

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

*St. Helens, Oregon
June 30, 2014*

PATRICK G. CARNEY, CPA, P.C.
Certified Public Accountant

14535 Westlake Drive, Suite A-1
Lake Oswego, Oregon 97035
Phone: (503) 624-9204
Fax: (503) 624-9275

**COLUMBIA SOIL & WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS**

June 30, 2014

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151 Allendale Drive
St. Helens, OR 97051

Chair

Jason Busch
13215 Busch Lane
Mist, OR 97016

Vice-Chair

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56498 Crest Drive
Warren, OR 97053

Secretary

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24255 VanNatta Road
Rainier, OR 97048

Treasurer

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76679 Hwy 47
Clatskanie, OR 97016

Director

Dave Freytag
P.O. Box 216
St. Helens, OR 97051

Director

Craig Ellis
52619 NW Eastview Drive
Scappoose, OR 97056

Director

Registered agent: William Eagle

**Registered address: 35285 Millard Road
St. Helens, OR 97051**

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Columbia Soil & Water Conservation District
St. Helens, Oregon

Report on the Financial Statements

I have audited the accompanying basic financial statements of the Columbia Soil & Water Conservation District (the District), St. Helens, Oregon (the District) as of and for the year then ended June 30, 2014, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental-type activities, and the aggregate remaining fund information of the Columbia Soil & Water Conservation District as of June 30, 2014 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management discussion 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information on pages 24-25 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

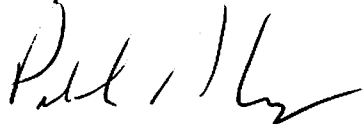
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Columbia County Soil and Water Conservation District's basic financial statements. The schedule of property tax transactions and schedule of long-term debt are presented for purposes of additional analysis and are not a required part of the basic 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 my opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, I have issued my report dated December 11, 2014, on my 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 my testing of compliance and the results of that testing and to provide an opinion on compliance.



Lake Oswego, Oregon
December 11, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents the highlights of financial activities and financial position for the Columbia Soil & Water Conservation District. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District.

Management's Discussion and Analysis focuses on current year activities and resulting changes. Please read it in conjunction with the District's financial statements.

REPORT LAYOUT

Columbia Soil & Water Conservation District's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the District. The components of the report include the following:

- * **Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the District.
- * **Basic Financial Statements** includes Statement of Net Position, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Position and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the District.

The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference.

The Statement of Activities focuses on gross and net costs of District programs and the extent to which such programs rely upon general taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Fund Financial Statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial Statements.

Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

This Discussion and Analysis presents the highlights of financial activities and financial position for the Columbia Soil and Water Conservation District (CSWCD). The Analysis focuses on significant financial issues, major financial activities, and resultant changes in financial position due to fluctuations, reduced and or increased budgetary variables and specific issues related to the CSWCD functions.

Financial Highlights

The Columbia SWCD, defined as a tax-exempt extension of local government, has adjusted to ever changing and decreasing funding opportunities from traditional sources. The onset of the tax-base in 2009 has given the CSWCD a foundation from which to build upon. Allowing staff to be hired to handle the ever growing workload and to seek out funding sources to continue locally led conservation in Columbia County. The increase in grant funds this year was a direct result to the staff increase in recent years. A pipeline of projects alongside our tradition and new funding sources has given us the framework to plan for the next 5 years with some sense of stability. The grants sources are very competitive making flexibility a key to success.

Budgetary Highlights/Economic factors/summation:

The Columbia SWCD continues to plan for greater needs in the community and granting sources tightening their focuses and allowed projects to be funded. Some programs are being adjusted and reworked due to lack of funding sources. The inherent uncertainty of competitive funding has pushed the SWCD to pursue new business partnerships and look at new approaches to funding projects for local Columbia County residents.

The demographics in Columbia County continue to move towards smaller acreages and non-traditional agriculture in part. These landowners are of equal importance as they make up much of our counties landscape, but funding sources for small acreages is difficult to come by. Grouping projects of like landowners with similar land uses has been the direction the SWCD has taken to be able to encourage funders to continue funding projects in our area.

The stability of the tax base has given the SWCD what it needed build upon and is showing in the 2013-2014 fiscal year.

Results of Operation:

During the 2013-2014 FY the district received more revenue than it expended, thereby increasing the net position of the District at June 30, 2014.

