

**EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



12700 SW 72nd Ave.
Tigard, OR 97223

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

BOARD OF DIRECTORS

TERM EXPIRES

Mike Guebert – Chair	December 31, 2018
Rick Till – Vice Chair	December 31, 2016
Bob Sallinger – Treasurer	December 31, 2016
Nellie McAdams – Secretary	December 31, 2018
Laura Masterson	December 31, 2016

All Directors receive mail at the administration address below.

ADMINISTRATION

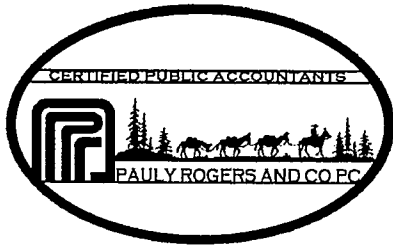
Jay Udelhoven, Executive Director

East Multnomah Soil and Water Conservation District
5211 N. Williams Avenue
Portland, Oregon 97217

**EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON**

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November 16, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
East Multnomah Soil and Water Conservation District
Multnomah County, Oregon

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of East Multnomah Soil and Water Conservation District, as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The financial statements as of June 30, 2015, were audited by other auditors whose report dated October 27, 2015, issued an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 the basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic 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 internal control. Accordingly, we 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 basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of East Multnomah Soil and Water Conservation District, as of June 30, 2016, 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.

Emphasis of Matter

The District adopted the provisions of GASB 72 – *Fair Value Measurement and Application* and GASB 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedule presented as Required Supplementary Information, as listed in the table of contents, 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 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, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

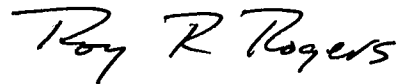
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of board members containing their term expiration dates, located before the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 16, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, stylized "R" and "R".

ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2016

Our discussion and analysis of East Multnomah Soil and Water Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. Our purposes are to assist users of these financial statements to interpret the information found in the following pages, highlight the major factors and impacts on the District's financial situation, and to explain significant changes from last year to this year. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- Revenues were \$4,538,989 in 2016, an increase over 2015 of \$253,312. The majority of the change resulted from increases in property tax revenue, which increased by \$247,508.
- Total expenditures were \$3,521,685 in 2016, a decrease of \$1,135,212 from 2015, primarily related to a decrease in expenditures in the Land Conservation Fund during the year.
- The District's net position increased by \$1,017,304 during the year ended June 30, 2016.

Government-wide Statements

The government-wide financial statements are designed to provide an overview of the District's finances. The government-wide statements include the District's governmental activities. Property taxes and grants finance most of these activities. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Net position is the difference between the District's assets and liabilities. Over time, increases or decreases in the District's net position may be an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements focus on individual parts of the Government, reporting the District's operations in more detail than the government-wide financial statements. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains the information in the financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
SUMMARY STATEMENT OF NET POSITION**

	<u>FY 2016</u>	<u>FY 2015</u>
Assets:		
Current assets	\$ 8,811,796	\$ 7,963,937
Capital assets and loan fees, net	4,357,346	4,259,876
Total assets	<u>13,169,142</u>	<u>12,223,813</u>
Current liabilities	<u>163,634</u>	<u>235,609</u>
Total liabilities	<u>163,634</u>	<u>235,609</u>
NET POSITION:		
Invested in capital assets net of related debt	-	4,259,876
Restricted	1,093,113	1,030,790
Unrestricted	<u>11,912,395</u>	<u>6,697,538</u>
Total net position	<u>\$ 13,005,508</u>	<u>\$ 11,988,204</u>

