

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

*St. Helens, Oregon
June 30, 2012*

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

June 30, 2012

Randy Bergman
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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

Kay C. VanNatta
24255 VanNatta Road
Rainier, OR 97048

Treasurer

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

Director

Roger Brown
33470 Chinook Plaza #304
Scappoose OR 97056

Director

Lona M. Pierce
56498 Crest Drive
Warren, OR 97053

Director

Registered agent: William Eagle

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

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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 governmental activities and each major fund of the Columbia Soil & Water Conservation District, St. Helens, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

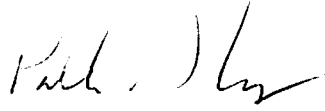
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Columbia Soil & Water Conservation District, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 4 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Accounting principles generally accepted in the United States of America require that the 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 12, 2012

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.

MANAGEMENTS DISCUSSION AND ANALYSIS

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

Financial Highlights: The Columbia Soil & Water Conservation District, (CSWCD), defined as a tax-exempt extension of local government, has attempted to adjust to ever changing and decreasing funding opportunities. This was mostly accomplished by undertaking fiscal management responsibilities related to partnership activities with local groups and other state and federal entities conducting conservation work in Columbia County. Although incomes from these activities have maintained relatively stable funding, a decrease in staffing was seen as needed to retain employees, reduce turnover and to maintain livable standards of income for those employees.

Budgetary Highlights/Economic Factors/Summation: Columbia Soil & Water Conservation District continues to plan for the difficulties in maintenance of stable funding for the foreseeable future. Downturns in funding based programs, coupled with relatively high CSWCD staff turnover, has resulted in budgeting that emphasized cost-cutting and staff downsizing to keep present levels of program activities viable and productive. The inherent uncertainty of competitive funding has forced the District to pursue other income sources such as a county tax base and new business partnerships.

Columbia County's growth continues to present more difficult challenges to conservation efforts by the District. As demographics of portions of the county evolved toward smaller acreage landowners, the methodology has also had to evolve in terms of funding sources and prioritization of individual projects.

Stability of funding is critical to the District's ability to provide consistent, viable and future services to the County. The District does not anticipate such stability within current funding opportunities. Although the CSWCD has weathered the past decade of economic uncertainty, it faces an increasingly difficult challenge in continuing (and expanding) our efforts.

Results of Operations: During 2011-12 the District received more revenue than it expended, thereby increasing the net assets of the District at June 30, 2012.

Significant Transactions and Changes in Individual Funds: The current year grant and property tax revenues were sufficient to cover current year personnel and operating costs.

Economic Factors: The District receives most of its revenue from federal and Oregon grants and real property taxes. The future revenues of the District may be influenced by political and economic factors outside the District's control.

Overall Financial Position: The District's financial position remains consistent as the District continues to operate without any long-term debt.

CONDENSED FINANCIAL INFORMATION

	June 30, 2011	June 30, 2012	Increase (Decrease)
Cash and cash equivalents	\$ 164,932	\$ 255,925	\$ 90,993
Property tax receivable	31,123	39,724	8,601
Grant funds receivable	88,299	63,168	(25,131)
Capital assets	275,275	1,175,710	900,435
Total assets	559,629	1,534,527	974,898
Accounts payable	21,958	3,814	(18,144)
Long-term loan	0	911,904	911,904
Total liabilities	21,958	915,718	893,760
Fund balance	262,396	355,559	93,163
Invested in capital assets	275,275	263,806	(11,469)
Total net assets	\$ 537,671	\$ 618,809	\$ 81,138

	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2012	Favorable (Unfavorable)
Federal and Oregon grant revenue	\$ 199,404	\$ 366,030	\$ 166,626
Property taxes	386,614	410,356	23,742
Interest income	1,171	796	(375)
Other revenues	28,796	0	(28,796)
Total governmental-type revenues	615,985	777,182	161,197
Personal services	176,996	216,640	39,644
Materials and services	253,172	476,010	222,838
Depreciation	0	3,394	(3,394)
Total governmental-type expenses	430,168	696,044	(265,876)
Increase (decrease) in net assets	\$ 185,817	\$ 81,138	\$ (104,679)

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, 2012

Assets

Cash and investments	\$ 255,925
Grant funds receivable	63,168
Property taxes receivable	39,724
Land	150,000
Fixed assets, net of depreciation	<u>1,025,710</u>
Total Assets	<u><u>1,534,527</u></u>