Significant Transactions and changes in individual funds:

The current year grants and property tax revenues were sufficient to cover the current year personnel and operating costs. The District was able to purchase a 2012 Chevy Silverado to lessen the expense of reimbursable mileage to staff, while also providing a work vehicle that can handle the many logging roads and county gravel roads that exist in Columbia County.

Economic Factors:

The district received most of its revenue from State of Oregon, federal grants, and real property tax. The future revenues of the district may be influenced by political and economic factors outside the districts control. Changes to state programs in 2015 will create some changes in how local conservation is accomplished. Partnering with other local conservation groups will allow us to all continue putting conservation on the ground.

Overall Financial Position:

The District's financial position remains consistent. The District continues to operate without any long term debt for operations.

CONDENSED FINANCIAL INFORMATION

	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Cash and current assets	\$ 322,972	\$ 196,105	\$ (126,867)
Capital assets, net of depreciation	<u>1,382,015</u>	<u>1,380,802</u>	<u>(1,213)</u>
Total assets	1,704,987	1,576,907	(128,080)
Current liabilities	64,463	31,702	(32,761)
Grant funds received in advance	16,182	0	(16,182)
Long-term debt	<u>832,995</u>	<u>750,509</u>	<u>(82,486)</u>
Total liabilities	913,640	782,211	(131,429)
Fund balance	242,327	164,403	(77,924)
Invested in capital assets	<u>549,020</u>	<u>630,293</u>	<u>81,273</u>
Total net position	<u>\$ 791,347</u>	<u>\$ 794,696</u>	<u>\$ 3,349</u>

	<u>Fiscal Year Ended June 30, 2013</u>	<u>Fiscal Year Ended June 30, 2014</u>	<u>Favorable (Unfavorable)</u>
Federal and Oregon grant revenue	\$ 707,545	\$ 790,015	\$ 82,470
Property taxes	394,617	408,221	13,604
Interest income	703	886	183
Miscellaneous revenue	<u>0</u>	<u>28,840</u>	<u>28,840</u>
Total governmental-type revenues	1,102,865	1,227,962	125,097
Personal services	250,822	300,532	(49,710)
Materials and services	616,391	855,563	(239,172)
Interest expense	32,055	35,256	(3,201)
Depreciation	<u>31,059</u>	<u>33,262</u>	<u>(2,203)</u>
Total governmental-type expenses	930,327	1,224,613	(294,286)
Increase (decrease) in net position	<u>\$ 172,538</u>	<u>\$ 3,349</u>	<u>\$ (169,189)</u>

FINANCIAL CONTACT

Columbia Soil & Water Conservation District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District at: Columbia Soil & Water Conservation District, 35285 Millard Road, St. Helens, Oregon, 97051.

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION

June 30, 2014

Assets	<u>Governmental Activities</u>
Cash and investments	\$ 141,320
Grant funds receivable	15,858
Property taxes receivable	34,047
Accounts receivable	4,880
Land	150,000
Fixed assets, net of depreciation	<u>1,230,802</u>
Total Assets	<u>1,576,907</u>
Liabilities	
Accounts payable	18,611
Accrued vacation pay	13,091
Current portion of long-term debt	86,618
Long-term debt	<u>663,891</u>
Total Liabilities	<u>782,211</u>
Net Position:	
Unrestricted	164,403
Invested in capital assets	<u>630,293</u>
Total Net Position	<u><u>\$ 794,696</u></u>

The notes to the financial statements are an integral part of this statement.

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
Fiscal year ended June 30, 2014

Conservation District expenses:	<u>Governmental Activities</u>
Personal services	\$ 300,532
Materials and services	855,563
Depreciation	33,262
Interest expense	35,256
Total District expenses	<u>1,224,613</u>
Conservation District revenues:	
Federal and Oregon grants	790,015
Property taxes	408,221
Interest income	886
Miscellaneous income	28,840
Total District revenues	<u>1,227,962</u>
Increase (decrease) in net position	3,349
Net position – July 1, 2013	<u>791,347</u>
Net position – June 30, 2014	<u>\$ 794,696</u>

The notes to the financial statements are an integral part of this statement

**COLUMBIA SOIL & WATER CONSERVATION DISTRICT
BALANCE SHEET-GOVERNMENTAL FUND**

Fiscal year ended June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 141,320
Grant funds receivable	15,858
Property taxes receivable	34,047
Accounts receivable	<u>4,880</u>
Total Assets	<u><u>\$ 196,105</u></u>
LIABILITIES	
Accounts payable	\$ 18,611
Accrued vacation pay	<u>13,091</u>
Total liabilities	<u>31,702</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>34,047</u>
FUND BALANCE	
Unassigned	<u>130,356</u>
Total fund balance	<u>130,356</u>
Total Liabilities, Deferred inflow of Resources and Fund Balance	<u><u>\$ 196,105</u></u>

The notes to the financial statements are an integral part of this statement.

