

EAST MULTNOMAH SOIL AND WATER
CONSERVATION DISTRICT

Financial Statements

For the Year Ended June 30, 2017

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
June 30, 2017

BOARD OF DIRECTORS

| <u>Name</u> | <u>Position</u> | <u>Zone</u> |
|-----------------|-----------------|-------------|
| Rick Till | Chair | At-Large 1 |
| Nellie McAdams | Vice - Chair | Zone 1 |
| Allison Hensey | Secretary | At-Large 2 |
| Mike Guebert | Treasurer | Zone 3 |
| Laura Masterson | Member | Zone 2 |

MAILING ADDRESS

East Multnomah Soil and Water Conservation District
5211 N. Williams Ave
Portland, OR 97217

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
 Financial Statements
 For the year ended June 30, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the East Multnomah Soil and Water Conservation 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

Our responsibility is to express opinions on these 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 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, 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the East Multnomah Soil and Water Conservation District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richard Winkel, CPA

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 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 information 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 on page 18 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, and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Multnomah Soil and Water Conservation District's basic financial statements. The budgetary comparison schedules on pages 18-21 and schedule of property tax transactions on page 22 are presented for purposes of additional analysis and are 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Oregon State Regulations, we have also issued our report dated November 1, 2017 on our consideration of East Multnomah Soil and Water Conservation District's internal control over financial reporting and on our procedures to address 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 our 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 on compliance. That report is required by Oregon State Regulations.



Richard Winkel, CPA
November 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
For the year ended June 30, 2017

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, 2017. 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 beginning on page 6.

FINANCIAL HIGHLIGHTS

- Revenues were \$4,823,048 in 2017, an increase over 2016 of \$284,059. The majority of the change resulted from increases in property tax revenue, which increased by \$204,838.
- Total expenditures were \$3,914,661 in 2017, an increase of \$392,976 over 2016, primarily related to increases in payroll of \$178,025 and higher grants and project costs for landowners during the year.
- The District's net position increased by \$908,387 during the year ended June 30, 2017.

Government-wide Statements

The government-wide financial statements on pages 6 and 7 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 on pages 8 and 9 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 and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

SUMMARY STATEMENT OF NET POSITION

| | <u>FY 2017</u> | <u>FY 2016</u> |
|----------------------------|----------------------|----------------------|
| Assets: | | |
| Current assets | \$ 9,433,747 | \$ 8,811,796 |
| Capital assets, net | <u>4,814,777</u> | <u>4,357,346</u> |
| Total assets | <u>14,248,524</u> | <u>13,169,142</u> |
| Current liabilities | <u>334,629</u> | <u>163,634</u> |
| Total liabilities | <u>334,629</u> | <u>163,634</u> |
| NET POSITION: | | |
| Invested in capital assets | 4,814,777 | 4,357,346 |
| Restricted | 934,168 | 1,093,113 |
| Unrestricted | <u>8,164,950</u> | <u>7,555,049</u> |
| Total net position | <u>\$ 13,913,895</u> | <u>\$ 13,005,508</u> |

SUMMARY STATEMENT OF ACTIVITIES

| | <u>FY 2017</u> | <u>FY 2016</u> |
|------------------------------------|----------------------|----------------------|
| Program revenues: | | |
| Operating grants and contributions | \$ 72,674 | \$ 72,674 |
| Charges for services | <u>82,857</u> | <u>69,625</u> |
| Total program revenues | 155,531 | 142,299 |
| General revenues: | | |
| Property taxes | 4,542,260 | 4,337,422 |
| Other income | 21,908 | 3,278 |
| Interest income | <u>103,349</u> | <u>55,990</u> |
| Total general revenues | <u>4,667,517</u> | <u>4,396,690</u> |
| Total revenues | 4,823,048 | 4,538,989 |
| Expenditures | | |
| Soil and water conservation | <u>3,914,661</u> | <u>3,521,685</u> |
| Total expenses | <u>3,914,661</u> | <u>3,521,685</u> |
| Change in net position | 908,387 | 1,017,304 |
| Net position, beginning of year | <u>13,005,508</u> | <u>11,988,204</u> |
| Net position, end of year | <u>\$ 13,913,895</u> | <u>\$ 13,005,508</u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental fund balances totaled \$8,896,956 at June 30, 2017. A summary of changes in governmental fund balances follows:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>Change</u> |
|----------------------------|----------------------|----------------------|-------------------|
| General fund | \$ 2,036,215 | \$ 2,185,438 | \$ (149,223) |
| Grants and cost share fund | 934,168 | 1,093,113 | (158,945) |
| Land conservation fund | <u>5,926,573</u> | <u>5,161,126</u> | <u>765,447</u> |
| Total | <u>\$ 8,896,956</u> | <u>\$ 8,439,677</u> | <u>\$ 457,279</u> |