SUMMARY STATEMENT OF ACTIVITIES

	<u>FY 2016</u>	<u>FY 2015</u>
Program revenues:		
Operating grants and contributions	\$ 72,674	\$ 72,730
Charges for services	<u>69,625</u>	<u>76,423</u>
Total program revenues	142,299	149,153
General revenues:		
Property taxes	4,337,422	4,089,914
Other income	3,278	3,923
Interest income	<u>55,990</u>	<u>42,687</u>
Total general revenues	<u>4,396,690</u>	<u>4,136,524</u>
Total revenues	4,538,989	4,285,677
Expenditures:		
Soil and water conservation	<u>3,521,685</u>	<u>4,656,897</u>
Total expenses	<u>3,521,685</u>	<u>4,656,897</u>
Change in net position	1,017,304	(371,220)
Net position, beginning of year	<u>11,988,204</u>	<u>12,359,424</u>
Net position, end of year	<u>\$ 13,005,508</u>	<u>\$ 11,988,204</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental fund balances totaled \$8,439,677 at June 30, 2016. A summary of changes in governmental fund balances follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
General fund	\$ 2,185,438	\$ 2,338,165	\$ (152,727)
Projects and grants fund	1,093,113	1,030,790	62,323
Land conservation fund	<u>5,161,126</u>	<u>4,177,282</u>	<u>983,844</u>
Total	<u>\$ 8,439,677</u>	<u>\$ 7,546,237</u>	<u>\$ 893,440</u>

Revenues for the General Fund were \$4,455,781, which was \$54,440 over budget. Expenditures for the General Fund were \$2,520,603, which was \$942,901 under budget.

The increase in the Projects and Grants Fund and the Land Conservation Fund is due to transfers from the General Fund exceeding expenses for the year.

BUDGETARY HIGHLIGHTS

See the supplemental information for detailed schedules of budget to actual variances for the fiscal year ended June 30, 2016. Expenditures were under budget for the year.

CAPITAL ASSETS

At June 30, 2016 the District had \$4,357,346 invested in capital assets net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT

The District does not have any long-term debt as of June 30, 2016.

ECONOMIC FACTORS

Property tax revenue is the main source of the District's operating revenue and represents approximately 96% of total revenues. The District also receives operating grants and contributions. All expenses for soil and water conservation must be paid for by these sources.

FINANCIAL CONTACT

The District's financial statements are designed to give the public a general overview of the District's accountability. If you have questions about financial matters please contact the District at 5211 N. Williams Ave, Portland, OR 97217. The District telephone number is (503) 935-5353.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2016

ASSETS:

Cash and cash equivalents	\$ 8,525,696
Property taxes receivable	279,040
Accounts receivable	7,060
Capital assets, non-depreciable	3,290,606
Capital assets, depreciable, net of depreciation	<u>1,066,740</u>
Total Assets	<u>13,169,142</u>

LIABILITIES:

Accounts payable	95,662
Payroll liabilities	6,931
Deposit payable	2,800
Accrued compensated absences	<u>58,241</u>
Total Liabilities	<u>163,634</u>

NET POSITION:

Net investment in capital assets	4,357,346
Restricted	1,093,113
Unrestricted	<u>7,555,049</u>
Total Net Position	<u>\$ 13,005,508</u>

See accompanying notes to basic financial statements.

**EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

<u>FUNCTIONS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET REVENUES (EXPENSES)</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Governmental Activities:					
Soil and Water Conservation	\$ 3,521,685	\$ 69,625	\$ 72,674		\$ (3,379,386)
Total	<u>\$ 3,521,685</u>	<u>\$ 69,625</u>	<u>\$ 72,674</u>		<u>(3,379,386)</u>
General Revenues:					
					4,337,422
					55,990
					<u>3,278</u>
					<u>4,396,690</u>
					1,017,304
					<u>11,988,204</u>
					<u>\$ 13,005,508</u>

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 8,525,696
Property taxes receivable	279,040
Accounts receivable	<u>7,060</u>
Total Assets	<u>\$ 8,811,796</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE:	
Liabilities:	
Accounts payable	\$ 95,662
Payroll liabilities	6,931
Deposits payable	<u>2,800</u>
Total Liabilities	<u>105,393</u>
Deferred Inflows of Resources	
Deferred property tax revenues	<u>266,726</u>
Fund Balances:	
Restricted	1,093,113
Assigned	5,161,126
Unassigned	<u>2,185,438</u>
Total Fund Balance	<u>8,439,677</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 8,811,796</u>