**COLUMBIA SOIL & WATER CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**
Fiscal year ended June 30, 2014

Total Fund Balance		\$ 130,356
Property taxes receivable		34,047
Long-term debt		(750,509)
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost		1,451,490
Accumulated depreciation		(70,688)
		\$ 794,696
Total Net Position		\$ 794,696

The notes to the financial statements are an integral part of this statement.

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2014

	General Fund
REVENUES	
Federal and Oregon Grants	\$ 790,015
Property taxes	379,597
Miscellaneous income	28,840
Interest income	886
Total revenues	1,199,338
EXPENDITURES	
Personal services	300,532
Materials and services	827,342
Capital outlay	27,500
Loan principal and interest	117,867
Total expenditures	1,273,241
Excess of revenues over (under) expenditures	(73,903)
Fund balance – July 1, 2013	204,259
Fund Balance - June 30, 2014	\$ 130,356

The notes to the financial statements are an integral part of this statement.

**COLUMBIA SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Fiscal year ended June 30, 2014

Net change in fund balances – total government funds	\$ (73,903)
Change in property taxes receivable	(3,645)
Change in long-term debt	82,486
<p>In the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. In the governmental fund financial statements, depreciation is not an expenditure and is not recorded.</p>	
Less current year depreciation	(33,262)
Capitalized assets	31,673
Change in net position of governmental activities	\$ 3,349

The notes to the financial statements are an integral part of this statement.

COLUMBIA SOIL & WATER CONSERVATION DISTRICT NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Columbia Soil & Water Conservation District have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Reporting Entity:

The Columbia Soil & Water Conservation District, "the District", was organized as a Soil and Water Conservation District under Oregon Revised Statutes Chapter 568. The District does levy an ad valorem tax on its property owners within the District, and therefore is subject to Oregon local budget law. The District is governed by a Board of Directors consisting of seven members.

The purpose of the District is to implement conservation and education programs and projects within Columbia County as determined by the Board of Directors and by the provisions of the various grant agreements. The District also acts as the fiscal agent for a Watershed Council located within Columbia County. The financial statements include the revenues and expenditures of the Watershed Council to the extent that the District has contracted with the grantors to be the fiscal agent on behalf of the Watershed Council.

As required by generally accepted accounting principles, the District's basic financial statements include all component units over which the District officials exercise oversight responsibility. The criteria used in making this determination included an evaluation of the concepts of financial interdependency, election of the governing authority, designation of management, ability to significantly influence operations and accountability of fiscal matters. Based upon the evaluation of these criteria the District is a primary government with no inclusive component units.

Basic Financial Statements:

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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 currently has one governmental activity and no business type activities.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statements report information on the District irrespective of fund activity, and the fund financial statements report information using the District's fund.

Fund Financial Statements

The accounts of the District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The various funds are reported by generic classification within the financial statements. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the District has one governmental fund.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes 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 government.

Basis of Presentation

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

The District reports the following governmental fund:

General Fund

The District's General Fund accounts for the administrative and operational activities of the District. The principal source of revenue is from reimbursements from the state grants. Expenditures are for personal services, materials and services and grant expenditures.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus. Government-wide Financial Statements are presented on a modified accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the modified accrual basis of accounting, revenues are recorded when measurable and available and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Cash and Investments

The District considers cash on hand, demand deposits, and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool is the same as the value of the pool shares.

Grant Funds Receivable

Grant funds receivable represents grant expenses the District has incurred but has not yet received reimbursement. The amount of reimbursement to be received is in accordance with the grant agreement.

Property Taxes Receivable

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Assets. In the Fund Financial Statements property taxes that are collected by year end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operation of the current period.

Columbia County reviews, bills, collects and distributes property taxes for all taxing jurisdictions within its boundaries, in accordance with state law. Uncollected taxes, including delinquent amounts, are considered to be substantially collectible or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary. Property taxes become a lien against the property as of July 1 in the year due. Collection dates are November 15, February 15 and May 15. Discounts are allowed if the amount due is received by November 15 or February 15.

Capital Assets

Capital assets are charged to expenditures as purchased and then capitalized in the governmental fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more,

and an estimated useful life of greater than one year. 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 for repairs and maintenance are expensed as incurred.

