activities

| | Year Ended June 30, 2020 | Year Ended June 30, 2019 | Change |
|---------------------------------------|-----------------------------|-----------------------------|--------------------------|
| Program Revenues | | | |
| Fines, fees, and charges for services | \$ 1,785 | \$ 60,000 | \$ (58,215) |
| Capital contributions | 25,135 | - | 25,135 |
| General Revenues | | | |
| Property taxes | 567,920 | 532,513 | 35,407 |
| Interest | 7,378 | 23,065 | (15,687) |
| Total revenues | <u>602,217</u> | <u>615,578</u> | <u>(13,361)</u> |
| Expenses | | | |
| General expenses | <u>486,828</u> | <u>443,236</u> | <u>43,592</u> |
| Total expenses | <u>486,828</u> | <u>443,236</u> | <u>43,592</u> |
| Change in Net Position | 115,389 | 172,342 | (56,953) |
| Net Position, Beginning of Year | <u>1,308,368</u> | <u>1,136,026</u> | <u>172,342</u> |
| Net Position, End of Year | <u><u>\$ 1,423,757</u></u> | <u><u>\$ 1,308,368</u></u> | <u><u>\$ 115,389</u></u> |

Governmental Activities

Governmental activities increased the District's net position by \$115,389 during the fiscal year ended June 30, 2020.

Financial Analysis of the District's Funds

Deschutes County Extension and 4-H County Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year.

As of June 30, 2020, \$327,873 is the reported ending fund balance for the District's governmental fund, an increase of \$324,118 from June 30, 2019.

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Management's Discussion and Analysis
June 30, 2020

As of June 30, 2020 the unassigned fund balance for the District's General Fund is \$327,873, an increase of \$324,118. One measure of liquidity is the relationship of the unassigned fund balance to the fund's total revenues. The unassigned fund balance as of June 30, 2020, for the General Fund is 22% of its Fiscal Year 2020 revenues.

General Fund Budgetary Highlights

There were no differences between the District's General Fund budget as originally adopted and the final budget. Estimated revenues exceeded actual revenues by \$154,818.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020, is \$1,934,105, net of \$244,220 accumulated depreciation. This investment in capital assets includes, construction in progress, building and equipment.

Additional information on Deschutes County Extension and 4-H County Service District's capital assets is included in Note 3.

Amounts Owed to Primary Government

During fiscal year 2020, the District received a lump-sum payment from the primary government to reimburse its costs incurred from its capital infrastructure expansion. The terms provided for a 20 year repayment period, at 1.85%, for an amount not to exceed \$1,000,000. As of June 30, 2020, the district had received \$900,000 of the proceeds, and is not anticipated to draw on the balance. Repayment began during Fiscal Year 2020.

Long-term Debt

The District has no long-term debt; therefore, the District has not been separately rated by any of the bond rating agencies.

Key Economic Factors and Budgets Information for the Future

- The District's Assessed Valuation of Taxable Property increased from Fiscal Year 2020 to Fiscal Year 2021 by 5.4% to approximately \$27.3 billion.
- Repayment of the *Amounts Owed to Primary Government* are currently set at \$60,275, annually, through Fiscal Year 2037.

Requests for Information

This financial report is designed to provide a general overview to those parties interested in Deschutes County Extension and 4-H County Service District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Deschutes County Finance Department, 1300 NW Wall Street, Suite 200, Bend, Oregon, 97703.

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Statement of Net Position
June 30, 2020

| | Primary Government - Governmental Activities |
|------------------------------------|---|
| Assets | |
| Cash and investments | \$ 404,650 |
| Property taxes receivable | 12,501 |
| Equipment and building | 2,178,325 |
| Accumulated depreciation | <u>(244,220)</u> |
| Total assets | <u>2,351,256</u> |
| Liabilities | |
| Accounts payable | 78,619 |
| Amounts owed to primary government | <u>848,879</u> |
| Total liabilities | <u>927,498</u> |
| Net Position | |
| Net investment in capital assets | 1,085,226 |
| Unrestricted | <u>338,531</u> |
| Total net position | <u><u>\$ 1,423,757</u></u> |