Revenues for the General Fund were \$4,748,469, which was \$31,264 over budget. Expenditures for the General Fund were \$2,853,572, which was \$807,254 under budget.

The decrease in the Grants and Cost Share Fund is due to project expenses exceeding transfers from the General Fund during the year.

BUDGETARY HIGHLIGHTS

See the supplemental information for detailed schedules of budget to actual variances for the fiscal year ended June 30, 2017. Expenditures were under budget for the year.

CAPITAL ASSETS

At June 30, 2017 the District had \$4,814,777 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, 2017.

ECONOMIC FACTORS

Property tax revenue is the main source of the District's operating revenue and represents approximately 95% 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.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Statement of Net Position

June 30, 2017

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and investments | \$ 9,128,629 |
| Property taxes receivable | 295,394 |
| Accounts receivable | <u>9,724</u> |
| Total current assets | 9,433,747 |
| Noncurrent assets: | |
| Capital assets, net of accumulated depreciation | <u>4,814,777</u> |
| Total assets | <u>14,248,524</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 200,733 |
| Accrued payroll | 60,913 |
| Other current liabilities | 2,800 |
| Accrued compensated absences | <u>70,183</u> |
| Total liabilities | <u>334,629</u> |
| NET POSITION | |
| Invested in capital assets | 4,814,777 |
| Restricted | 934,168 |
| Unrestricted | <u>8,164,950</u> |
| Total net position | <u>\$ 13,913,895</u> |

The accompanying notes are an integral part of these financial statements

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Expenses: | |
| Soil and water conservation | \$ 3,914,661 |
| Program revenues: | |
| Operating grants and contributions | 72,674 |
| Charges for services and sale of products | <u>82,857</u> |
| Total program revenues | <u>155,531</u> |
| Net program expenses | (3,759,130) |
| General Revenues: | |
| Property taxes | 4,542,260 |
| Miscellaneous income | 21,908 |
| Interest income | <u>103,349</u> |
| Total general revenues | <u>4,667,517</u> |
| Change in net position | 908,387 |
| Net position, beginning of year | <u>13,005,508</u> |
| Net position, end of year | \$ <u><u>13,913,895</u></u> |

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Balance Sheet – Governmental Funds

June 30, 2017

| | General Fund |
|---|---------------------|
| | <hr/> |
| ASSETS: | |
| Cash and investments | \$ 9,128,629 |
| Property taxes receivable | 295,394 |
| Accounts receivable | 9,724 |
| | <hr/> |
| Total assets | <u>\$ 9,433,747</u> |
| LIABILITIES: | |
| Accounts payable | \$ 200,733 |
| Accrued payroll | 60,913 |
| Other current liabilities | 2,800 |
| | <hr/> |
| Total liabilities | <u>264,446</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | <u>272,345</u> |
| | <hr/> |
| Total deferred inflows of resources | 272,345 |
| FUND BALANCES: | |
| Restricted (grants for conservation projects) | 934,168 |
| Assigned (land conservation) | 5,926,573 |
| Unassigned | 2,036,215 |
| | <hr/> |
| Total fund balances | <u>8,896,956</u> |
| Total liabilities and fund balances | <u>\$ 9,433,747</u> |

Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position:

| | |
|---|----------------------|
| Total fund balances – governmental funds | \$ 8,896,956 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 4,814,777 |
| Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | 272,345 |
| Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(70,183)</u> |
| Net position | <u>\$ 13,913,895</u> |

