

Columbia Soil & Water Conservation District

Columbia County, Oregon

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2018

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

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June 30, 2018

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COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

DISTRICT OFFICIALS

June 30, 2018

<u>BOARD OF DIRECTORS</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Bill Eagle - At Large	Vice-Chair	12/31/20
Lona Pierce - At Large	Chair	12/31/18
Randy Bergman - Zone 1	Secretary	12/31/18
Jason Busch - Zone 2	Director	12/31/20
Kay C. VanNatta - Zone 3	Treasurer	12/31/18
Dave Freytag - Zone 4	Director	12/31/20
Craig Ellis - Zone 5	Director	12/31/20

All directors receive mail at the administration address below.

ADMINISTRATION

Columbia Soil & Water Conservation District
35285 Millard Rd.
St Helens, Oregon 97051

REGISTERED AGENT

Kay C. VanNatta

DENNIS R. CONNER
CERTIFIED PUBLIC ACCOUNTANT
CLATSKANIE, OREGON 97016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Columbia Soil & Water Conservation District
Columbia County, Oregon

I have audited the accompanying financial statements of the governmental activities and each major fund of the Columbia Soil & Water Conservation District (the District) as of and for the year ended June 30, 2018, 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 activities and each major fund of the District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information,

Accounting principles generally accepted in the United States of America require the management's discussion and analysis 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 procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or

provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedule presented as Required Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in my opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The remaining budgetary comparison schedule and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for audits of Oregon Municipal Corporations, I have also issued my report dated January 4, 2019 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-240 to 162-10-320. The purpose of that report is to describe my evaluation of internal control over financial reporting and the scope of my testing of compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.



Dennis R. Conner
Certified Public Accountant
January 4, 2019

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

This discussion and analysis of the District's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2018, within the limitations of the District's financial statements.

Note: Property tax revenue in the consolidated information presented below differs from the tax revenue in the fund financial statement due to a difference in Governmental Accounting Standards Board (GASB) accounting principles for the two statements. Please see Note 1E for a more detailed explanation.

CONSOLIDATED FINANCIAL INFORMATION

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
<u>ASSETS</u>			
Current Assets	\$ 1,404,758	\$ 164,838	\$(1,239,920)
Capital Assets, Net of Depreciation	1,269,386	1,233,572	(35,814)
Total Assets	<u>\$ 2,674,144</u>	<u>\$ 1,398,410</u>	<u>\$(1,275,734)</u>
<u>LIABILITIES</u>			
Current & Other Liabilities	1,399,079	388,629	(1,010,450)
Total Net Position*	<u>\$ 1,275,065</u>	<u>\$ 1,009,781</u>	<u>\$ (265,284)</u>
	<u>Fiscal Year Ended June 30, 2017</u>	<u>Fiscal Year Ended June 30, 2018</u>	<u>Increase (Decrease)</u>
<u>GENERAL REVENUES</u>			
Property Taxes	456,691	474,701	18,010
Local Government Cost Sharing	3,203,301	591,060	(2,612,241)
Intergovernmental	-	171,000	
Interest	1,312	2,673	1,361
Miscellaneous	38,452	32,320	(6,132)
Total	<u>3,699,756</u>	<u>1,271,753</u>	<u>(2,599,003)</u>
<u>EXPENDITURES</u>			
Operating Expenditures	(3,409,514)	(1,492,037)	1,917,477
Interest Expense	(7,896)	(9,186)	(1,290)
Depreciation	(36,428)	(35,814)	614
Total	<u>(3,453,838)</u>	<u>(1,537,037)</u>	<u>1,916,801</u>
Change in Net Position	<u>\$ 245,918</u>	<u>\$ (265,284)</u>	<u>\$ (682,202)</u>

* After Adjustment

Report Components

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34.

Basic Financial Statements

Government-wide Financial statements: These statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year.

Fund Financial Statements: Fund financial statements focus on the individual parts of the District's government. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant ("major") funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report includes the property tax schedule. This other supplemental financial information is provided to address certain specific needs of various users of the District's annual report.

Management's Direct Comments

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 other funding sources to continue locally led conservation in Columbia County. We were in a planning and development phase for many projects slated for the coming years. This reduced our grant funds coming in for implementation significantly in 2017-2018. Project funding will be increasing in the next 2-3 years due to the planning and development being done at this time kicking off our 5-year plan for restoration and conservation throughout Columbia County. Funds for the coming years is already committed and secured through our Regional Conservation Partnership Program contract. This will bring 3 million in federal dollars to Columbia County for implementation and technical assistance.