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Statement of Activities
Year Ended June 30, 2020

| | Primary Government - Governmental Activities |
|---------------------------------------|---|
| Expenses | |
| General services | \$ 486,828 |
| Program Revenues | |
| Fees, fines, and charges for services | 1,785 |
| Capital contributions | 25,135 |
| Net program expenses | 459,908 |
| General Revenues | |
| Property taxes | 567,920 |
| Interest on investments | 7,378 |
| Total general revenues | 575,297 |
| Change in Net Position | 115,389 |
| Net Position, Beginning of Year | 1,308,368 |
| Net Position, End of Year | \$ 1,423,757 |

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Balance Sheet – General Fund
June 30, 2020

| | |
|---|--------------------------|
| Assets | |
| Cash and investments | \$ 404,650 |
| Property taxes receivable | <u>12,501</u> |
| Total assets | <u><u>\$ 417,150</u></u> |
| Liabilities | |
| Accounts payable | <u>\$ 78,619</u> |
| Total liabilities | <u>78,619</u> |
| Deferred Inflows of Resources | |
| Unavailable revenue - property taxes | <u>10,658</u> |
| Total deferred inflows of resources | <u>10,658</u> |
| Fund Balance | |
| Unassigned | <u>327,873</u> |
| Total fund balance | <u>327,873</u> |
| Total liabilities, deferred inflows of resources and fund balance | <u><u>\$ 417,150</u></u> |

Deschutes County Extension and 4-H County Service District

A Component Unit of Deschutes County, Oregon

Reconciliation of the Governmental Fund Balance Sheet for the General Fund to the Statement of Net Position

June 30, 2020

| | |
|--|------------|
| Fund Balance for the governmental fund | \$ 327,873 |
|--|------------|

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

| | |
|---|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the Balance Sheet. | 1,934,105 |
|---|-----------|

| | |
|---|-----------|
| Noncurrent liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. | |
| Amounts owed to the primary government | (848,879) |

| | |
|--|---------------|
| Some of the District's taxes will be collected after year-end, but are not currently available resources and, therefore, are deferred in the General Fund. | <u>10,658</u> |
|--|---------------|

| | |
|---|----------------------------|
| Net Position of Governmental Activities | <u><u>\$ 1,423,757</u></u> |
|---|----------------------------|

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund
Year Ended June 30, 2020

| | |
|---|--------------------------|
| Revenues | |
| Property taxes | \$ 568,531 |
| Investment earnings | 7,378 |
| Other | <u>1,785</u> |
| Total revenues | <u>577,693</u> |
| Expenditures | |
| Current | |
| General services | 453,411 |
| Capital outlay | 639,890 |
| Debt service | |
| Principal | 51,121 |
| Interest | <u>9,154</u> |
| Total expenditures | <u>1,153,575</u> |
| Excess (deficiency) of revenues over expenditures | (575,882) |
| Other Financing Sources (Uses) | |
| Debt proceeds | <u>900,000</u> |
| Net Change in Fund Balance | 324,118 |
| Fund Balance, Beginning of Year | <u>3,755</u> |
| Fund Balance, End of Year | <u><u>\$ 327,873</u></u> |

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of General Fund to the
Statement of Activities
Year Ended June 30, 2020

| | |
|---|------------|
| Net Change in Fund Balance - General Fund | \$ 324,118 |
|---|------------|

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 are allocated over their estimated useful lives and reported as depreciation expense.

| | |
|----------------|----------|
| Capital outlay | 646,149 |
| Depreciation | (30,523) |

Assets contributed are not financial resources under the modified accrual basis of accounting

| | |
|---|--------|
| Capital contributions from the primary government | 25,135 |
|---|--------|

Financial resources provided that are not revenues in the Statement of Activities

| | |
|--|-----------|
| Loan proceeds received from the primary government | (900,000) |
|--|-----------|

Financial resources used that are not expenses in the Statement of Activities

| | |
|---|--------|
| Repayment of amounts owed to primary government | 51,121 |
|---|--------|

Property tax revenue is recognized under the modified accrual basis of accounting only to the extent it has been collected within sixty days of year-end. On the accrual basis Statement of Activities, such revenue is recognized regardless of when collected.

| | |
|--|-------|
| Increase / (Decrease) in unavailable property taxes. | (611) |
|--|-------|

| | |
|---|------------|
| Change in Net Position of Governmental Activities | \$ 115,389 |
|---|------------|

Note 1 - Principal Business Activity and Significant Accounting Policies

The District

The Deschutes County Extension and 4-H County Service District (the District), a component unit of Deschutes County, Oregon, was established under ORS 451.410 to 451.600 on February 2, 1982, for the purpose of providing agricultural education extension services to the citizens of Deschutes County (the County). The Deschutes County Board of Commissioners is the governing body of the District.

