

JACKSON COUNTY 4-H,
MASTER GARDENER AND AGRICULTURAL
EXTENSION SERVICE DISTRICT
(a Component Unit of Jackson County, Oregon)

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2021

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**JACKSON COUNTY 4-H, MASTER GARDENER AND AGRICULTURAL EXTENSION
SERVICE DISTRICT
(a Component Unit of Jackson County, Oregon)**

LIST OF PRINCIPAL OFFICIALS

as of June 30, 2021

Board of Directors
(Jackson County Commissioners)

Colleen Roberts Dave Dotterer Rick Dyer

County Administrator

Danny Jordan

Finance Director - Registered Agent

Shannon Bell

All Board of Commissioners, County Administrator, and Finance Director receive mail at:
10 South Oakdale Avenue
Medford, Oregon 97501

Report of Independent Auditors

Board of Commissioners
Jackson County 4-H, Master Gardener and Agricultural Extension Service District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of Jackson County 4-H, Master Gardener and Agricultural Extension Service District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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. 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 major fund of Jackson County 4-H, Master Gardener and Agricultural Extension Service District as of June 30, 2021, and the respective changes in financial position and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

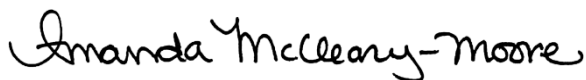
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 the 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.

Other Information

The list of principal officials on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated December 21, 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.



Amanda McCleary-Moore, Partner for
Moss Adams LLP
Medford, Oregon
December 21, 2021

Management Discussion & Analysis

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Management Discussion & Analysis

As management of the Jackson County 4-H, Master Gardener and Agricultural Extension Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2021.

Financial Highlights

- The District's assets exceeded its liabilities at the close of the fiscal year by \$811,508 (*total net position*). This is an increase of \$184,367 from the prior fiscal year. This net position is restricted, representing resources that are subject to external restrictions on how they may be used.
- At the close of the current fiscal year, the fund balance for the District was \$780,863, or 100.7% of total District expenditures. The previous year, the fund balance for the District was \$596,142, or 75.7% of total District expenditures. This increase is due to an increase in the property tax revenues.

Overview of the financial statements

The discussion and analysis provided here is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: 1) financial statements, and 2) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information on changes in the District's net position during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property taxes).

The government-wide financial statements can be found on pages 7 and 8 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 governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District reports one governmental fund, which is the general fund. The fund financial statements can be found on pages 9 through 11 of this report.

Notes to the financial statements. The notes provide additional information necessary to acquire 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 12 through 16 of this report.

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Management Discussion & Analysis

Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. The District's assets exceeded its liabilities and deferred inflows of resources by \$811,508 at the close of the most recent fiscal year.

Statement of Net Position
June 30,

	2021	2020
Assets	\$ 1,044,448	\$ 804,378
Liabilities	232,940	177,237
Restricted net position	\$ 811,508	\$ 627,141

Financial activities. Financial activities during the year increased the District's net position by \$184,367. This is an increase of \$99,766 from last year's change in net position of \$84,601. The increase in ending net position is primarily the result of a \$104,052 increase in property tax revenue caused by an change in certified taxes to be collected. This was offset by a \$16,412 decrease in interest income and a \$12,136 decrease in expenses for the year.

Changes in Net Position
For the Year Ended June 30,

	2021	2020
Revenues:		
General revenues:		
Charges for services	\$ -	\$ 9
Property taxes	954,798	850,746
Interest	4,858	21,271
Total revenues	959,656	872,026
Expenses:		
Program expenses		
Planning, Development & Natural Resources	775,289	787,425
Change in net position	184,367	84,601
Net position - beginning	627,141	542,540
Net position - ending	\$ 811,508	\$ 627,141

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Management Discussion & Analysis

Budgetary Highlights

Actual expenses were below the final amended expense budget by \$144,037. This was primarily the result of lower than expected payments to Oregon State University and to Jackson County for services provided.

