

Columbia Soil & Water Conservation District

Columbia County, Oregon

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2017

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

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June 30, 2017

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COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

DISTRICT OFFICIALS

June 30, 2017

<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	Secretary	12/31/18
Randy Bergman - Zone 1	Director	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	Chair	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

Report on the Financial Statements

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, 2017, 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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, 2017, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison schedules, other financial schedules, and the schedule of expenditures of federal awards 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, other financial schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 2018 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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 12, 2018 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 12, 2018

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

This discussion and analysis of the District's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2017, 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, 2016</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>
<u>ASSETS</u>			
Current Assets	\$ 265,238	\$ 1,404,758	\$ 1,139,520
Capital Assets, Net of Depreciation	<u>1,305,814</u>	<u>1,269,386</u>	<u>(36,428)</u>
Total Assets	<u>\$ 1,571,052</u>	<u>\$ 2,674,144</u>	<u>\$ 1,103,092</u>
<u>LIABILITIES</u>			
Current & Other Liabilities	<u>560,300</u>	<u>1,417,473</u>	<u>857,173</u>
<u>Total Net Position</u>	<u>\$ 1,010,752</u>	<u>\$ 1,256,671</u>	<u>\$ 245,919</u>
	<u>Fiscal Year Ended June 30, 2016</u>	<u>Fiscal Year Ended June 30, 2017</u>	<u>Increase (Decrease)</u>
<u>GENERAL REVENUES</u>			
Property Taxes	440,667	456,691	16,024
Local Government Cost Sharing	914,181	3,203,301	2,289,120
Interest	1,356	1,312	(44)
Miscellaneous	<u>28,299</u>	<u>38,452</u>	<u>10,153</u>
Total	<u>1,384,503</u>	<u>3,699,757</u>	<u>2,315,254</u>
<u>EXPENDITURES</u>			
Operating Expenditures	(1,277,638)	(3,409,514)	(2,131,876)
Interest Expense	(31,416)	(7,896)	23,520
Depreciation	<u>(37,494)</u>	<u>(36,428)</u>	<u>1,066</u>
Total	<u>(1,346,548)</u>	<u>(3,453,839)</u>	<u>(2,107,291)</u>
<u>Change in Net Position</u>	<u>\$ 37,955</u>	<u>\$ 245,919</u>	<u>\$ 207,964</u>

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 out funding sources to continue locally led conservation in Columbia County. The increase in grant funds this year and new opportunities with state and federal funding sources has grown a pipeline of projects for the coming years requiring additional staff to be added in the near future. This has given us a sense of stability to move forward with 5 to 10 year restoration and conservation workplans throughout Columbia County. The grant sources are very competitive making flexibility a key to success, we took on Emergency Watershed Protection work this past year from the December 2015 storms that devastated Columbia County, this has brought 2 million dollars to Columbia county to put conservation on the ground, and our Regional Conservation Partnership Program contract is in place to put 3 million in federal dollars on the ground and towards technical assistance in addition over 5 million in committed funds from our partners will go toward the same project area. We have been able to increase our staff to better provide service to the community and manage the increase in project workload the new funding is making possible.

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 schools natural resource 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 did not qualify to see funds from without these partnerships.

The stability of the tax base has given the SWCD what it needed build upon and continues to show in the 2016-2017 tax year.

Results of Operations:

During the 2016-2017 FY the district received more revenue than it expended, thereby increasing the net assets of the district at June 30, 2017

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, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 115,699
Taxes Receivable	29,727
Accounts Receivable	1,241,931
Prepaid Payroll Liabilities	17,402
Capital Assets:	
Land	150,000
Other Capital Assets, Net of Depreciation	<u>1,119,386</u>
<u>Total Assets</u>	<u>2,674,144</u>
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	913,367
Credit Cards	6,340
Customer Overpayments	31,892
Accrued Vacation Pay	34,702
Current Portion Long Term Debt	<u>92,100</u>
Total	<u>1,078,401</u>
 <u>Long Term Liabilities</u>	
Payments Due After One Year	<u>339,073</u>
<u>Total Liabilities</u>	<u>1,417,473</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	838,214
Unrestricted	<u>418,457</u>
<u>Total Net Position</u>	<u>\$ 1,256,671</u>

