

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

*St. Helens, Oregon
June 30, 2013*

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

June 30, 2013

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Clatskanie, OR 97016

Chair

Jason Busch
13215 Busch Lane
Birkenfeld, OR 97016

Vice-Chair

William Eagle
151 Allendale Drive
St Helens, OR 97051

Secretary

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24255 VanNatta Road
Rainier, OR 97048

Treasurer

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

Director

Lona M. Pierce
56498 Crest Drive
Warren, OR 97053

Director

Registered agent: William Eagle

Registered address: 35285 Millard Road
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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

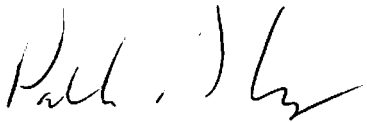
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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, 2013 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.

Opinion on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and supplementary information and supplemental schedules 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.



Lake Oswego, Oregon
December 16, 2013

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 Assets, Statement of Activities, fund financial statements and the notes to the financial statements. Statements of Net Assets 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 Assets 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, the tax base for 2014 of \$382, 000 has been leveraged into an estimated budget of \$2,428,888.00; this is a leveraging of over 600%.

Results of Operation:

During the 2012-2013 FY the district received more revenue than it expended, thereby increasing the net assets of the district at June 30, 2013

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

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 reduced its long-term debt during 2012-13.

CONDENSED FINANCIAL INFORMATION

	June 30, 2012	June 30, 2013	Increase (Decrease)
Cash and cash equivalents	\$ 255,925	\$ 153,861	\$ (102,064)
Property tax receivable	39,724	38,068	(1,656)
Grant funds receivable	63,168	127,058	63,890
Prepaid expenses	0	3,985	3,985
Capital assets, net of depreciation	1,175,710	1,382,015	206,305
Total assets	1,534,527	1,704,987	170,460
Accounts payable	3,814	64,463	60,649
Grant funds received in advance	0	16,182	16,182
Long-term debt	911,904	832,995	(78,909)
Total liabilities	915,718	913,640	(2,078)
Fund balance	355,003	242,327	(112,676)
Invested in capital assets	263,806	549,020	285,214
Total net assets	\$ 618,809	\$ 791,347	\$ 172,538

	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2013	Favorable (Unfavorable)
Federal and Oregon grant revenue	\$ 366,030	\$ 707,545	\$ 341,515
Property taxes	410,356	394,617	(15,739)
Interest income	796	703	(93)
Total governmental-type revenues	777,182	1,102,865	325,683
Personal services	216,640	250,822	(34,182)
Materials and services	476,010	648,446	(172,436)
Depreciation	3,394	31,059	(27,665)
Total governmental-type expenses	696,044	930,327	(234,283)
Increase (decrease) in net assets	\$ 81,138	\$ 172,538	\$ 91,400

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 ASSETS

June 30, 2013

Assets

Cash and investments	\$ 153,861
Grant funds receivable	127,058
Property taxes receivable	38,068
Prepaid expenses	3,985
Land	150,000
Fixed assets, net of depreciation	<u>1,232,015</u>
Total Assets	<u><u>1,704,987</u></u>

Liabilities

Accounts payable	64,463
Grant funds received in advance	16,182
Current portion of long-term debt	41,074
Long-term debt	<u>791,921</u>
Total Liabilities	<u><u>913,640</u></u>

Net Assets:

Unrestricted	242,327
Invested in capital assets	<u>549,020</u>
Total Net Assets	<u><u>\$ 791,347</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, 2013

Conservation District expenses:

Personal services	\$ 250,822
Materials and services	648,446
Depreciation	31,059
Total District expenses	<u>930,327</u>

Conservation District revenues:

Federal and Oregon grants	707,545
Property taxes	394,617
Interest income	703
Total District revenues	<u>1,102,865</u>
Increase (decrease) in net assets	172,538
Net assets – July 1, 2012	<u>618,809</u>
Net assets – June 30, 2013	<u>\$ 791,347</u>