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2016

Total Fund Balances – Governmental Funds	\$ 8,439,677
Capital assets are not financial resources and therefore are not reported in the governmental funds.	
Capital assets (net of depreciation)	4,357,346
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(58,241)
Unavailable revenue related to property taxes	<u>266,726</u>
Net Position	<u>\$ 13,005,508</u>

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 4,292,994
Native plant sale	26,931
Interest income	55,990
Grant income	72,674
Rental income	42,694
Miscellaneous	<u>3,278</u>
Total Revenues	<u>4,494,561</u>
EXPENDITURES:	
Personal Services	1,534,440
Materials and Services	1,886,585
Capital outlay	<u>180,096</u>
Total Expenditures	<u>3,601,121</u>
Net Change in Fund Balance	893,440
FUND BALANCE:	
Beginning fund balance	<u>7,546,237</u>
Ending fund balance	<u><u>\$ 8,439,677</u></u>

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Total Net Changes in Fund Balances - Governmental Funds \$ 893,440

Capital asset additions are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital Asset, Additions	\$	169,096	
Depreciation Expense		<u>(71,626)</u>	97,470

Compensated absences are recognized as expenditure in the governmental funds when they are paid, In the Statement of Activities, these liabilities are recognized as an expenditure when earned. (18,034)

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes unavailable revenue for all property taxes levied but not received, however, in the Statement of Activities, there is no unavailable revenue and the full property tax receivable is accrued. 44,428

Change in Net Position of Governmental Activities \$ 1,017,304

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The basic financial statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. THE FINANCIAL REPORTING ENTITY

East Multnomah Soil and Water Conservation District (the District), located in Multnomah County, Oregon, is a local government formed under the authority of Oregon Revised Statutes (ORS) Chapter 568. The District's work involves prevention and control of soil erosion, conservation of natural resources and water quality management. In accordance with Government Accounting Standards Board (GASB) standards, the District is an independent entity and is not a component unit of another government. In addition, no other governmental entity qualifies as a component of the District.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). 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 is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The statement of net position and the statement of activities present information about the District as a whole and are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position includes and recognizes all long-term assets and receivables. The District's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to district patrons who purchase, use, or directly benefit from services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly not included among program revenues and are reported instead as general revenue.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the District. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Major individual funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A minimum number of funds are maintained consistent with legal and managerial requirements.

Property taxes, charges for services, and interest are susceptible to accrual if received within 60 days of fiscal year end. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Major governmental funds are reported as a separate column in the basic financial statements. Funds are organized as major funds or non-major funds within the statements. Emphasis is placed on major funds. A fund is considered major if it is the primary operating/general fund or it meets the minimum criteria for determination of major funds as set forth by GASB Statement No. 34; total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type; and total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

The District maintains the following funds:

GENERAL FUND

The General Fund accounts for all activities except those required to be accounted for in other funds, the principal revenue sources are property taxes, grants, charges for services, and interest.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

GRANTS AND COST SHARE FUND

The Grants and Cost Share Fund accounts for resources to be expended for grants to others and the District's cost share program. Resources for this fund are transferred from the General Fund and are restricted for specific purposes based on the grant requirements.

LAND CONSERVATION FUND

The Land Conservation Fund accounts for resources to be spent on land conservation and conservation easement projects. Resources for this fund are transferred from the General Fund and are assigned for land conservation projects.

C. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

D. RECEIVABLES

Receivables are recorded in the statement of net position and governmental fund balance sheet in accordance with the policies enumerated above. Property taxes receivable consist of property taxes which have been levied against affected property owners but which were uncollected as of the balance sheet date. Accounts receivable are all current and considered by management to be fully collectible; therefore, no provisions for uncollectible accounts has been made.