The accompanying notes are an integral part of these financial statements

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds**

For the Year Ended June 30, 2017

| | <u>General Fund</u> |
|---------------------------------|----------------------------|
| REVENUES: | |
| Property tax income | \$ 4,536,642 |
| Grant income | 72,674 |
| Native plant sale | 31,055 |
| Interest income | 103,349 |
| Rental income | 51,802 |
| Miscellaneous | <u>21,908</u> |
| Total revenues | <u>4,817,430</u> |
| EXPENDITURES: | |
| Current: | |
| Personal services | 1,718,557 |
| Materials and services | 2,103,620 |
| Capital outlay | <u>537,974</u> |
| Total expenditures | <u>4,360,151</u> |
| Change in fund balances | <u>457,279</u> |
| Fund balance, beginning of year | <u>8,439,677</u> |
| Fund balance, end of year | <u><u>\$ 8,896,956</u></u> |

The accompanying notes are an integral part of these financial statements

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2017

| | | |
|---|----|-----------------|
| Total changes in fund balances – governmental funds | \$ | 457,279 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the effect of the change in the deferred property tax revenue during the year. | | 5,618 |
| Capital asset additions are reported in the 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. | | |
| Current year capital outlay expenditures capitalized as additions | | 537,974 |
| Less depreciation expense | | (80,542) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | <u>(11,942)</u> |
| Change in net position | \$ | <u>908,387</u> |

The accompanying notes are an integral part of these financial statements

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2017

1. Summary of Significant Accounting Policies

Reporting Entity

East Multnomah Soil and Water Conservation District (the “District”) is a subdivision of state government and functions as a local unit under the direction of a five member board of directors. The District was organized under the authority of Oregon Revised Statutes Chapter 568. The District’s work involves prevention and control of soil erosion, conservation of natural resources and water quality management.

The District is a primary government. The reporting entity consists of the primary government, any organization for which the primary government is financially accountable, and any other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity.

All significant activities have been included in the basic financial statements. The District is financially independent of other state and local governmental units. Based on these criteria, the District is not a component unit of another entity, nor is any other entity required to be included in the financial statements of the District.

Measurement Focus and Basis of Accounting

All financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the governmental activities of the District in one column using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 activities reports the District’s activities by function. The District’s sole function is soil and water conservation. The statement of activities demonstrates the degree to which the expenses of each function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues includes 1) charges to those who use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operating requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. Expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Fund Financial Statements

Separate fund financial statements are also provided for governmental funds. Major governmental funds are reported as separate columns in the fund financial statements.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements – Continued

June 30, 2017

1. Summary of Significant Accounting Policies (continued)

The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum level of funds is maintained consistent with legal and managerial requirements.

The fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Non-grant revenues are recognized when they become measureable and available as net current assets. Measureable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred. Capital outlay is an expenditure when purchased and debt service is an expenditure when paid.

Fund Accounting

The District has the following major funds:

- 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.
- 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.
- 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.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or regulations of other governments. Net position is classified in the following three categories:

Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation, reduced by the outstanding borrowings of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on them by entities outside of the District.

Unrestricted net position – all other net positions that do not meet either of the criteria above.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements – Continued

June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Fund Equity

The District follows the guidance in Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. Under this standard, the fund balances are classified as nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts constrained to specific purpose by their providers (such as grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds constrained to specific purposes by a government itself, using its highest level of decision-making authority (Board of Directors); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level authority action to remove or change the constraint.
- Assigned fund balance represents amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, assignments are approved by the Board of Directors.
- Unassigned fund balance represents amounts that are available for any purpose; these amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

The District has defined cash and cash equivalents to include cash on hand, demand deposits and short term investments with original maturities of three months or less. Investments maintained in the Oregon Local Government Investment Pool (LGIP) are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the LGIP are the same as the value of the pool shares. The carrying amount of the cash and cash equivalents approximate fair value due to the short term maturities of these instruments.

Property Taxes

Real property taxes are levied and attached as an enforceable lien on property as of July 1 of each fiscal year. Real property taxes may be paid in full by November 15 with a 3% discount, or paid in three equal payments on November 15, February 15, and May 15. Multnomah County, Oregon, makes all assessments of property value and levies and collects property taxes for all levying districts within the County. The District considers all property taxes to be fully collectible and therefore, no allowance for uncollectible property taxes has been made.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Receivables

Grants and accounts receivable consists of amounts due from grantor agencies and charges for services and miscellaneous reimbursements. The District considers all grants receivable to be fully collectible and therefore, no allowance has been made.