Economic factors and budget information for next year

The District's 2021-22 expenditure budget is \$1,751,582, is made up of \$954,039 for materials and services, \$130,000 for contingency and \$667,543 in unappropriated ending fund balance and reserves. This represents an increase of 13.21% from the final 2020-21 budget.

COVID-19 continues to affect private and government organizations. It is uncertain what impact, if any, COVID-19 will have on the District in the coming year.

Requests for Information

This financial report is designed to provide to citizens, customers, investors, creditors, and others a general overview of the District's finances and to demonstrate accountability for the funds it receives. Questions concerning any of the information provided in this report, requests for additional financial information, or requests for copies of the County's other blended component units should be addressed to the Jackson County Finance Director, 10 S. Oakdale Ave Rm 113, Medford, OR 97501.

Basic Financial Statements

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Statement of Net Position
June 30, 2021

ASSETS	
Cash and cash equivalents	\$ 1,013,803
Property taxes receivable	<u>30,645</u>
Total assets	<u>1,044,448</u>
LIABILITIES	
Accounts payable	<u>232,940</u>
Total liabilities	<u>232,940</u>
NET POSITION	
Restricted	<u>811,508</u>
Total net position	<u><u>\$ 811,508</u></u>

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Statement of Activities
For the fiscal year ended June 30, 2021

EXPENSES

 Planning, Development & Natural Resources \$ 775,289

GENERAL REVENUES

 Property taxes 954,798

 Interest 4,858

 Total general revenues 959,656

 Change in net position 184,367

Net position - beginning 627,141

Net position - ending \$ 811,508

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Balance Sheet
Governmental Fund
June 30, 2021

ASSETS	
Cash and cash equivalents	\$ 1,013,803
Property taxes receivable	<u>30,645</u>
Total assets	<u><u>\$ 1,044,448</u></u>
LIABILITIES	
Accounts payable	<u>\$ 232,940</u>
Total liabilities	<u>232,940</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>30,645</u>
FUND BALANCE	
Restricted	<u>780,863</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 1,044,448</u></u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance shown above	\$ 780,863
Property taxes receivable are not available to pay current period expenditures and, therefore, are deferred in the funds	<u>30,645</u>
Net position	<u><u>\$ 811,508</u></u>

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2021

REVENUES	
Property taxes	\$ 955,152
Interest	4,858
Total revenues	960,010
EXPENDITURES	
Planning, Development & Natural Resources	775,289
Net change in fund balance	184,721
Fund balance - beginning	596,142
Fund balance - ending	\$ 780,863
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities:	
Amounts reported in the statement of activities are different because:	
Net change in fund balance shown above	\$ 184,721
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the effect of the change in the deferral of these amounts during the year.	(354)
Change in net position	\$ 184,367

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services				\$ -
Property taxes	902,254	902,254	955,152	52,898
Interest	17,072	17,072	4,858	(12,214)
Total revenues	<u>919,326</u>	<u>919,326</u>	<u>960,010</u>	<u>40,684</u>
EXPENDITURES				
Planning, Development, & Natural Resources				
Materials and services	919,326	919,326	775,289	144,037
Total expenditures	<u>919,326</u>	<u>919,326</u>	<u>775,289</u>	<u>144,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>184,721</u>	<u>184,721</u>
OTHER FINANCING SOURCES (USES)				
Contingency	(130,000)	(130,000)	-	130,000
Net change in fund balance	(130,000)	(130,000)	184,721	184,721
Fund balance - beginning	627,829	627,829	596,142	(31,687)
Fund balance - ending	<u>\$ 497,829</u>	<u>\$ 497,829</u>	<u>\$ 780,863</u>	<u>\$ 283,034</u>

Notes to Financial Statements

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Notes to Financial Statements
For the fiscal year ended June 30, 2021

I. Summary of significant accounting policies

The financial statements of the Jackson County 4-H, Master Gardener and Agricultural Extension Service District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The more significant of the District's accounting policies are described below.