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 all of the activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities or fiduciary funds.

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

Separate financial statements are provided for governmental funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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. 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 District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues received after this period, are considered unavailable. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and intergovernmental revenue associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Deschutes County Extension and 4-H County Service District

A Component Unit of Deschutes County, Oregon

Notes to Financial Statements

June 30, 2020

The District reports the following governmental funds:

General Fund - The General Fund is utilized to account for the transactions of the District. Property taxes are the principal source of revenue. Expenditures are for the operation and administration of the District.

Budget Policy

The District prepares a budget for all funds which meet the requirements of state law. The budget is prepared on the modified accrual basis of accounting, with exceptions. The resolution authorizing appropriations for each fund sets the level for which it is unlawful to over expend. Program, debt service, transfers out, and contingency are the levels of control established by resolution. The detailed budget document provides for specific detailed information for the above-mentioned categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Appropriations lapse as of year-end.

Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB 61, *The Financial Reporting Entity: Omnibus*, include whether:

- The organization is legally separate (can sue and be sued in its own name).
- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

There were no specific agencies which required consideration under the criterion in the current fiscal year for inclusion in the District's reporting entity.

Under the above criterion, the District is includable as a component unit in the financial statements of Deschutes County, Oregon since the District's governing board is comprised of the Deschutes County Commissioners; the District also has an eight-member advisory board that oversees operations.

Cash and Investments

Cash and investments are comprised of funds held by the Deschutes County Treasurer, in the County's cash and investment pool. The District's cash and investments participate in this pool rather than specific, identifiable securities. The District's share of County pooled cash and investments can be drawn upon demand, and therefore, the entire amount on deposit with the County is considered cash and cash equivalents. Interest earned on pooled investments is allocated monthly based on the average daily balance of the District in relation to total investments in the pool. It is not practical to determine the investment risk, collateral, or insurance coverage for the District's

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Notes to Financial Statements
June 30, 2020

share of these pooled investments. This pool generally includes demand deposits, investments in the Oregon State Treasurer's Local Government Investment Pool (LGIP), obligations of the United States Treasury and United States Government agencies and instrumentalities, certain high-grade commercial paper and corporate bonds. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments for the County, as well as for its component units, are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations.

Information about the pooled cash and investments is included in the County's annual financial report and may be obtained by contacting the Deschutes County Finance Department, 1300 NW Wall Street, Suite 200, Bend, Oregon, 97703.

Capital Assets

Capital assets, which include construction in progress, equipment and a building, are reported in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost. Donated assets are recorded at acquisition value as of the date of the donation.

Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated actual life of two years or more. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset, are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is calculated on the straight-line basis over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------------|--------------|
| Building and Improvements | 10-50 years |
| Equipment | 10 years |

Property Taxes/Unavailable Revenue

Property taxes are assessed on a July 1 - June 30 fiscal year basis. The taxes are levied as of July 1 based on assessed values as of January 1. Property tax payments are due in three equal installments, on November 15, February 15 and May 15. A discount of 3% is available if taxes are paid in full by November 15 and a discount of

Deschutes County Extension and 4-H County Service District

A Component Unit of Deschutes County, Oregon

Notes to Financial Statements

June 30, 2020

2% on the unpaid balance is available if taxes are paid in full by February 15. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the following May 15. The Deschutes County Treasurer is the tax collection agent for the District. The District's 2020 fiscal year tax levy was \$574,326.

Tax revenue is considered available for expenditure upon receipt by the County, which serves as the intermediary collecting agency. Uncollected property taxes are shown on the General Fund balance sheet as receivables. Collections within 60 days subsequent to year-end have been accrued and the remaining taxes receivable are recorded as deferred inflow of resources on the modified accrual basis of accounting since they are not deemed available to finance operations of the current period.

Fund Balance Reporting

The Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Nonspendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. Restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's governing board (the Districts' highest level of decision-making authority). Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
4. Assigned fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments are made by the County Administrator based on the County Commissioner's direction.
5. Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for the purpose for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Tax Abatements

The District participates in a number of property tax abatement programs. All such abatement programs are

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Notes to Financial Statements
June 30, 2020

authorized by Oregon revised statutes or by local resolution or ordinance. Some programs are initiated by the District and others by other local governments and state agencies. As the amount of taxes abated during fiscal year 2020 is immaterial, no additional disclosure has been made.