See Notes to Financial Statements

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	<u>Governmental Activities</u>
<u>EXPENSES</u>	
Operating Expenditures	\$ (3,409,514)
Interest Expense	(7,896)
Depreciation	<u>(36,428)</u>
Total	<u>(3,453,839)</u>
 <u>GENERAL REVENUES</u>	
Property Taxes	456,691
Local, State & Federal Grants	3,203,301
Interest	1,312
Miscellaneous	<u>38,452</u>
Total	<u>3,699,757</u>
 <u>Change in Net Position</u>	 245,919
 <u>NET POSITION, Beginning</u>	 <u>1,010,753</u>
 <u>NET POSITION, Ending</u>	 <u>\$ 1,256,671</u>

See Notes to Financial Statements

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

Columbia County, Oregon

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Investments	\$ 115,699
Property Taxes Receivable	29,727
Accounts Receivable	1,241,931
Prepaid Payroll Liabilities	17,402
Total Assets	<u>\$ 1,404,758</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 913,367
Credit Cards	6,340
Customer Overpayments	31,892
Accrued Vacation Pay	34,702
Total Liabilities	<u>986,301</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Tax Revenues	<u>25,766</u>
<u>FUND BALANCES</u>	
Unassigned	<u>392,691</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,404,758</u>
<u>Reconciliation to Statement of Net Position</u>	
Fund Balances	392,691
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	1,269,386
Long term debt obligations payable are not due and payable in this reporting period, and therefore are not reported in the fund statements.	(431,172)
Deferred property tax revenue is not recognized in the Statement of Net Position	<u>25,766</u>
Net Position of Governmental Activities	<u>\$ 1,256,671</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, 2017

	<u>General Fund</u>
<u>REVENUES</u>	
Property Taxes	\$ 456,318
Local, State & Federal Grants	3,203,301
Interest	1,312
Miscellaneous	38,452
Total	<u>3,699,385</u>
<u>EXPENDITURES</u>	
Current	3,409,514
Debt Service	97,964
Total	<u>3,507,478</u>
<u>NET CHANGE IN FUND BALANCE</u>	191,907
<u>FUND BALANCE, Beginning</u>	<u>200,784</u>
<u>FUND BALANCE, Ending</u>	<u>\$ 392,691</u>
<u>Reconciliation to Statement of Activities</u>	
Net Change in Fund Balance - Total Governmental Funds	191,907
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	(36,428)
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	90,067
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>373</u>
Change in Net Position of Governmental Activities	<u>\$ 245,919</u>

See Notes to Financial Statements

COLUMBIA SOIL & WATER CONSERVATION DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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, 2017. Cash and investments of the District at June 30, 2017 were:

Cash in Bank - US Bank	\$ 68,433
Cash in Local Government Investment Pool	42,484
Cash with County	4,781
	<u>\$ 115,699</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, 2017, total demand deposits and savings accounts per bank statements were \$70,579. 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, 2017, the District had invested \$42,484 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, 2017.

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, 2017 was unqualified.

Concentration Risk: The District had concentrations in the following investment: LGIP 36.7%.

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, 2017 was as follows:

<u>Governmental Activities</u>	<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2017</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	(125,261)	(32,263)	-	(157,524)
Vehicles	(6,875)	(2,750)	-	(9,625)
Equipment	(13,540)	(1,415)	-	(14,955)
Total	<u>(145,676)</u>	<u>(36,428)</u>	<u>-</u>	<u>(182,104)</u>
Total Depreciable Capital Assets, Net of Depreciation	<u>\$ 1,155,814</u>	<u>\$ (36,428)</u>	<u>\$ -</u>	<u>\$ 1,119,386</u>
Total Capital Assets, Net of Depreciation	<u>\$ 1,305,814</u>	<u>\$ (36,428)</u>	<u>\$ -</u>	<u>\$ 1,269,386</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:

Fiscal Year	Principal	Interest	Total
17-18	92,100	9,186	101,286
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 6/30/17	<u>\$ 431,172</u>	<u>\$ 24,615</u>	<u>\$ 455,788</u>

Debt principal activity for the year ended June 30, 2017 was as follows:

PRINCIPAL					
Note	Beginning Balance	Paid	Ending Balance	Due Within One Year	Due After One Year
US Bank	\$ 521,240	\$ (90,067)	\$ 431,172	\$ 92,100	\$ 339,073