Liabilities

Accounts payable	3,814
Current portion of long-term debt	39,372
Long-term debt	<u>872,532</u>
Total Liabilities	<u><u>915,718</u></u>

Net Assets:

Unrestricted	355,003
Invested in capital assets	<u>263,806</u>
Total Net Assets	<u><u>\$ 618,809</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, 2012

Conservation District expenses:

Personal services	\$ 216,640
Materials and services	476,010
Depreciation	3,394
Total District expenses	696,044

Conservation District revenues:

Federal and Oregon grants	366,030
Property taxes	410,356
Interest income	796
Total District revenues	777,182
Increase (decrease) in net assets	81,138
Net assets – July 1, 2011	537,671
Net assets – June 30, 2012	\$ 618,809

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, 2012

	<u>General Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 209,682	\$ 46,243	\$ 255,925
Grant funds receivable	63,168		63,168
Property taxes receivable	39,724		39,724
	<u>312,574</u>	<u>46,243</u>	<u>358,817</u>
Total Assets	<u>\$ 312,574</u>	<u>\$ 46,243</u>	<u>\$ 358,817</u>
LIABILITIES			
Accounts payable	\$ 3,814		\$ 3,814
Reserve for property taxes receivable	39,724		39,724
	<u>43,538</u>		<u>43,538</u>
Total liabilities	<u>43,538</u>		<u>43,538</u>
FUND BALANCE			
Unassigned	269,036	\$ 46,243	315,279
Total fund balance	<u>269,036</u>	<u>46,243</u>	<u>315,279</u>
 Total Liabilities and Fund Balance	 <u>\$ 312,574</u>	 <u>\$ 46,243</u>	 <u>\$ 358,817</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, 2012

Total fund balances		\$ 315,279
Property taxes receivable		39,724
Long-term debt		(911,904)
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost		1,182,453
Accumulated depreciation		(6,743)
		\$ 618,809
Total net assets		\$ 618,809

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, 2012

	<u>General Fund</u>	<u>Building Fund</u>	<u>Totals</u>
REVENUES			
Federal and Oregon Grants	\$ 371,040		\$ 371,040
Property taxes	410,356		410,356
Loan proceeds		\$ 945,000	945,000
Interest income	796		796
Total revenues	<u>782,192</u>	<u>945,000</u>	<u>1,727,192</u>
EXPENDITURES			
Personal services	216,640		216,640
Materials and services	558,912		558,912
Capital outlay	0	898,757	898,757
Total expenditures	<u>775,552</u>	<u>898,757</u>	<u>1,674,309</u>
Excess of revenues over (under) expenditures	6,640	46,243	52,883
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	6,640	46,243	52,883
Fund balance – July 1, 2011	<u>262,396</u>	<u>0</u>	<u>262,396</u>
Fund Balance - June 30, 2012	<u><u>\$ 269,036</u></u>	<u><u>\$ 46,243</u></u>	<u><u>\$ 315,279</u></u>

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, 2012

Net change in fund balances – total government funds	\$ 52,883
Change in property taxes receivable	19,826
Change in long-term debt	(911,904)
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.	(3,394)
Less current year depreciation	
Capitalized assets	<u>923,727</u>
Change in net assets of governmental activities	<u>\$ 81,138</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, 2012

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, 2012 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

Oregon Revised Statutes (294.035) authorize the District to invest in obligations of the U.S. Treasury and agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, and the State of Oregon Local Government Investment Pool. Such investments are stated at cost, increased by accretion of discounts and reduced by amortization of premiums, both computed by the straight-line method, which approximates fair value.

Cash and investments at June 30, 2012, were comprised of the following:

Type of Deposit	Total Cash Balance
Demand deposits with financial institutions	\$ 167,316
Oregon Local Government Investment Pool	88,609
Total cash and investments	\$ 255,925

The State Treasurer's Local Government Investment Pool 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 State's investment policies. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. 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 Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2012. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

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, 2012, the book balance of the District's bank deposits is \$167,316 and the bank balance is \$168,594. 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, 2012, are as follows:

	Balance July 1, 2011	Additions	Sales, Disposals and Retirements	Balance June 30, 2012
Non-depreciable capital assets:				
Land	\$ 150,000			\$ 150,000
Construction in progress	125,275		\$ (125,275)	0
Total non-depreciable assets	<u>\$ 275,275</u>		<u>(125,275)</u>	<u>150,000</u>
Depreciable capital assets:				
Building and improvements		\$ 1,022,835		1,022,835
Equipment	3,349	6,269		9,618
Total depreciable capital assets	<u>3,349</u>	<u>1,029,104</u>		<u>1,032,453</u>
Less accumulated depreciation:				
Buildings and improvements		(2,141)		(2,141)
Equipment	(3,349)	(1,253)		(4,602)
Total accumulated depreciation	<u>(3,349)</u>	<u>(3,394)</u>		<u>(6,743)</u>
Total capital assets, net of depreciation	<u>\$ 275,275</u>	<u>\$ 1,025,710</u>	<u>\$ (125,275)</u>	<u>\$ 1,175,710</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Current year tax revenues	\$ 378,012	\$ 378,012	\$ 371,256	\$ (6,756)
Prior year tax revenues	14,000	14,000	19,274	5,274
OWEB - Project grants	120,000	120,000	104,085	(15,915)
OWEB/ODA - WTS grant	60,000	60,000	0	(60,000)
OWEB - LCRWC council support	40,500	40,500	0	(40,500)
OWEB - Small grants	20,000	20,000	27,057	7,057
LCREP -Project grants	300,000	300,000	86,110	(213,890)
BLM - Invasive/native plant project	25,000	25,000	52,504	27,504
Other federal/state/local grants	150,000	150,000	92,880	(57,120)
Interest income	500	500	796	296
Miscellaneous income	2,000	2,000	0	(2,000)
Total Revenues	<u>1,110,012</u>	<u>1,110,012</u>	<u>753,962</u>	<u>(356,050)</u>
Expenditures				
Personal services - page 23	246,300	246,300	216,640	29,660
Materials and services - page 23	820,952	820,952	558,912	262,040
Capital outlay - page 23	6,000	6,000	0	6,000
Operating contingencies – page 23	25,000	25,000	0	25,000
Total Expenditures	<u>1,098,252</u>	<u>1,098,252</u>	<u>775,552</u>	<u>322,700</u>
Excess of revenues over (under) expenditures	11,760	11,760	(21,590)	(33,350)
Other Financing Sources (Uses)				
Operating transfers in				
Operating transfers out	(100,000)	(100,000)	0	100,000
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses)	(88,240)	(88,240)	(21,590)	66,650
Fund Balances - July 1, 2011	<u>148,240</u>	<u>148,240</u>	<u>231,272</u>	<u>83,032</u>
Fund Balances - June 30, 2012	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 209,682</u>	<u>\$ 149,682</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, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Personal services:				
District Manager	\$ 53,000	\$ 53,000	\$ 47,923	\$ 5,077
Office Assistant	32,000	32,000	36,771	(4,771)
Resource Conservationist	48,000	48,000	49,966	(1,966)
Watershed Council Coordinator	33,000	33,000	27,150	5,850
Weed Technician	21,000	21,000	12,410	8,590
Riparian specialist	0	0	13,444	(13,444)
Payroll taxes	42,000	42,000	28,976	13,024
Employee benefits	15,000	15,000	0	15,000
Worker's compensation insurance	2,300	2,300	0	2,300
Total personal services	<u>246,300</u>	<u>246,300</u>	<u>216,640</u>	<u>29,660</u>
Materials & Services				
Contracted services	30,000	30,000	256,299	(226,299)
Office - utilities, telco, storage, etc.	4,000	4,000	2,401	1,599
Insurance	4,202	4,202	0	4,202
Office supplies	3,000	3,000	2,915	85
Postage/delivery	3,000	3,000	2,106	894
Dues, subscription, licenses	8,000	8,000	1,193	6,807
Misc. operational costs	4,000	4,000	2,299	1,701
Project implementation	715,500	715,500	253,718	461,782
Audit	3,500	3,500	3,250	250
Annual meeting and report	3,500	3,500	0	3,500
Travel	15,000	15,000	17,772	(2,772)
Training	7,000	7,000	824	6,176
Education K-12	8,000	8,000	0	8,000
Outreach workshops, events	8,000	8,000	13,595	(5,595)
Meeting expense	3,000	3,000	2,540	460
Storage	1,250	1,250	0	1,250
Total materials & services	<u>820,952</u>	<u>820,952</u>	<u>558,912</u>	<u>262,040</u>
Capital Outlay				
Computer equipment	2,000	2,000	0	2,000
Field equipment	4,000	4,000	0	4,000
Total capital outlay	<u>6,000</u>	<u>6,000</u>	<u>0</u>	<u>6,000</u>
Contingency	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total expenditures	<u>\$ 1,098,252</u>	<u>\$ 1,098,252</u>	<u>\$ 775,552</u>	<u>\$ 322,700</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, 2012