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

Asset	Years
Office and other equipment	5-10

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

Accounts Payable, Accrued Wages and Payroll Tax Liabilities

These amounts represent expenditures incurred in the current year, but paid for in the subsequent year. In accordance with the accrual basis of accounting, these amounts are recorded as expenditures in the current year.

Accrued Vacation Pay

It is the District's polity to allow employees to accrue earned vacation pay benefits. A liability for these amounts has been recorded on the government wide financial statements because these amounts are payable when employees separate from service with the District.

Use of Estimates

In preparing the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Equity

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type definitions*. The objective of the Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this Standard, the prior fund balance classifications of reserved, designated and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned and unassigned.

1. Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.

2. Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant agreements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
3. Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The Board may commit fund balance by resolution. The Board may also modify or rescind commitments by resolution.
4. Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that does not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given this authority by the Board.
5. Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is prepared and legally adopted for each fund on the modified accrual basis of accounting in the main program categories required by the Oregon Local Budget Law. The process under which the budget is adopted is described in the following paragraphs.

The Budget Officer submits a proposed budget to the Budget Committee. The District is required to budget all funds. The District's proposed budget is prepared for each fund. Estimated receipts and expenditures are budgeted for by fund and object. Information on the past two years' actual receipts and expenditures and current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the Board of Directors for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Board without returning to the Budget Committee for a second approval.

The Board of Directors legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, interfund transfers, and contingency). Appropriations lapse as of year-end.

The Board of Directors may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. 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 District. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control. During the fiscal

year ended June 30, 2014 the District did one transfer appropriations of \$25,000 from Contingencies to Capital Outlay, and did not need to adopt a supplemental budget.

3. DETAILED NOTES ON ALL FUNDS

Cash and Investments

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance of \$250,000 applies respectively, to total demand deposits and to total savings accounts at each financial institution. Where balances exceed \$250,000, banks are required to pledge collateral, based on their capital condition. Banks are required to provide quarterly collateral pledging for the next quarter. Treasury monitors each depository bank and ensures compliance with collateralization requirements for all public fund deposits. Banks will pledge 10% if they are well capitalized, 25%, if they are adequately capitalized, and in turn, the banks are required to share in the liability of a failed institution, should it ever occur. Undercapitalized banks are required to pledge collateral equal to 110% of their deposits, which is monitored on a weekly basis.

At June 30, 2014, the District had invested \$68,628 with the Oregon Short-Term Fund, which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual financial Report. The Oregon Short-Term Fund board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasurer in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2014.

The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the LGIP and it is responsible for all funds in the LGIP. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon short-term funds Board, which establish diversification percentages and specify the types and maturities of investments. The overall credit quality of the pool is not rated. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the LGIP as of and for the year ended June 30, 2014 was unqualified.

Cash and investments at June 30, 2014, were comprised of the following:

<u>Type of Deposit</u>	<u>Cash Balance</u>
Demand deposits with financial institutions	\$ 72,692
Oregon Local Government Investment Pool	68,628
	<hr/>
Total cash and investments	<u>\$ 141,320</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The District does not have any investments that have a maturity date.

Credit Risk

At June 30, 2014, the book balance of the District's bank deposits is \$72,692 and the bank balance is \$77,207. The difference is due to transactions in process. The bank deposit balances are insured by federal depository insurance. Oregon Revised Statutes require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are well-capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

Capital Assets

Fixed assets by major classes and changes in those classes for the fiscal year ended June 30, 2014, are as follows:

	Balance July 1, 2013	Additions	Sales, Disposals and Retirements	Balance June 30, 2014
Non-depreciable capital assets:				
Land	\$ 150,000			\$ 150,000
Total non-depreciable assets	150,000			150,000
Depreciable capital assets:				
Building and improvements	1,254,060	\$ 4,173		1,258,233
Vehicle	0	27,500		27,500
Equipment	15,757			15,757
Total depreciable capital assets	1,269,817	31,673		1,301,490
Less accumulated depreciation:				
Buildings and improvements	(31,332)	(29,404)		(60,736)
Equipment	(6,470)	(3,482)		(9,952)
Total accumulated depreciation	(37,802)	(32,886)		(70,688)
Total capital assets, net of depreciation	\$ 1,382,015	\$ (1,213)	\$ 0	\$ 1,380,802

Long-Term Debt

The District has two loans through U.S. Bank for the purpose of financing the construction of the District's office and storage buildings.