A. Reporting entity

The District was created on June 18, 2014, under authority of Oregon Revised Statutes (ORS) Chapter 451, by the Jackson County Board of Commissioners and began operations on July 1, 2014 to provide funding to the Oregon State University Extension Service (Extension Service). The Extension Service provides citizens of the District objective, research-based, scientific information to support Jackson County agriculture. In May 2014, upon voter approval by the citizens of Jackson County, a permanent tax rate limit of up to \$0.05 per \$1,000 of assessed value was set. The Jackson County Board of Commissioners, which also serves as the Board of the District, oversees policy direction for the District. The County Central Services fund has entered into a contractual agreement with the District to provide facility maintenance service for the District.

Because the District's governing body is identical to that of Jackson County, Oregon (County), and because the District's day-to-day operations are managed by County personnel, the District has been determined under standards established by GAAP to be a blended component unit of the County. As a result, the District's financial statements are blended with those of the County by including them in the appropriate statements and schedules of the County's Annual Comprehensive Financial Report. The District is reported as a non-major special revenue fund.

B. Basis of presentation - government-wide financial statements

The Statement of Net Position and Statement of Activities report information on all of the activities of the District. 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and entitlements. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

C. Basis of presentation - fund financial statements

The District uses one fund to report on its financial position and the results of its operations. The fund accounts for the general administration of the District.

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Notes to Financial Statements
For the fiscal year ended June 30, 2021

I. Summary of significant accounting policies (continued)

C. Basis of presentation - fund financial statements (continued)

The District's governmental fund type is accounted for using a 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 60 days of the end of the current period. Expenditures are recorded when the related liability is incurred.

Property taxes and interest 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. Any other revenue items are considered to be measurable and available only when cash is received by the District.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash*

The District's cash is deposited in Jackson County's Local Government Investment Pool (the Pool), which is available for use by all Jackson County funds and is unrated. The District's cash is included in the 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 deposits in the Pool is allocated monthly based on the average daily cash 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 share of these pooled investments.

State statutes authorize the County to invest in the State of Oregon Local Government Investment Pool (LGIP), certificates of deposit, Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) certificates, municipal debt obligations, corporate paper, and U.S. Government securities held under repurchase agreements. The LGIP operates in accordance with appropriate State laws.

Information about the Pooled investments, including investment risk, collateral, and insurance coverage, is included in the County's annual financial report and may be obtained by contacting the County's Finance Department at 10 South Oakdale Avenue, Room 314, Medford, Oregon 97501 or at jacksoncounty.org/AnnualReport.

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Notes to Financial Statements
For the fiscal year ended June 30, 2021

I. Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

2. *Receivables*

Property taxes receivable which have been collected within 60 days of year-end are considered measurable and available, and are recognized as revenues in the fund financial statements. All other property taxes receivable are offset by deferred inflows and, accordingly, have not been recorded as revenue. Property taxes attach as an enforceable lien as of July 1 for real property and personal property. Taxes are levied on July 1 and payable in three installments on November 15, February 15, and May 15.

3. *Deferred inflows of resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

4. **Net position and fund balance**

Net position is reported on the Statement of Net Position. The District's net position is restricted. Restrictions are limitations on how the resources may be used. Restrictions may be placed on resources by an external party that provided the resources, by enabling legislation, or by the nature of the asset. In this case, net position of the District are restricted by enabling legislation.

In accordance with GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, the fund balance found on the Balance Sheet is segregated into separate classifications indicating the extent to which the District is bound to honor constraints on the specific purpose for which the funds can be spent. Fund balance classifications are: nonspendable, restricted, assigned or unassigned. Restricted fund balance can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The District is funded by property tax revenue, which is considered enabling legislation, therefore all of the District's fund balance is classified as restricted.