Capital Assets

Capital assets, which include property, plant and equipment, are stated at historical cost on the government-wide financial statements. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Donated assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|----------|
| Buildings and Improvements | 30 years |
| Furniture and Equipment | 5 years |
| Vehicles | 10 years |

Compensated Absence Payable

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

Long-Term Obligations

In the government-wide financial statements long-term debt is reported as a liability in the governmental activities. Bond premiums and discounts, as well as other issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs, in the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, 2017 are presented in the fund financial statements, but have been eliminated from the statement of activities.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2017

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense). Actual results could differ from those estimates.

2. 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.

3. Cash and Investments

Cash and investments of the District consisted of the following at June 30, 2017:

| | | |
|----------------------------------|----|-------------------------|
| Local Government Investment Pool | \$ | 9,026,294 |
| Checking account | | <u>102,335</u> |
| Total | \$ | <u><u>9,128,629</u></u> |

Deposits

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal Deposit Insurance Corporation (FDIC) insurance of \$250,000 applies to total deposits at each financial institution. When balances exceed \$250,000, ORS 295.002 requires the bank depository to enter into an agreement described in ORS 295.008(2)(b) and to deposit securities pursuant to ORS 295.015(1). The Oregon State Treasurer's Office facilitates these agreements and maintains a list of qualified depositories. Well capitalized depository banks must pledge securities with a value of at least 10 percent of their quarter-end public fund deposits, unless otherwise directed by the Oregon State Treasurer. Adequately capitalized or undercapitalized bank depositories are required to pledge collateral valued at 110 percent of their uninsured public fund deposits. The securities are held by a custodian for the benefit of the State of Oregon. Any balances in excess of the FDIC insurance plus 10 percent are considered exposed to custodial

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2017

3. Cash and Investments (Continued)

credit risk. Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will be unable to recover deposits or collateral securities in the hands of an outside party. At June 30, 2017, deposits per the bank statements were \$102,335 and were federally insured.

Investments

Oregon Revised Statutes 294.035 authorizes the District to invest in general obligations of the U.S. government and its agencies, bankers' acceptances, commercial paper rated A-2 or better by Standard & Poor's Corporation or P-2 by Moody's Investors Service, and the state of Oregon Local Government Investment Pool (LGIP), among others.

The only investments held by the District at June 30, 2017 were amounts deposited with the state of Oregon LGIP. The District's investment in the LGIP is carried at cost, which approximates fair value. The state of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested and the investments are those funds managed, as a prudent investor would do, exercising reasonable care, skill, and caution.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its fair value will decline if interest rates rise. In order to manage the interest rate risk of its investments, the District only invests in the LGIP. The LGIP has rules that require at least 50 percent of its investments to mature within 93 days, not more than 25 percent may mature in over a year, and all other investments must mature in no more than three years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investments in the LGIP are not required to be rated for credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the state of Oregon's name.

4. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District participates in the Special District Association of Oregon.

No losses were incurred during the prior three years ended June 30, 2017 that exceeded the District's insurance coverage.

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2017

5. Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 |
|----------------------------------|-------------------------|-------------------|-------------|--------------------------|
| Land | \$ 3,290,606 | \$ 283,711 | \$ - | \$ 3,574,317 |
| Buildings and improvements | 1,215,253 | 242,382 | - | 1,457,635 |
| Equipment and furniture | <u>193,783</u> | <u>11,880</u> | <u>-</u> | <u>205,663</u> |
| Total depreciable capital assets | 1,409,036 | 254,262 | - | 1,663,298 |
| Less: accumulated depreciation | | | | |
| Buildings and improvements | (252,012) | (46,476) | - | (298,488) |
| Equipment and furniture | <u>(90,284)</u> | <u>(34,066)</u> | <u>-</u> | <u>(124,350)</u> |
| Total accumulated depreciation | <u>(342,296)</u> | <u>(80,542)</u> | <u>-</u> | <u>(422,838)</u> |
| Net capital assets | <u>\$ 4,357,346</u> | <u>\$ 457,431</u> | <u>\$ -</u> | <u>\$ 4,814,777</u> |

Depreciation expense of \$80,542 is recorded as a program expense in the accompanying Statement of Activities for the year ended June 30, 2017.