The long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
U.S. Bank note	\$ 744,280	\$ 0	\$ (74,341)	\$ 669,939	\$ 77,879
U.S. Bank note	\$ 88,715	\$ 0	\$ (8,145)	\$ 80,570	\$ 8,739

Amounts payable for future debt principal and interest requirements are as follows:

<u>Due in fiscal year:</u>	<u>Principal</u>	<u>Interest</u>
2014-15	\$ 86,618	\$ 31,250
2015-16	90,368	27,499
2016-17	573,523	12,292
	<u>\$ 750,509</u>	<u>\$ 71,041</u>

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 natural disasters. The District purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

**COLUMBIA SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND – BUDGETARY BASIS**

Fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Current year tax revenues	\$ 382,084	\$ 382,084	\$ 381,249	\$ (835)
Prior year tax revenues	18,000	18,000	26,972	8,972
OWEB - Project grants	797,704	797,704	146,500	(651,204)
OWEB/ODA - WTS grant	72,000	72,000	75,891	3,891
OWEB - LCRWC council support	40,500	40,500	54,392	13,892
OWEB - Small grants	30,000	30,000	0	(30,000)
OWEB - CREP grants	40,000	40,000	35,997	(4,003)
OWEB - weed grants	10,000	10,000	0	(10,000)
USFWS - partnership funds	70,000	70,000	0	(70,000)
BLM - Firewise	96,000	96,000	40,745	(55,255)
BLM - Invasive/native plant project	17,000	17,000	0	(17,000)
Estuary partnership	500,000	500,000	431,082	(68,918)
Rent from NRCS	27,294	27,294	27,924	630
Other federal/state/local grants	122,706	122,706	5,408	(117,298)
Interest income	600	600	886	286
Miscellaneous income	5,000	5,000	916	(4,084)
Total Revenues	<u>2,228,888</u>	<u>2,228,888</u>	<u>1,227,962</u>	<u>(1,000,926)</u>
Expenditures				
Personal services - page 25	305,318	305,318	300,532	4,786
Materials and services - page 25	1,934,570	1,934,570	977,854	956,716
Capital outlay - page 25	10,000	40,000	27,500	12,500
Operating contingencies – page 25	45,000	15,000	0	15,000
Total Expenditures	<u>2,294,888</u>	<u>2,294,888</u>	<u>1,305,886</u>	<u>989,002</u>
Excess of revenues over (under) expenditures	(66,000)	(66,000)	(77,924)	(11,924)
Fund Balances - July 1, 2013	200,000	200,000	242,327	42,327
Fund Balances - June 30, 2014	<u>\$ 134,000</u>	<u>\$ 134,000</u>	<u>\$ 164,403</u>	<u>\$ 30,403</u>

The notes to the financial statements are an integral part of this statement.

**COLUMBIA SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS**

Fiscal year ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Personal services:				
District Manager	\$ 50,000	\$ 50,000	\$ 64,740	\$ (14,740)
Office Assistant	33,000	33,000	50,497	(17,497)
Resource Conservationist	46,000	46,000	57,555	(11,555)
Watershed Council Coordinator	33,000	33,000	28,875	4,125
Weed Technician	20,000	20,000	1,636	18,364
Riparian specialist	33,000	33,000	41,134	(8,134)
Payroll taxes	30,000	30,000	31,492	(1,492)
Employee benefits	21,000	21,000	24,603	(3,603)
Retirement - employer contribution	10,000	10,000	0	10,000
Temporary employees and interns	9,318	9,318	0	9,318
Salary adjustments	10,000	10,000	0	10,000
Overtime	10,000	10,000	0	10,000
Total personal services	<u>305,318</u>	<u>305,318</u>	<u>300,532</u>	<u>4,786</u>
Materials & Services				
Contracted services	1,573,419	1,573,419	688,711	884,708
Professional services	50,000	50,000	51,606	(1,606)
Office - utilities, telco, storage, etc.	22,000	22,000	15,389	6,611
Fuel/maintenance/repair of District equipment	15,000	15,000	7,981	7,019
Meetings, workshops and events	5,000	5,000	2,888	2,112
Insurance	9,000	9,000	6,441	2,559
Office supplies and non capital equipment	6,000	6,000	3,518	2,482
Program supplies	12,557	12,557	13,977	(1,420)
Postage and delivery	6,000	6,000	1,370	4,630
Printing and production	6,000	6,000	5,138	862
Media, advertising and marketing	8,000	8,000	10,120	(2,120)
Dues, subscriptions and licenses	10,000	10,000	9,449	551
Staff training and related expenses	13,000	13,000	14,351	(1,351)
Director training and related expenses	5,000	5,000	0	5,000
Staff transportation and related expenses	10,000	10,000	22,219	(12,219)
Volunteer cooperator recognition	2,000	2,000	2,264	(264)
Bank fees and interest paid	300	300	319	(19)
Miscellaneous operational costs	4,000	4,000	4,246	(246)
Building loan payments	177,294	177,294	117,867	59,427
Total materials & services	<u>1,934,570</u>	<u>1,934,570</u>	<u>977,854</u>	<u>956,716</u>
Capital Outlay				
Office equipment	5,000	5,000	0	5,000
Field equipment	5,000	35,000	27,500	7,500
Total capital outlay	<u>10,000</u>	<u>40,000</u>	<u>27,500</u>	<u>12,500</u>
Contingency	<u>45,000</u>	<u>15,000</u>	<u>0</u>	<u>15,000</u>
Total expenditures	<u>\$ 2,294,888</u>	<u>\$ 2,294,888</u>	<u>\$ 1,305,886</u>	<u>\$ 989,002</u>