E. CAPITAL ASSETS

Capital assets are charged to expenditures as purchased in the governmental fund statements. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at estimated fair market value as of the date of the donation. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation is calculated using the straight-line method. The estimated useful lives of capital assets are as follows:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	30
Furniture and Equipment	5
Vehicles	10

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

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. COMPENSATED ABSENCES

The District's policies permit employees vacation and compensatory time credits. Accumulated unpaid vacation and compensatory time cannot exceed limits established by the Board or Directors and is accrued as earned.

G. NET POSITION

Net position is comprised of the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net position is classified in the following categories:

- Net investment in capital assets - Consists of net position that is invested in buildings, equipment and other capital assets of the District, net of related depreciation.
- Restricted - Consists of external constraints placed on net position use by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has \$1,093,113 of restricted net position at June 30, 2016.
- Unrestricted net position - Consists of all other net position that is not included in the other categories previously mentioned.

H. FUND EQUITY

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid expenses.
- Restricted represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned represents amounts that are constrained by expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.
- Unassigned is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds, if any, would report any negative residual fund balance as unassigned.

There were no nonspendable or committed balances at year end.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. FUND EQUITY (CONTINUED)

The following order of spending regarding fund balance categories is used: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

I. MANAGEMENT'S USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental units, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

J. FAIR VALUE INPUTS AND METHODOLOGIES AND HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

K. TRANSFERS

The District makes transfers between funds when approved by the Board. Transfers are used to reserve for future use for certain special revenue funds.

Transfers for the year ended June 30, 2016 are presented in the fund financial statements but have been eliminated from the statement of activities.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. As of June 30, 2016, all of the bank balance of \$126,517 was insured by FDIC.

INVESTMENTS

The policy is to follow state statutes governing cash management. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund appears to be in compliance with all portfolio guidelines at June 30, 2016. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. As of June 30, 2016, the fair value of the position in the LGIP is 100.6% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

Cash and Investments at June 30, 2016 (recorded at fair value) consisted of:

Deposits with financial institutions:

Albina Checking	\$ 103,448
LGIP Saving	<u>8,422,248</u>
 Total	 <u>\$ 8,525,696</u>

**EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-18</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 8,422,248	\$ 8,422,248	\$ -	\$ -
Total	<u>\$ 8,422,248</u>	<u>\$ 8,422,248</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk -Investments

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date beyond three months.

Credit Risk

Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2016, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of a local government be invested in bankers' acceptances of any qualified financial institution. At June 30, 2016, there was compliance with all percentage restrictions.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District is subject to the budget requirements of state law. The resolution authorizing appropriations of each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, debt service, interfund transactions, operating contingency and unappropriated balance are the levels of control established by resolution. The detail budget document, however, is required to contain more specific detailed information for the above-mentioned expenditure categories.

The budget is adopted and appropriations are made no later than June 30th. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspapers, and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of controls. Such transfers require the approval of the Board of Directors.

Expenditures cannot legally exceed the appropriation levels. Appropriations lapse at the end of each fiscal year. Expenditures of the various funds shown in the financial statements were within authorized appropriation levels.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. PROPERTY TAXES

The voters of the State of Oregon imposed a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The voters further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

During the year ended June 30, 2016, the rate of property taxes levied by the District was \$0.10 per \$1,000 of assessed value of all taxable property within the district for operations.

5. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	(Deletions)	Balance June 30, 2016
Non-depreciable Capital Assets:				
Land	\$ 3,290,606	\$ -	\$ -	\$ 3,290,606
Depreciable Capital Assets:				
Buildings & Improvements	1,093,470	121,783	-	1,215,253
Equipment & Furniture	146,470	47,313	-	193,783
Total Depreciable Capital Assets	1,239,940	169,096	-	1,409,036
Accumulated Depreciation				
Buildings & Improvements	(214,961)	(37,051)	-	(252,012)
Equipment & Furniture	(55,709)	(34,575)	-	(90,284)
Total Accumulated Depreciation	(270,670)	\$(71,626)	\$ -	(342,296)
Total Net Capital Assets	\$ 4,259,876			\$ 4,357,346