Budgetary Highlights/Economic factors/summation:

The Columbia SWCD continues to plan for greater needs in the community and natural resource program in the schools while grant sources have tightened their focus for many of their programs and are limiting the types of projects allowed to be funded. Some programs are being adjusted and reworked due to lack of funding

sources for specific issues, and creative partnerships continue to be developed with local agencies, and non-profits to improve our chances to bring more education dollars to our school's natural resource and career technical assistance programs.

Competitive funding brings with it inherent uncertainty, this has continued to push the SWCD to pursue new business partnerships and look at new approaches to funding projects for local Columbia County residents. Partnerships with other local government offices continues to help leverage funds to be able to work on larger more complex projects across the county.

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.

Urban sprawl continues to move into the county from Multnomah and Washington counties. The newer property owners are bringing to light new or previously overlooked natural resource concerns. This in some ways has created a challenge to find solutions for issues new to the district, but has also opened up relationships with local cities and municipalities and other funders we may not have engaged with outside of these municipal relationships.

The stability of the tax base has given the SWCD what it needs build upon this continues to show in the 2017-2018 tax year.

Results of Operations:

During the 2017-2018 FY the Regional Conservation Partnership Program had some delays in the planning phase, pushing implementation dollars into the coming fiscal year reducing the input and output of implementation funds this fiscal year. The district received expenses were greater than its revenue due to the delay in the RCPP program, reducing our net position by \$263,350 June 30, 2018.

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, USDA - Natural Resource Conservation Service, other federal grants, and real property tax. The future revenues of the district may be influenced by political and economic factors outside the districts control. Continuing to Partner with other local conservation groups will allow us to all continue putting conservation on the ground.

Overall Financial Position:

The District's financial position remains consistent. The District continues to operate without any long-term debt for operations. The building loan was refinanced in FY 2015-2016 with a payoff date set for 2021.

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 130,342
Taxes Receivable	30,953
Accounts Receivable	1,394
Prepaid Payroll Liabilities	2,150
Capital Assets:	
Land	150,000
Other Capital Assets, Net of Depreciation	<u>1,083,572</u>
<u>Total Assets</u>	<u>1,398,410</u>
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	14,535
Credit Cards	4,068
Customer Overpayments	13,933
Payroll Liabilities	246
Accrued Vacation Pay	16,775
Current Portion Long Term Debt	<u>94,184</u>
Total	<u>143,741</u>
 <u>Long Term Liabilities</u>	
Payments Due After One Year	<u>244,889</u>
<u>Total Liabilities</u>	<u>388,629</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	894,499
Unrestricted	<u>115,281</u>
<u>Total Net Position</u>	<u>\$ 1,009,781</u>

See Notes to Financial Statements

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	<u>Governmental Activities</u>
<u>EXPENSES</u>	
Operating Expenditures	\$ (1,492,037)
Interest Expense	(9,186)
Depreciation	<u>(35,814)</u>
Total	<u>(1,537,037)</u>
 <u>GENERAL REVENUES</u>	
Property Taxes	474,701
Local, State & Federal Grants	591,060
Intergovernmental	171,000
Interest	2,673
Miscellaneous	<u>32,320</u>
Total	<u>1,271,753</u>
 <u>Change in Net Position</u>	 (265,284)
 <u>NET POSITION, Beginning (as reported)</u>	 <u>1,256,672</u>
 <u>Prior Period Adjustment)</u>	 <u>18,394</u>
 <u>NET POSITION, Beginning (as adjusted)</u>	 <u>1,275,066</u>
 <u>NET POSITION, Ending</u>	 <u>\$ 1,009,781</u>

See Notes to Financial Statements

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Investments	\$ 130,342
Property Taxes Receivable	30,953
Accounts Receivable	1,394
Employee Advances	2,150
Total Assets	<u>\$ 164,838</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 14,535
Credit Cards	4,068
Customer Overpayments	13,933
Payroll Liabilities	246
Accrued Vacation Pay	16,775
Total Liabilities	<u>49,557</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Tax Revenues	<u>17,533</u>
<u>FUND BALANCES</u>	
Unassigned	<u>97,748</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 164,838</u>
<u>Reconciliation to Statement of Net Position</u>	
Fund Balances	97,748
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities net of accumulated depreciation are not <u>financial</u> resources, and therefore are not reported in the fund statements	1,233,572
Long term debt obligations payable are not due and payable in this reporting period, and therefore are not reported in the fund statements.	(339,073)
Deferred property tax revenue is not recognized in the Statement of Net Position	<u>17,533</u>
Net Position of Governmental Activities	<u>\$ 1,009,781</u>