6. 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 to 6 percent of the employees' compensation and contribute it to a 401(a) retirement plan for eligible employees. During the year ended June 30, 2017 the District contributed \$69,835 to the Plan.

7. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

8. Subsequent Events

The District did not have any subsequent events through November 1, 2017, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund**

For the Year Ended June 30, 2017

| | Original And Final Budget | Actual | Variance to Final Budget |
|--|---------------------------------|---------------------|-----------------------------|
| REVENUES: | | | |
| Property tax income | \$ 4,547,455 | \$ 4,536,642 | \$ (10,813) |
| Grant income | 83,174 | 72,674 | (10,500) |
| Native plant sale | 30,000 | 31,055 | 1,055 |
| Interest income | 13,000 | 34,388 | 21,388 |
| Rental income | 43,576 | 51,802 | 8,226 |
| Miscellaneous | - | 21,908 | 21,908 |
| Total revenues | <u>4,717,205</u> | <u>4,748,469</u> | <u>31,264</u> |
| EXPENDITURES: | | | |
| Personal services | 1,806,746 | 1,718,557 | 88,189 |
| Materials and services | 1,166,200 | 880,752 | 285,448 |
| Capital outlay | 392,700 | 254,263 | 138,437 |
| Contingency | 295,180 | - | 295,180 |
| Total expenditures | <u>3,660,826</u> | <u>2,853,572</u> | <u>807,254</u> |
| Excess of revenues over (under) expenditures | <u>1,056,379</u> | <u>1,894,897</u> | <u>838,488</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers out | <u>(2,044,120)</u> | <u>(2,044,120)</u> | <u>-</u> |
| Total other financing uses | <u>(2,044,120)</u> | <u>(2,044,120)</u> | <u>-</u> |
| Change in fund balances | <u>(987,741)</u> | <u>(149,223)</u> | <u>838,518</u> |
| Fund balance, beginning of year | <u>1,818,686</u> | <u>2,185,438</u> | <u>366,752</u> |
| Fund balance, end of year | <u>\$ 830,945</u> | 2,036,215 | <u>\$ 1,205,270</u> |
| Reconciliation to Governmental Fund Balance as required by GASB 54 | | | |
| Ending Fund Balance: | | | |
| Grants and Cost Share Fund | | 934,168 | |
| Land Conservation Fund | | <u>5,926,573</u> | |
| Total | | <u>\$ 8,896,956</u> | |

See notes to the basic financial statements

OTHER SUPPLEMENTARY INFORMATION

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Grants and Cost Share Fund**

For the Year Ended June 30, 2017

| | <u>Original And Final Budget</u> | <u>Actual Budgetary Basis</u> | <u>Variance to Final Budget</u> |
|--|--|---------------------------------------|-------------------------------------|
| REVENUES: | | | |
| Interest | <u>\$ 6,000</u> | <u>\$ 14,103</u> | <u>\$ 8,103</u> |
| Total revenues | <u>6,000</u> | <u>14,103</u> | <u>8,103</u> |
| EXPENDITURES: | | | |
| Materials and supplies | <u>2,230,300</u> | <u>1,222,868</u> | <u>1,007,432</u> |
| Total expenditures | <u>2,230,300</u> | <u>1,222,868</u> | <u>1,007,432</u> |
| Excess of revenues over (under) expenditures | <u>(2,224,300)</u> | <u>(1,208,765)</u> | <u>1,015,535</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | <u>1,049,820</u> | <u>1,049,820</u> | <u>-</u> |
| Change in fund balance | <u>(1,174,480)</u> | <u>(158,945)</u> | <u>1,015,535</u> |
| Beginning fund balance | <u>1,174,480</u> | <u>1,093,113</u> | <u>(81,367)</u> |
| Ending fund balance | <u><u>\$ -</u></u> | <u><u>\$ 934,168</u></u> | <u><u>\$ 934,168</u></u> |

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 notes to the basic financial statements