	<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	\$ 8	\$ 8	\$ 0	\$ (8)
Total revenues	<u>8</u>	<u>8</u>	<u>0</u>	<u>(8)</u>
Expenditures				
Capital outlay	20,019	20,019	0	20,019
Total expenditures	<u>20,019</u>	<u>20,019</u>	<u>0</u>	<u>20,019</u>
Excess of revenues over under) expenditures	(20,011)	(20,011)	0	20,011
Fund balance – July 1, 2011	<u>20,011</u>	<u>20,011</u>	<u>0</u>	<u>(20,011)</u>
Fund balance – June 30, 2012	<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, 2012

	Budget Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Loan proceeds	\$ 950,000	\$ 950,000	\$ 945,000	\$ (5,000)
Interest income	38	38	0	(38)
Total revenues	<u>950,038</u>	<u>950,038</u>	<u>945,000</u>	<u>(5,038)</u>
Expenditures				
Capital outlay	950,000	950,000	898,757	51,243
Total expenditures	<u>950,000</u>	<u>950,000</u>	<u>898,757</u>	<u>51,243</u>
Excess of revenues over under) expenditures	38	38	46,243	46,205
Other Financing Sources (Uses)				
Operating transfers in	100,000	100,000	0	(100,000)
Operating transfers out	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess of Revenues and Sources over (under) Expenditures and Other (Uses)	100,038	100,038	46,243	(53,795)
Fund balance – July 1, 2011	<u>80,625</u>	<u>80,625</u>	<u>0</u>	<u>(80,625)</u>
Fund balance – June 30, 2012	<u>\$ 180,663</u>	<u>\$ 180,663</u>	<u>\$ 46,243</u>	<u>\$ (134,420)</u>

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF LONG-TERM DEBT
For the fiscal year ended June 30, 2012

TAX-EXEMPT NOTE AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Total
7/22/2012	\$ 16,629.18	\$ 35,554.91	\$ 52,184.09
1/22/2013	15,903.86	36,280.23	52,184.09
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	10,394.98	509,557.61	519,952.59
Total	\$ 122,269.38	\$ 815,155.92	\$ 937,425.30

TAXABLE NOTE AMORTIZATION SCHEDULE

Payment Date	Interest	Principal	Total
7/22/2012	\$ 2,932.20	\$ 3,817.37	\$ 6,749.57
1/22/2013	2,815.96	3,933.61	6,749.57
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	1,896.91	62,295.83	64,192.74
Total	\$ 21,893.85	\$ 96,295.42	\$ 118,189.27

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

For the fiscal year ended June 30, 2012

Tax Year	Taxes Receivable July 1, 2011	2011-2012 Levy	Collections	Interest Discounts Adjustments	Taxes Receivable June 30, 2012
2011-2012		\$ 403,354	\$ (369,909)	\$ (13,097)	\$ 20,348
2010-2011	\$ 19,926		(8,372)	374	11,928
2009-2010	11,197		(4,211)	462	7,448
	<u>\$ 31,123</u>	<u>\$ 403,354</u>	<u>\$ (382,492)</u>	<u>\$ (12,261)</u>	<u>\$ 39,724</u>

COLUMBIA SOIL & WATER CONSERVATION DISTRICT COMMENTS AND DISCLOSURES

June 30, 2012

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, 2012, and have issued my report dated December 12, 2012. 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).

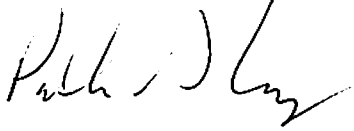
Public contracts and purchasing (ORS Chapters 279A, 279B and 279C).

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.

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.

A handwritten signature in black ink, appearing to read "Patrick G. Carney". The signature is fluid and cursive, with a prominent initial "P" and a long, sweeping tail.

Patrick G. Carney
Certified Public Accountant