Depreciation expense of \$ 71,626 is recorded as a program expense in the accompanying Statement of Activities for the year ended June 30, 2016.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

6. EMPLOYEE RETIREMENT PLAN

The District sponsors a 457(b) retirement plan allowing eligible employees to contribute a portion of their compensation to the plan. The District will match up 6 percent of the employees' compensation and contribute it to a 401(a) retirement plan for eligible employees. During the year ended June 30, 2016 the District contributed \$61,796 to the plan. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the District.

7. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

<u>Fund</u>	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 2,087,905	\$ -
Grants and Cost Share Fund	-	1,121,500
Land Conservation Fund	-	966,405
Total	<u>\$ 2,087,905</u>	<u>\$ 2,087,905</u>

8. RISK MANAGEMENT

There is exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. Settle claims have not exceeded this commercial coverage for the past three years.

**EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON**

REQUIRED SUPPLEMENTARY INFORMATION

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Property taxes income	\$ 4,220,591	\$ 4,220,591	\$ 4,292,994	\$ 72,403
Native plant sale	40,000	40,000	26,931	(13,069)
Interest income	9,000	9,000	17,210	8,210
Grant income	70,930	72,674	72,674	-
Rental income	39,876	39,876	42,694	2,818
Miscellaneous	19,200	19,200	3,278	(15,922)
Total Revenues	<u>4,399,597</u>	<u>4,401,341</u>	<u>4,455,781</u>	<u>54,440</u>
EXPENDITURES:				
Personal services	1,756,244	1,756,244 (1)	1,534,440	221,804
Materials and services	1,216,851	1,190,595 (1)	817,067	373,528
Capital outlay	160,400	188,400 (1)	169,096	19,304
Contingency	328,265	328,265 (1)	-	328,265
Total Expenditures	<u>3,461,760</u>	<u>3,463,504</u>	<u>2,520,603</u>	<u>942,901</u>
Excess of Revenues Over (Under) Expenditures	937,837	937,837	1,935,178	997,341
Other Financing Sources (Uses):				
Transfers out	(2,087,905)	(2,087,905) (1)	(2,087,905)	-
Total Other Financing Sources (Uses)	<u>(2,087,905)</u>	<u>(2,087,905)</u>	<u>(2,087,905)</u>	<u>-</u>
Net Change in Fund Balance	(1,150,068)	(1,150,068)	(152,727)	997,341
Fund Balance – Beginning of Year	<u>2,554,750</u>	<u>2,554,750</u>	<u>2,338,165</u>	<u>(216,585)</u>
Fund Balance – End of Year	<u>\$ 1,404,682</u>	<u>\$ 1,404,682</u>	2,185,438	<u>\$ 780,756</u>
Reconciliation to Governmental Fund Balance as required by GASB 54				
Ending Fund Balance:				
Grants and Cost Share Fund			1,093,113	
Land Conservation Fund			<u>5,161,126</u>	
Total			<u>\$ 8,439,677</u>	

(1) Appropriation Level

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

SUPPLEMENTARY INFORMATION

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

GRANTS AND COST SHARE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Interest income	\$ 6,000	\$ 6,000	\$ 10,341	\$ 4,341
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>10,341</u>	<u>4,341</u>
EXPENDITURES:				
Materials and Services	<u>1,902,500</u>	<u>1,902,500</u> (1)	<u>1,069,518</u>	<u>832,982</u>
Total Expenditures	<u>1,902,500</u>	<u>1,902,500</u>	<u>1,069,518</u>	<u>832,982</u>
Excess of Revenues Over (Under) Expenditures	(1,896,500)	(1,896,500)	(1,059,177)	837,323
Other Financing Sources (Uses):				
Transfers In	<u>1,121,500</u>	<u>1,121,500</u>	<u>1,121,500</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,121,500</u>	<u>1,121,500</u>	<u>1,121,500</u>	<u>-</u>
Net Change in Fund Balance	(775,000)	(775,000)	62,323	837,323
Fund Balance – Beginning of Year	<u>775,000</u>	<u>775,000</u>	<u>1,030,790</u>	<u>255,790</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,113</u>	<u>\$ 1,093,113</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 because there are no substantial restricted or committed revenue inflows.