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

**COLUMBIA SOIL & WATER CONSERVATION DISTRICT
BALANCE SHEET**

Fiscal year ended June 30, 2013

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 248,785	\$ (94,924)	\$ 153,861
Grant funds receivable	127,058		63,168
Property taxes receivable	38,068		39,724
Prepaid expenses	3,985		
Total Assets	<u>\$ 417,896</u>	<u>\$ (94,924)</u>	<u>\$ 322,972</u>
 LIABILITIES			
Accounts payable	\$ 64,463		\$ 64,463
Grant funds received in advance	16,182		16,182
Reserve for property taxes receivable	38,068		38,068
Total liabilities	<u>118,713</u>		<u>118,713</u>
 FUND BALANCE			
Unassigned	299,183	\$ (94,924)	204,259
Total fund balance	<u>299,183</u>	<u>(94,924)</u>	<u>204,259</u>
Total Liabilities and Fund Balance	<u>\$ 417,896</u>	<u>\$ (94,924)</u>	<u>\$ 322,972</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 ASSETS
Fiscal year ended June 30, 2013

Total fund balances		\$ 204,259
Property taxes receivable		38,068
Long-term debt		(832,995)
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost		1,419,817
Accumulated depreciation		(37,802)

Total net assets		\$ 791,347

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, 2013

	General Fund	Building Fund	Totals
REVENUES			
Federal and Oregon Grants	\$ 707,545		\$ 707,545
Property taxes	394,617		394,617
Loan proceeds			
Rent income		\$ 27,924	27,924
Interest income	703		703
Total revenues	1,102,865	27,924	1,130,789
 EXPENDITURES			
Personal services	250,822		250,822
Materials and services	633,838		633,838
Capital outlay	8,058	231,224	239,282
Loan principal and interest		117,867	117,867
Total expenditures	892,718	349,091	1,241,809
 Excess of revenues over (under) expenditures	210,147	(321,167)	(111,020)
 Other Financing Sources (Uses)			
Operating transfers in		180,000	180,000
Operating transfers out	(180,000)		(180,000)
Excess of Revenues and Sources over (under) Expenditures and Other (Uses)	30,147	(141,167)	(111,020)
 Fund balance – July 1, 2012	269,036	46,243	315,279
 Fund Balance - June 30, 2013	\$ 299,183	\$ (94,924)	\$ 204,259

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, 2013

Net change in fund balances – total government funds	\$ (111,020)
Change in property taxes receivable	(1,656)
Change in long-term debt	78,909
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.	(31,059)
Less current year depreciation	
Capitalized assets	<u>237,364</u>
Change in net assets of governmental activities	<u><u>\$ 172,538</u></u>

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

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 not levy an ad valorem tax on its property owners within the District, and therefore is exempt from 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 Assets 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 funds.

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 three governmental funds.

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 funds:

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.

Vehicle Fund

The District's Vehicle Fund is used to accumulate resources for future capital outlay expenditures. The principal source of revenue is from transfers from the General Fund.

Building Fund

The District's Building Fund is used to account for the acquisition and construction costs of the District's administration building. The principal source of revenue is from transfers from the General Fund.

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.

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, 2013 the District did not transfer appropriations between levels of control nor did they 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, 2013, the District had invested \$105,442 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 Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2013.

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, 2013 was unqualified.

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

<u>Type of Deposit</u>	<u>Cash Balance</u>
Demand deposits with financial institutions	\$ 48,419
Oregon Local Government Investment Pool	105,442
	<hr/>
Total cash and investments	<u>\$ 153,861</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, 2013, the book balance of the District's bank deposits is \$48,419 and the bank balance is \$29,674. 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, 2013, are as follows:

	Balance July 1, 2012	Additions	Sales, Disposals and Retirements	Balance June 30, 2013
Non-depreciable capital assets:				
Land	\$ 150,000			\$ 150,000
Total non-depreciable assets	150,000			150,000
Depreciable capital assets:				
Building and improvements	1,022,835	\$ 231,225		1,254,060
Equipment	9,618	6,139		15,757
Total depreciable capital assets	1,032,453	237,364		1,269,817
Less accumulated depreciation:				
Buildings and improvements	(2,141)	(29,191)		(31,332)
Equipment	(4,602)	(1,868)		(6,470)
Total accumulated depreciation	(6,743)	(31,059)		(37,802)
Total capital assets, net of depreciation	\$ 1,175,710	\$ 206,305	\$ 0	\$ 1,382,015

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, 2013 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	\$ 815,541	\$ 0	\$ (50,812)	\$ 744,280	\$ 37,020
U.S. Bank note	\$ 96,363	\$ 0	\$ (35,000)	\$ 88,715	\$ 4,053