Note 2 - Cash and Investments

As of June 30, 2020, the District had a deposit of \$404,650 with the Deschutes County Treasurer. All of the District's deposits were adequately insured or collateralized by securities held by the pledging financial institution in the financial institution's name during the year.

Note 3 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|--------------------------------------|-------------------------|---------------------|-----------------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Construction in progress | \$ 938,775 | \$ 659,913 | \$ (1,598,688) | \$ - |
| Capital assets being depreciated | | | | |
| Building | 558,430 | 1,598,688 | - | 2,157,118 |
| Equipment | 9,836 | 11,370 | - | 21,206 |
| Total | 568,266 | 1,610,059 | - | 2,178,325 |
| Less accumulated depreciation | | | | |
| Building | (203,861) | (29,386) | - | (233,247) |
| Equipment | (9,836) | (1,137) | - | (10,973) |
| Total | (213,697) | (30,523) | - | (244,220) |
| | <u>\$ 1,293,344</u> | <u>\$ 2,239,449</u> | <u>\$ (1,598,688)</u> | <u>\$ 1,934,105</u> |

Depreciation expense of \$30,523 was charged to the general services expense.

Note 4 - Amounts owed to primary government

As of June 30, 2020, the current balance on an *advance* payable to the primary government is \$848,879. The amount due during the next fiscal year is \$54,338. The terms provide for a 20 year repayment period, at 1.85%.

Note 5 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters for which the District participates in Deschutes County's self-insurance program. There have been no settlements in excess of insurance coverage and reserves in the past three fiscal years.



Required Supplementary Information
As of and For the Year Ended June 30, 2020
**Deschutes County Extension
and 4-H County Service District**
A Component Unit of Deschutes County, Oregon

Deschutes County Extension and 4-H County Service District

A Component Unit of Deschutes County, Oregon

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund

Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|----------------------------|---------------------|-------------------|---|
| | Original Budget | Final Budget | | |
| REVENUES | | | | |
| Taxes - property | \$ 554,366 | \$ 554,366 | \$ 568,531 | \$ 14,165 |
| Investment earnings | 16,100 | 16,100 | 5,608 | (10,492) |
| Other | - | 60,275 | 1,785 | (58,490) |
| Debt proceeds | 1,000,000 | 1,000,000 | 900,000 | (100,000) |
| Transfers in | 60,275 | - | - | - |
| Total revenues | <u>1,630,741</u> | <u>1,630,741</u> | <u>1,475,923</u> | <u>(154,818)</u> |
| EXPENDITURES | | | | |
| Current - departmental: | | | | |
| General services | 507,157 | 507,157 | 453,411 | 53,746 |
| General services - construction | 1,546,411 | 1,546,411 | 639,890 | 906,521 |
| Not allocated to organizational units: | | | | |
| Debt service | - | 60,275 | 60,275 | - |
| Transfers out | 60,275 | - | - | - |
| Contingency | 181,124 | 181,124 | - | 181,124 |
| Total expenditures | <u>2,294,967</u> | <u>2,294,967</u> | <u>1,153,575</u> | <u>1,141,392</u> |
| Net change in fund balance | (664,226) | (664,226) | 322,348 | 986,574 |
| Fund balance - Beginning of year | <u>664,226</u> | <u>664,226</u> | <u>2,624</u> | <u>(661,602)</u> |
| Fund balance - End of year | <u>\$ -</u> | <u>\$ -</u> | 324,972 | <u>\$ 324,972</u> |
| Unrealized gain (loss) on investments | | | <u>2,901</u> | |
| Total fund balance, GAAP basis - End of Year | | | <u>\$ 327,873</u> | |



Other Supplementary Information
As of and For the Year Ended June 30, 2020
**Deschutes County Extension
and 4-H County Service District**
A Component Unit of Deschutes County, Oregon