The notes to the financial statements are an integral part of this statement.

SUPPLEMENTARY INFORMATION

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF LONG-TERM DEBT
For the fiscal year ended June 30, 2014

TAX-EXEMPT NOTE AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Total
7/22/2014	\$ 13,637.91	\$ 38,546.18	\$ 52,184.09
1/22/2015	12,851.57	39,332.52	52,184.09
7/22/2015	12,049.18	40,134.91	52,184.09
1/22/2016	11,230.43	40,953.66	52,184.09
7/22/2016	<u>10,394.98</u>	<u>510,971.74</u>	<u>521,366.72</u>
Total	<u>\$ 60,164.07</u>	<u>\$ 669,939.01</u>	<u>\$ 730,103.08</u>

TAXABLE NOTE AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Total
7/22/2014	\$ 2,445.57	\$ 4,304.00	\$ 6,749.57
1/22/2015	2,314.51	4,435.05	6,749.56
7/22/2015	2,179.46	4,570.10	6,749.56
1/22/2016	2,040.31	4,709.26	6,749.57
7/22/2016	<u>1,896.91</u>	<u>62,551.14</u>	<u>64,448.05</u>
Total	<u>\$ 10,876.76</u>	<u>\$ 80,569.55</u>	<u>\$ 91,446.31</u>

**COLUMBIA SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS**

For the fiscal year ended June 30, 2014

Tax Year	Taxes Receivable July 1, 2013	2013-2014 Levy	Collections	Interest Discounts Adjustments	Taxes Receivable June 30, 2014
2013-2014		\$ 415,444	\$ (387,338)	\$ (12,352)	\$ 15,754
2012-2013	\$ 18,379		(8,679)	(347)	9,353
2011-2012	9,909		(5,212)	635	5,332
2010-2011	7,140		(5,453)	997	2,684
2009-2010	2,640		(2,162)	446	924
	\$ 38,068	\$ 415,444	\$ (408,844)	\$ (10,621)	\$ 34,047

COLUMBIA SOIL & WATER CONSERVATION DISTRICT COMMENTS AND DISCLOSURES

June 30, 2014

I have audited the basic financial statements of the Columbia Soil & Water Conservation District, St. Helens, Oregon, as of and for the year ended June 30, 2014, and have issued my report dated December 11, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Columbia Soil & Water Conservation District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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

Deposit of public funds with financial institutions (ORS Chapter 295).

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Authorized investment of surplus funds (ORS Chapter 294).

Public contracts and purchasing (ORS Chapters 279A, 279B and 279C).

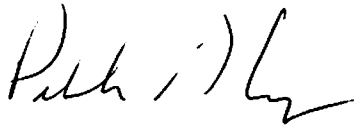
In connection with my testing, nothing came to my attention that caused me to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing my audit, I considered the Columbia Soil & Water Conservation District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Columbia Soil & Water Conservation District's internal control over financial reporting.

The District does not have sufficient staff to adequately segregate accounting duties. The size of the District allows for the record keeping and cash handling functions to be performed by the same individual. The District has adopted financial controls that are relevant to smaller government units. There is substantial cost benefit by not increasing staffing levels at this time and the District recognizes the need for extra vigilance on the part of the District staff and the Board.

This report is intended solely for the information and use of the Board of Directors and Management of the Columbia Soil & Water Conservation District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.



Patrick G. Carney
Certified Public Accountant