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

<u>Due in fiscal year:</u>	<u>Principal</u>	<u>Interest</u>
2013-14	\$ 83,026	\$ 34,841
2014-15	86,618	31,250
2015-16	90,368	27,499
2016-17	572,983	12,292
	<u>\$ 832,995</u>	<u>\$ 105,882</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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Current year tax revenues	\$ 378,000	\$ 378,000	\$ 377,445	\$ (555)
Prior year tax revenues	16,000	16,000	18,828	2,828
OWEB - Project grants	134,000	134,000	108,370	(25,630)
OWEB/ODA - WTS grant	59,300	59,300	74,433	15,133
OWEB - LCRWC council support	40,500	40,500	45,588	5,088
OWEB - Small grants	40,000	40,000	39,485	(515)
OWEB - CREP grants	40,000	40,000	35,919	(4,081)
OWEB - weed grants	20,000	20,000	0	(20,000)
LCREP -Project grants	33,000	33,000	0	(30,000)
USFWS - partnership funds	9,300	9,300	11,359	2,059
BLM - Firewise	96,000	96,000	56,866	(39,134)
BLM - Invasive/native plant project	55,000	55,000	12,145	(42,855)
NW Natural Gas – Fleming Pond	0	0	228,839	228,839
Estuary partnership	0	0	64,498	64,498
Landowners	0	0	30,700	30,700
Other federal/state/local grants	150,000	150,000	0	(150,000)
Interest income	300	300	703	403
Miscellaneous income	5,000	5,000	1,965	(3,035)
Total Revenues	<u>1,076,400</u>	<u>1,076,400</u>	<u>1,107,143</u>	<u>30,743</u>
Expenditures				
Personal services - page 24	295,000	295,000	250,822	44,178
Materials and services - page 24	626,400	626,400	634,480	(8,080)
Capital outlay - page 24	10,000	10,000	2,738	7,262
Operating contingencies – page 24	45,000	45,000	0	45,000
Total Expenditures	<u>976,400</u>	<u>976,400</u>	<u>888,040</u>	<u>88,360</u>
Excess of revenues over (under) expenditures	100,000	100,000	219,103	119,103
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out	(180,000)	(180,000)	(180,000)	0
Total Other Financing Sources (Uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(180,000)</u>	<u>0</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	(80,000)	(80,000)	39,103	119,103
Fund Balances - July 1, 2012	<u>160,000</u>	<u>160,000</u>	<u>209,682</u>	<u>49,682</u>
Fund Balances - June 30, 2013	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 248,785</u>	<u>\$ 168,785</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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Personal services:				
District Manager	\$ 50,000	\$ 50,000	\$ 43,013	\$ 6,987
Office Assistant	33,000	33,000	37,137	(4,137)
Resource Conservationist	46,000	46,000	50,684	(4,684)
Watershed Council Coordinator	33,000	33,000	28,375	4,625
Weed Technician	18,000	18,000	3,778	14,222
Riparian specialist	33,000	33,000	32,051	949
Payroll taxes	35,000	35,000	22,039	12,961
Employee benefits	22,000	22,000	31,768	(9,768)
Retirement - employer contribution	10,000	10,000	0	10,000
Temporary employees and interns	10,000	10,000	1,977	8,023
Overtime	5,000	5,000	0	5,000
Total personal services	<u>295,000</u>	<u>295,000</u>	<u>250,822</u>	<u>44,178</u>
Materials & Services				
Contracted services	40,000	40,000	31,643	8,357
Office - utilities, telco, storage, etc.	17,000	17,000	10,456	6,544
Fuel/maintenance/repair of District equipment	15,000	15,000	12,478	2,522
Meetings, workshops and events	4,500	4,500	1,540	2,960
Insurance	7,500	7,500	2,198	5,302
Office supplies and non capital equipment	5,000	5,000	0	5,000
Program supplies	15,300	15,300	8,974	6,326
Postage and delivery	3,000	3,000	4,027	(1,027)
Printing and production	4,500	4,500	1,969	2,531
Media, advertising and marketing	4,000	4,000	9,515	(5,515)
Dues, subscriptions and licenses	10,000	10,000	7,477	2,523
Staff training and related expenses	10,000	10,000	5,253	4,747
Director training and related expenses	5,000	5,000	0	5,000
Staff transportation and related expenses	8,000	8,000	16,978	(8,978)
Volunteer cooperators recognition	1,000	1,000	0	1,000
Bank fees and interest paid	300	300	180	120
Miscellaneous operational costs	4,000	4,000	0	4,000
Project implementation	472,300	472,300	521,792	(49,492)
Total materials & services	<u>626,400</u>	<u>626,400</u>	<u>634,480</u>	<u>(8,080)</u>
Capital Outlay				
Office equipment	3,000	3,000	0	3,000
Field equipment	5,000	5,000	2,738	2,262
Computer equipment	2,000	2,000	0	2,000
Total capital outlay	<u>10,000</u>	<u>10,000</u>	<u>2,738</u>	<u>7,262</u>
Contingency	<u>45,000</u>	<u>45,000</u>	<u>0</u>	<u>45,000</u>
Total expenditures	<u>\$ 976,400</u>	<u>\$ 976,400</u>	<u>\$ 888,040</u>	<u>\$ 88,360</u>