See Notes to Financial Statements

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	<u>General Fund</u>
<u>REVENUES</u>	
Property Taxes	\$ 482,934
Local, State & Federal Grants	591,060
Intergovernmental	171,000
Interest	2,673
Miscellaneous	32,320
Total	<u>1,279,986</u>
<u>EXPENDITURES</u>	
Current	1,492,037
Debt Service	101,286
Total	<u>1,593,323</u>
<u>NET CHANGE IN FUND BALANCE</u>	(313,337)
<u>FUND BALANCE</u> , Beginning (as reported)	392,691
<u>Prior Period Adjustment</u> (see p. 20)	<u>18,394</u>
<u>FUND BALANCE</u> , Beginning (as adjusted)	<u>411,085</u>
<u>FUND BALANCE</u> , Ending	<u>\$ 97,748</u>
<u>Reconciliation to Statement of Activities</u>	
Net Change in Fund Balance - Total Governmental Funds	(313,337)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense	(35,814)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long term debt in the Statement of Activities.	
Loan Payments	92,100
Governmental funds report property tax revenue on a modified accrual basis, whereas the Statement of Activities reports this revenue on a full accrual basis. The difference is accounted for by the change in Deferred Revenue from one year to the next.	<u>(8,233)</u>
Change in Net Position of Governmental Activities	<u>\$ (265,284)</u>

See Notes to Financial Statements

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

1A FINANCIAL REPORTING ENTITY

The District's financial reporting entity is composed of the following:

Primary Government: Columbia Soil & Water Conservation District

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

1B BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: government, proprietary and fiduciary. The District presently has no proprietary or fiduciary funds.

The District reports the following governmental fund;

The **General Fund** is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

FUND BALANCE:

Governmental fund balances are categorized in five ways:

- 1) **Non-spendable** - resources that must be maintained intact due to legal or contractual requirements, such as the principal of an endowment.
- 2) **Restricted** - that portion of a fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by creditors, contributors, or laws and regulations.
- 3) **Committed** - that portion of a fund balance that reflects limitations the District imposes on itself by action of the Board of Directors.

- 4) **Assigned** - that portion of a fund balance that reflects its intended use. Authority for an assigned fund balance can be delegated by the Board to another body (such as a committee) or an official of the District.
- 5) **Unassigned** - that portion of the General Fund balance that does not fall within one of the categories above.

1C MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

GOVERNMENT - WIDE FINANCIAL STATEMENTS

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the “economic resources” measurement focus, and the full accrual basis of accounting. The accounting objectives of the “economic resources” measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Fund equity is classified as net position.

FUND FINANCIAL STATEMENTS

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting is used. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

1D BUDGET

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting in the main program categories required by Oregon Local Budget Law. The budgets for all budgeted funds are adopted on a basis consistent with generally accepted accounting principles, except: property taxes received after year-end are not considered budgetary resources in the funds; capital assets are expenses when purchased; and depreciation expense is not reported.

1E ASSETS, LIABILITIES, AND NET POSITION

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.

PROPERTY TAXES RECEIVABLE

In the Government-Wide Financial Statements uncollected property taxes are recorded in the Statement of Net Position. In the Fund Financial Statements property taxes that are collected within 60 days after 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. An allowance for doubtful accounts is not deemed necessary by management, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1st, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

CAPITAL ASSETS

Government-Wide Financial Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. Capital assets are defined as assets with an initial cost of more than \$5,000 and an estimated life in excess of one reporting period. Maintenance and repairs that do not add to the value of an asset or materially extend an asset’s life are not capitalized. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are recorded at their fair market value at the time of acquisition.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Capital assets are depreciated using the straight line method over the estimated useful lives shown below.

Asset	Life (Years)
Land	Permanent
Buildings	40
Equipment & Furnishings	5-10

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

NET POSITION CLASSIFICATION

Government-Wide Financial Statements

Net position is classified and displayed in three components:

- a. Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted - Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments: or (2) law though constitutional provisions or enabling legislation.
- c. Unrestricted - All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund net position is classified as fund balances.