E. **Estimates**

The preparation of financial statements in conformation with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Notes to Financial Statements
For the fiscal year ended June 30, 2021

II. Stewardship, compliance and accountability

A. Budgetary information

The Board Order authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. District funds are controlled by total fund expenditures. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the Board of Directors.

Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Commissioners acting as the Board of Directors of the District. The County Administrator has been assigned authority to make appropriation adjustments within funds without Board approval, provided the total appropriation for a fund is not increased. Appropriations lapse as of year-end. The budget is prepared in accordance with the modified accrual basis of accounting.

III. Detailed notes on the fund

A. Transactions with Jackson County

The Jackson County Central Services Fund provides facility maintenance services for the District. Services provided to the district were \$44,430 for the fiscal year. General administrative functions are also performed by other departments of the County. Administrative services provided by departments in the County's internal service funds are performed on an internal cost reimbursement basis. Reimbursements for internal services were \$17,935. Additionally, the District gave the County's Exposition Park \$50,000 in support of 4-H services. These amounts are included as part expenditures for the Planning, Development, & Natural Resources function on the Statement of Revenues, Expenditures and Changes in Fund Balance.

B. Risk management

The District participates in Jackson County's Self Insurance Internal Service fund, which accounts for the County's overall risk of loss. The County is self-insured for unemployment compensation, workers' compensation, most general liability, auto liability, police professional liability, municipal liability exposures, and managers' health benefits. The County experienced no claim losses in excess of coverage obtained during fiscal years 2019 through 2021.

Jackson County 4-H, Master Gardener and Agricultural Extension Service District
(a Component Unit of Jackson County, Oregon)
Notes to Financial Statements
For the fiscal year ended June 30, 2021

III. Detailed notes on the fund (Continued)

C. Leases

On July 9, 2014 the District and Jackson County entered into an intergovernmental agreement and real estate lease to enable County-owned property, known commonly as the Southern Oregon Research and Extension Center (SOREC), to be used by the District to provide a place for agriculture extension services to the residents of the District. The District pays rent in the form of the agreed upon annual cost of building maintenance and capital projects to the County, as detailed in section III.A of these notes. The term of the intergovernmental agreement and real estate lease is July 1, 2014, until terminated.

On December 31, 2014 the District entered into a sublease agreement with Oregon State University (OSU) for the SOREC property to enable OSU to provide such agricultural-related extension services and educational program to the residents of the District. The agreement does not require any rent payment and will terminate on December 31, 2029 with two successive 15-year renewal terms, unless sooner terminated.

D. Tax Abatements

Jackson County negotiates property tax abatement agreements on an individual basis. All entities qualify for the enterprise zone exemption under ORS 285C.175. The County has tax abatement agreements with twenty-two entities as of June 30, 2021, all of which were in 4-H District tax code areas, resulting in a total tax abatement of \$2,493.

E. COVID-19

As the measures to combat the spread of COVID-19 continue, so does the uncertainty of its impact on the District's financial operations. Therefore, the financial statements have not been adjusted in any way in relation to the effects of COVID-19.

**Report of Independent Auditors Comments
Required by Oregon State Regulations**

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Minimum Audit Standards*

Board of Commissioners

Jackson County 4-H, Master Gardener and Agricultural Extension Service District

We have audited the basic financial statements of the Jackson County 4-H, Master Gardener and Agricultural Extension Service District (the District), a component unit of Jackson County, Oregon, as of and for the year ended June 30, 2021 and have issued our report thereon dated December 21, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2021 and 2022.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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 test disclosed no instances of noncompliance that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

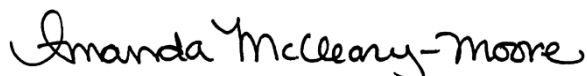
Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. 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 *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Amanda McCleary-Moore, Partner, for
Moss Adams LLP
Medford, Oregon
December 21, 2021