Deschutes County Extension and 4-H County Service District

A Component Unit of Deschutes County, Oregon

Schedule of Property Tax Transactions

Year Ended June 30, 2020

| <u>Tax Year</u> | <u>Beginning Balance and 2019-20 Levy</u> | <u>Adjustments</u> | <u>Interest (Discounts)</u> | <u>Collections</u> | <u>Taxes Receivable June 30, 2020</u> |
|------------------------------------|---|--------------------|---------------------------------|--------------------|---|
| 2019-2020 | \$ 574,326 | \$ (0) | \$ (14,777) | \$ 552,277 | \$ 7,271 |
| 2018-2019 | 7,024 | (55) | 216 | 4,368 | 2,817 |
| 2017-2018 | 2,918 | (2) | 181 | 1,561 | 1,536 |
| 2016-2017 | 1,623 | 1,142 | 166 | 2,383 | 548 |
| 2015-2016 | 678 | 3,096 | 69 | 3,785 | 57 |
| 2014-2015 | 144 | 436 | 5 | 487 | 98 |
| 2013-2014 | 38 | 438 | (8) | 444 | 24 |
| 2012-2013 | 30 | 297 | (4) | 306 | 17 |
| 2011-2012 | 18 | 176 | (4) | 174 | 16 |
| Prior | 119 | 322 | (0) | 324 | 117 |
| Totals | <u>\$ 586,918</u> | <u>\$ 5,850</u> | <u>\$ (14,158)</u> | 566,109 | <u>\$ 12,501</u> |
| Adjustments for Accruals | | | | | |
| June 30, 2019 | | | | (1,322) | |
| June 30, 2020 | | | | 1,842 | |
| Other tax distribution | | | | <u>1,902</u> | |
| Modified accrual basis tax revenue | | | | <u>\$ 568,531</u> | |



**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***

To the Deschutes County Commissioners
Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Bend, Oregon

We have audited, 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, the financial statements of the governmental activities and the general fund of Deschutes County Extension and 4-H County Service District (the District), a component unit of Deschutes County, Oregon, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 15, 2021

Deschutes County Extension and 4-H County Service District
A Component Unit of Deschutes County, Oregon
Audit Comments and Disclosures Required by State Regulations
June 30, 2020

Audit Comments and Disclosures Required by State Regulations

Oregon Administrative Rules 162-010-0000 through 162-010-0320 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, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



Independent Auditor's Report Required by Oregon State Regulations

To Deschutes County Commissioners
 Deschutes County Extension and 4-H County Service District
 A Component Unit of Deschutes County, Oregon
 Bend, Oregon

We have audited the basic financial statements of Deschutes County Extension and 4-H County Service District (the District), a component unit of Deschutes County, Oregon, as of and for the year ended June 30, 2020, and have issued our report thereon dated January 15, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

| OAR | Section | Instances of Non-Compliance Identified |
|--------------|---|--|
| 162-010-0000 | Preface | Not Applicable |
| 162-010-0010 | Definitions | Not Applicable |
| 162-010-0020 | General Requirements | None Noted |
| 162-010-0030 | Contracts | None Noted |
| 162-010-0050 | Financial Statements | None Noted |
| 162-010-0115 | Required Supplementary Information (RSI) | None Noted |
| 162-010-0120 | Supplementary Financial Information | None Noted |
| 162-010-0130 | Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances / Net Position, Budget and Actual (Each Fund) | None Noted |
| 162-010-0140 | Schedule of Accountability for Independently Elected Officials | Not Applicable |
| 162-010-0190 | Other Financial or Statistical Information | Not Applicable |
| 162-010-0200 | Independent Auditor's Review of Fiscal Affairs | None Noted |
| 162-010-0230 | Accounting Records and Internal Control | None Noted |

| OAR | Section | Instances of Non-Compliance Identified |
|--------------|---|--|
| 162-010-0240 | Public Fund Deposits | None Noted |
| 162-010-0250 | Indebtedness | Not Applicable |
| 162-010-0260 | Budget | None Noted |
| 162-010-0270 | Insurance and Fidelity Bonds | None Noted |
| 162-010-0280 | Programs Funded from Outside Sources | Not Applicable |
| 162-010-0295 | Highway Funds | Not Applicable |
| 162-010-0300 | Investments | None Noted |
| 162-010-0310 | Public Contracts and Purchasing | Not Applicable |
| 162-010-0315 | State School Fund | Not Applicable |
| 162-010-0316 | Public Charter Schools | Not Applicable |
| 162-010-0320 | Other Comments and Disclosures | Not Applicable |
| 162-010-0330 | Extensions of Time to Deliver Audit Reports | None Noted |

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0330 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Internal Control Over Financial Reporting

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

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

This report is intended solely for the information and use of the Deschutes County Commissioners and management of Deschutes County Extension and 4-H County Service District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



For Eide Bailly LLP
Boise Idaho
January 15, 2021