1F INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities.

Fund Financial Statements

Interfund activity, if any, within the governmental fund categories is reported as follows in the fund financial statements;

1. Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.
2. Interfund loans - Amounts, if any, provided with a requirement for repayment are shown similarly to transfers in the fund statements, but with a note describing the loan arrangement.

1G USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Note 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. The District has no instances of noncompliance that are considered material to the financial statements.

2A UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit.

Note 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A CASH AND INVESTMENTS

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on a combined balance sheet as Cash and Investments. Deposits with financial institutions consist of bank demand deposits.

Cash and investments are recorded at cost, which approximates fair market value, plus accrued interest at June 30, 2018. Cash and investments of the District at June 30, 2018 were:

Cash in Bank - US Bank	\$ 56,900
Cash in Local Government Investment Pool	73,401
Petty Cash	41
	<u>\$ 130,342</u>

Deposits: 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 reporting to Treasury of their public funds deposits, which will be the basis for their 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, 2018, total demand deposits and savings accounts per bank statements were \$60,746. All these deposits were covered by federal depository insurance.

Investments: The District's cash management policies are governed by state statutes. Statutes authorize the District to invest in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States' agencies and instrumentalities and the Oregon State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2018, the District had invested \$73,401 with the LGIP, 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, 2018.

Credit Risk: 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 office 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 the 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, 2018 was unqualified.

Concentration Risk: The District had concentrations in the following investment: LGIP 55.5%.

Interest Rate Risk: The District does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

3B CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2018</u>
<u>Non-Depreciable Capital Assets</u>				
Land	\$ 150,000		\$ -	\$ 150,000
<u>Depreciable Capital Assets:</u>				
Buildings & Improvements	1,258,233	-	-	1,258,233
Vehicles	27,500	-	-	27,500
Equipment	15,757	-	-	15,757
Total	<u>1,301,490</u>	<u>-</u>	<u>-</u>	<u>1,301,490</u>
<u>Less Accumulated Depreciation For:</u>				
Buildings & Improvements	(157,524)	(32,262)	-	(189,786)
Vehicles	(9,625)	(2,750)	-	(12,375)
Equipment	(14,955)	(802)	-	(15,757)
Total	<u>(182,104)</u>	<u>(35,814)</u>	<u>-</u>	<u>(217,918)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 1,119,386</u>	<u>\$ (35,814)</u>	<u>\$ -</u>	<u>\$ 1,083,572</u>
Total Capital Assets, Net of Depreciation	<u>\$ 1,269,386</u>	<u>\$ (35,814)</u>	<u>\$ -</u>	<u>\$ 1,233,572</u>

3C LONG TERM DEBT

The District refinanced a loan from US Bank in May 2016 with a new principal amount of \$521,734. The amortization schedule for this loan is shown below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
18-19	94,184	7,102	101,286
19-20	96,315	4,971	101,286
20-21	98,494	2,792	101,286
21-22	50,080	563	50,643
Balance 6/30/18	<u>\$ 339,073</u>	<u>\$ 15,429</u>	<u>\$ 354,501</u>

Debt principal activity for the year ended June 30, 2018 was as follows:

PRINCIPAL					
Note	Beginning Balance	Paid	Ending Balance	Due Within One Year	Due After One Year
US Bank	\$ 431,172	\$ (92,100)	\$ 339,073	\$ 94,184	\$ 244,889

Note 4 - OTHER NOTES

4A RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District, through its General fund, purchases commercial insurance. Settled claims have not exceeded commercial coverage in any fiscal year.

4B RETIREMENT PLAN

The District has a SIMPLE retirement plan. Seven (7) employees currently participate by contributing 3% of their salaries and the District matches that amount.