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

SUPPLEMENTARY INFORMATION

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

For the fiscal year ended June 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 0	\$ 0	\$ 0	\$ 0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Capital outlay	20,015	20,015	0	20,015
Total expenditures	<u>20,015</u>	<u>20,015</u>	<u>0</u>	<u>20,015</u>
Excess of revenues over under) expenditures	(20,015)	(20,015)	0	20,015
Fund balance – July 1, 2012	<u>20,015</u>	<u>20,015</u>	<u>0</u>	<u>(20,015)</u>
Fund balance – June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
BUILDING FUND – BUDGETARY BASIS

For the fiscal year ended June 30, 2013

	Budget Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Rent income from NRCS	\$ 27,294	\$ 27,294	\$ 27,924	\$ 630
Interest income	10	10	0	(10)
Total revenues	<u>27,304</u>	<u>27,304</u>	<u>27,924</u>	<u>620</u>
Expenditures				
Capital outlay	200,000	200,000	231,224	(31,224)
Loan payments	117,868	117,868	117,867	1
Total expenditures	<u>317,868</u>	<u>317,868</u>	<u>349,091</u>	<u>(31,223)</u>
Excess of revenues over under) expenditures	(290,564)	(290,564)	(321,167)	(30,603)
Other Financing Sources (Uses)				
Operating transfers in	180,000	180,000	180,000	0
Operating transfers out				
Excess of Revenues and Sources over (under) Expenditures and Other (Uses)	<u>(110,564)</u>	<u>(110,564)</u>	<u>(141,167)</u>	<u>(30,603)</u>
Fund balance – July 1, 2012	<u>164,000</u>	<u>164,000</u>	<u>46,243</u>	<u>(117,757)</u>
Fund balance – June 30, 2013	<u>\$ 53,436</u>	<u>\$ 53,436</u>	<u>\$ (94,924)</u>	<u>\$ (148,360)</u>

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF LONG-TERM DEBT
For the fiscal year ended June 30, 2013

TAX-EXEMPT NOTE AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Total
7/22/2013	\$ 15,163.74	\$ 37,020.34	\$ 52,184.08
1/22/2014	14,408.53	37,775.56	52,184.09
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>510,517.09</u>	<u>520,912.07</u>
Total	\$ 89,736.34	\$ 744,280.26	\$ 834,016.60

TAXABLE NOTE AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Total
7/22/2013	\$ 2,696.18	\$ 4,053.39	\$ 6,749.57
1/22/2014	2,572.75	4,176.81	6,749.56
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>62,466.47</u>	<u>64,363.38</u>
Total	\$ 16,145.69	\$ 88,715.08	\$ 104,860.77

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the fiscal year ended June 30, 2013

Tax Year	Taxes Receivable July 1, 2012	2012-2013 Levy	Collections	Interest Discounts Adjustments	Taxes Receivable June 30, 2013
2012-2013		\$ 407,899	\$ (373,773)	\$ (15,747)	\$ 18,379
2011-2012	\$ 20,348		(10,916)	477	9,909
2010-2011	11,928		(5,470)	682	7,140
2009-2010	7,448		(5,941)	1,133	2,640
	<u>\$ 39,724</u>	<u>\$ 407,899</u>	<u>\$ (396,100)</u>	<u>\$ (13,455)</u>	<u>\$ 38,068</u>

COLUMBIA SOIL & WATER CONSERVATION DISTRICT COMMENTS AND DISCLOSURES

June 30, 2013

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, 2013, and have issued my report dated December 13, 2013. 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*, except for the over-expenditure of appropriation as follows:

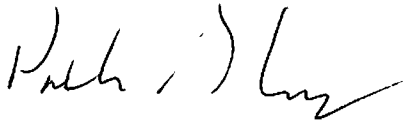
General Fund	Budget	Actual	Over-expenditure
Materials & Services	\$ 626,400	634,480	\$ (8,080)
Building Fund			
Total Expenditures	\$ 317,868	349,091	\$ (31,223)

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