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

<u>LAND CONSERVATION FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
NRCS Ag Lands Easement funds	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Interest income	21,000	21,000	28,439	7,439
Total Revenues	<u>271,000</u>	<u>271,000</u>	<u>28,439</u>	<u>(242,561)</u>
EXPENDITURES:				
Materials and services	250,000	250,000	-	250,000
Capital outlay	5,162,500	5,162,500 (1)	11,000	5,151,500
Total Expenditures	<u>5,412,500</u>	<u>5,412,500</u>	<u>11,000</u>	<u>5,401,500</u>
Excess of Revenues Over (Under) Expenditures	(5,141,500)	(5,141,500)	17,439	5,158,939
Other Financing Sources (Uses):				
Transfers In	966,405	966,405	966,405	-
Total Other Financing Sources (Uses)	<u>966,405</u>	<u>966,405</u>	<u>966,405</u>	<u>-</u>
Net Change in Fund Balance	(4,175,095)	(4,175,095)	983,844	5,158,939
Fund Balance – Beginning of Year	4,175,095	4,175,095	4,177,282	2,187
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,161,126</u>	<u>\$ 5,161,126</u>

(1) Appropriation Level

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB 54 because there are no substantial restricted or committed revenue inflows.

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2016

PARTNER GRANTS MANAGEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Partner grant	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
EXPENDITURES:				
Materials and services	<u>25,000</u>	<u>25,000 (1)</u>	<u>-</u>	<u>25,000</u>
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance – Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Appropriation Level

See accompanying notes to basic financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
For the Year Ended June 30, 2016

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED, AT JULY 1, 2015	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	CASH COLLECTIONS BY COUNTY TREASURER	PROPERTY TAXES UNCOLLECTED, AT JUNE 30, 2016
Current:					
2015-16	\$ 4,453,991	\$ 115,222	\$ (11,991)	\$ 4,229,499	\$ 97,279
Prior Years:					
2014-15	98,954	(97)	(3,833)	40,647	54,571
2013-14	56,697	(3)	(184)	14,901	41,615
2012-13	41,449	(2)	(132)	12,632	28,687
2011-12	32,108	-	(71)	6,478	25,559
2010-11 & Prior	32,597	-	(137)	1,131	31,329
Total Prior	261,805	(102)	(4,357)	75,789	181,761
Total	\$ 4,715,796	\$ 115,120	\$ (16,348)	\$ 4,305,288	\$ 279,040

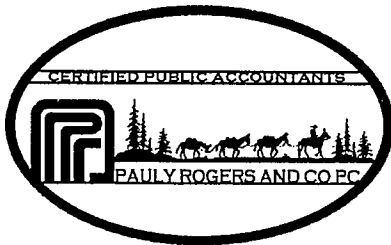
RECONCILIATION TO REVENUES:

	Total
Cash Collections by County Treasurer Above	\$ 4,305,288
Accrual of Receivables:	
June 30, 2015	(14,151)
June 30, 2016	12,314
Other Taxes	(10,457)
Total Revenues	\$ 4,292,994

See accompanying notes to basic financial statements.

**EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
MULTNOMAH COUNTY, OREGON**

REPORTS ON LEGAL AND OTHER REGULATORY REQUIREMENTS



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November 16, 2016

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the East Multnomah Soil and Water Conservation District, Multnomah County, Oregon, as of and for the year ended June 30, 2016, and have issued our report thereon dated November 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of 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 basic financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we 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.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Programs funded from outside sources.**

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

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

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



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.