4E CONTINGENCIES

Litigation - The District is occasionally a party to various legal proceedings that normally occur in the course of governmental operations. Accordingly, the District maintains liability insurance coverage to protect its personnel and assets from any potential losses related to such proceedings. While the outcome of these proceedings cannot be predicted, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on its financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Property Taxes and Related Items	\$ 475,134	\$ 475,134	\$ 482,934	\$ 7,800
Grants & Reimbursements	2,302,500	2,302,500	591,060	(1,711,440)
Intergovernmental	171,000	171,000	171,000	-
Landowner Contribution	20,000	20,000	-	(20,000)
Interest	1,200	1,200	2,673	1,473
Miscellaneous	42,294	42,294	32,320	(9,974)
Total	<u>3,012,128</u>	<u>3,012,128</u>	<u>1,279,986</u>	<u>(1,732,142)</u>
 <u>EXPENDITURES</u>				
Personnel Services	544,168	544,168	533,950	10,218
Material and Services	2,112,960	2,112,960	958,087	1,154,873
Capital Outlay	110,000	110,000	-	110,000
Debt Service	120,000	120,000	101,286	18,714
Operating Contingencies	150,000	150,000	-	150,000
Total	<u>3,037,128</u>	<u>3,037,128</u>	<u>1,593,323</u>	<u>1,443,805</u>
NET CHANGE IN FUND BALANCE	<u>(25,000)</u>	<u>(25,000)</u>	<u>(313,337)</u>	<u>(288,337)</u>
 <u>FUND BALANCE</u> , Beginning (as reported)				
	200,000	200,000	392,691	192,691
<u>Prior Period Adjustment (accrued vacation pay)</u>	-	-	18,394	18,394
<u>FUND BALANCE</u> , Beginning (as adjusted)	<u>200,000</u>	<u>200,000</u>	<u>411,085</u>	<u>211,085</u>
<u>FUND BALANCE</u> , Ending	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ 97,748</u>	<u>\$ (77,252)</u>

See Notes to Financial Statements

SUPPLEMENTARY INFORMATION

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

Year Ended June 30, 2018

<u>Year of Levy</u>	<u>Ley & Taxes Receivable, Beginning</u>	<u>Discounts</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Ley & Taxes Receivable, Ending</u>
2017-18	\$ 481,979	\$ (12,711)	\$ (62)	\$ (453,716)	\$ 15,489
2016-17	16,321	20	(742)	(8,450)	7,150
2015-16	7,745	1	(59)	(3,553)	4,133
2014-15	4,769	-	(38)	(3,074)	1,657
2013-14	1,562	-	(27)	(1,015)	520
Prior Years	<u>3,070</u>	<u>-</u>	<u>(304)</u>	<u>(763)</u>	<u>2,003</u>
Total	<u>\$ 515,446</u>	<u>\$ (12,690)</u>	<u>\$ (1,232)</u>	<u>\$ (470,572)</u>	<u>\$ 30,952</u>

See Notes to Financial Statements

AUDITOR'S COMMENTS AND
DISCLOSURES REQUIRED BY STATE REGULATIONS

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Board of Directors
Columbia Soil & Water Conservation District
Columbia County, Oregon

I have audited the basic financial statements of Columbia Soil & Water Conservation District (the District) as of and for the year ended June 30, 2018, and have issued my report thereon dated January 4, 2019. I conducted the audit in accordance with auditing standards generally accepted in the United States of America

Compliance

As part of obtaining reasonable assurance about whether the 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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).

Indebtedness limitations, restrictions, and repayment.

Budgets legally required (ORS Chapter 294).

Insurance and fidelity bonds in force or required by law.

Programs funded by outside sources.

Authorized investment of surplus funds (ORS Chapter 294).

Public contracts and purchasing (ORS Chapters 279A, 279B, 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 162-10-230 (Internal Control)

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

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. A significant deficiency is a reportable condition in which the design or operation of one or more on the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be significant deficiencies except the following:

Financial Reporting

The District does not have the capability to prepare or determine if the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles. Limited staffing prevents the District from complying with this recommendation. Since controls at that level are not available within the District, the cost benefit of having the auditor prepare the financial statements, including related footnote disclosures, far outweigh the cost of hiring additional staff or hiring an independent outside source to do the same job. The District believes the outsourcing of the financial statement preparation service to the auditor is not unusual for smaller governments.

Inadequate Segregation of Accounting Duties

The District does not have sufficient staff to adequately segregate accounting duties. The District has adopted financial controls that are relevant to smaller governmental units. The District believes there is a substantial cost benefit by not increasing staffing levels at this time. However, the District acknowledges the need for extra vigilance on the part of the Board.

This report is intended solely for the information and use of the Board and management of the District, and the Oregon Secretary of State, and is not intended to be and should not be used by anyone other than these parties.



Dennis R. Conner, CPA
January 4, 2019