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. Three 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, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Property Taxes and Related Items	\$ 438,000	\$ 438,000	\$ 456,318	\$ 18,318
Federal & Oregon Grants	3,219,500	3,219,500	3,203,301	(16,199)
Landowner Contribution	150,000	150,000	-	(150,000)
Interest	1,200	1,200	1,312	112
Miscellaneous	40,100	40,100	38,452	(1,648)
Total	<u>3,848,800</u>	<u>3,848,800</u>	<u>3,699,385</u>	<u>(149,415)</u>
<u>EXPENDITURES</u>				
Personal Services	626,500	626,500	510,892	115,608
Material and Services	2,987,300	2,987,300	2,898,622	88,678
Capital Outlay	110,000	110,000	-	110,000
Debt Service	120,000	120,000	97,964	22,036
Operating Contingencies	150,000	150,000	-	150,000
Total	<u>3,993,800</u>	<u>3,993,800</u>	<u>3,507,478</u>	<u>486,322</u>
NET CHANGE IN FUND BALANCE	<u>(145,000)</u>	<u>(145,000)</u>	<u>191,907</u>	<u>336,907</u>
<u>FUND BALANCE</u> , Beginning	<u>200,000</u>	<u>200,000</u>	<u>200,784</u>	<u>784</u>
<u>FUND BALANCE</u> , Ending	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 392,691</u>	<u>\$ 337,691</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, 2017

<u>Year of Levy</u>	<u>Levy & Taxes Receivable, Beginning</u>	<u>Discounts</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Levy & Taxes Receivable, Ending</u>
2016-17	\$ 469,681	\$ (11,932)	\$ (2,097)	\$ (440,616)	\$ 15,036
2015-16	14,378	-	335	(7,499)	7,213
2014-15	7,367	-	457	(3,735)	4,089
2013-14	3,624	-	570	(2,895)	1,300
2012-13	1,654	-	266	(1,351)	569
2011-12 & Prior	<u>2,051</u>	<u>-</u>	<u>35</u>	<u>(566)</u>	<u>1,520</u>
Total	<u>\$ 498,755</u>	<u>\$ (11,932)</u>	<u>\$ (434)</u>	<u>\$ (456,662)</u>	<u>\$ 29,727</u>

See Notes to Financial Statements

COMPLIANCE SECTION

**DENNIS R. CONNER
CERTIFIED PUBLIC ACCOUNTANT
365 SOUTH NEHALEM STREET
CLATSKANIE, OREGON 97016**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Columbia Soil & Water Conservation District
3525 Millard Road
St. Helens, Oregon 97051

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia Soil & Water Conservation District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated January 12, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dennis R. Conner
Clatskanie, Oregon 97016
January 12, 2018

DENNIS R CONNER
CERTIFIED PUBLIC ACCOUNTANT
365 SOUTH NEHALEM STREET
CLATSKANIE, OREGON 97016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Columbia Soil and Water Conservation District
3525 Millard Rd.
St Helens, OR 97051

Report on Compliance for Each Major Federal Program

I have audited Columbia Soil & Water Conservation District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In my opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected

and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dennis R. Conner". The signature is written in a cursive style with a large initial "D" and a stylized "C".

Dennis R. Conner
Clatskanie, Oregon
January 12, 2018

COLUMBIA SOIL AND WATER CONSERVATION DISTRICT(SPONSOR)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For year ending June 30, 2017

U.S. Department of Agriculture - Natural Resources Conservation Service

Award Identifying Number 68-0436-16-200 Amendment Number 3

Award Period 06/02/2016 - 07/25/2017

Cooperative Agreement

CFDA Number 10.923

Emergency Watershed Protection 7CFR Part 624

Type A threshold, \$500,000 in the SFQC, even though there is only one program.

	Year Ending <u>6/30/2017</u>
Revenues: Federal Funds	2,531,000
Expenditures:	<u>(3,281,000)</u>
Non Federal Funds	<u><u>750,000</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Columbia Soil & Water Conservation District (the District) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

COLUMBIA SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDING JUNE 30, 2017

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements:

Type of auditor's Report Issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 510(a) of Uniform Guidance?	No

Identification of major programs:	
CFDA NUMBER(S)	NAME OF PROGRAM
10.923	Emergency Watershed Protection

Dollar threshold used to distinguish between type A and B programs	\$750,000
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Auditee qualified as low-risk auditee	No
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FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

AUDITOR'S COMMENTS AND
DISCLOSURES REQUIRED BY STATE REGULATIONS

DENNIS R. CONNER

Certified Public Accountant
365 South Nehalem
PO Box 1078
Clatskanie, Oregon 97016
Facsimile (503) 728-2944
Telephone (503) 728-2038

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, 2017, and have issued my report thereon dated January 12, 2018. 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 12, 2018