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Land Conservation Fund**

For the Year Ended June 30, 2017

| | Original And Final Budget | Actual Budgetary Basis | Variance to Final Budget |
|--|---------------------------------|------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES: | | | |
| Interest | \$ 26,000 | \$ 54,858 | \$ 28,858 |
| Total revenues | <u>26,000</u> | <u>54,858</u> | <u>28,858</u> |
| EXPENDITURES: | | | |
| Capital outlay | <u>6,184,987</u> | <u>283,711</u> | <u>5,901,276</u> |
| Total expenditures | <u>6,184,987</u> | <u>283,711</u> | <u>5,901,276</u> |
| Excess of revenues over (under) expenditures | <u>(6,158,987)</u> | <u>(228,853)</u> | <u>5,930,134</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | <u>994,300</u> | <u>994,300</u> | <u>-</u> |
| Change in fund balance | <u>(5,164,687)</u> | <u>765,447</u> | <u>5,930,134</u> |
| Beginning fund balance | <u>5,164,687</u> | <u>5,161,126</u> | <u>(3,561)</u> |
| Ending fund balance | <u>\$ -</u> | <u>\$ 5,926,573</u> | <u>\$ 5,926,573</u> |

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 notes to the basic financial statements

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

**Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual
Partner Grants Management Fund**

For the Year Ended June 30, 2017

| | <u>Original And Final Budget</u> | <u>Actual Budgetary Basis</u> | <u>Variance to Final Budget</u> |
|--|--|---------------------------------------|-------------------------------------|
| REVENUES: | | | |
| Partner grant | <u>\$ 25,000</u> | <u>\$ -</u> | <u>\$ (25,000)</u> |
| Total revenues | <u>25,000</u> | <u>-</u> | <u>(25,000)</u> |
| EXPENDITURES: | | | |
| Materials and services | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| Total expenditures | <u>25,000</u> | <u>-</u> | <u>25,000</u> |
| Excess of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | <u>-</u> | <u>-</u> | <u>-</u> |
| Change in fund balance | <u>-</u> | <u>-</u> | <u>-</u> |
| Beginning fund balance | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending fund balance | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See notes to the basic financial statements

EAST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Schedule of Property Tax Collections and Taxes Receivable

For the year ended June 30, 2017

| <u>Transactions by Year</u> | <u>Property Taxes Uncollected, Beginning</u> | <u>Levy as Extended by Assessor</u> | <u>Discounts</u> | <u>Collections</u> | <u>Adjustments</u> | <u>Property Taxes Uncollected, Ending</u> |
|---------------------------------|--|---|---------------------|-----------------------|--------------------|---|
| 2016-2017 | \$ - | \$ 4,679,368 | \$ (121,965) | \$ (4,451,959) | \$ (15,317) | \$ 90,127 |
| 2015-2016 | 97,279 | - | 97 | (37,815) | (4,064) | 55,497 |
| 2014-2015 | 54,570 | - | 14 | (13,088) | (628) | 40,868 |
| 2013-2014 | 41,607 | - | 5 | (11,002) | (284) | 30,326 |
| 2012-2013 | 28,689 | - | - | (5,584) | (67) | 23,038 |
| 2011-2012 | 25,560 | - | - | (599) | (105) | 24,856 |
| 2010-Prior | 31,335 | - | - | (558) | (95) | 30,682 |
| | <u>\$ 279,040</u> | <u>\$ 4,679,368</u> | <u>\$ (121,849)</u> | <u>\$ (4,520,605)</u> | <u>\$ (20,560)</u> | <u>\$ 295,394</u> |

| | |
|-----------------------------|---------------------|
| Reconciliation to Revenues: | <u>Total</u> |
| Collections per county | \$ 4,520,605 |
| Accrual of Receivables: | |
| June 30, 2016 | (12,314) |
| June 30, 2017 | 16,354 |
| Other Taxes | <u>17,615</u> |
| Total Revenues | <u>\$ 4,542,260</u> |

See notes to the basic financial statements

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**

**Independent Auditor's Report
Required by Oregon State Regulations**

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

We have audited the accompanying basic financial statements of East Multnomah Soil and Water Conservation District (the District) as of and for the year ended June 30, 2017 and have issued our report thereon dated November 1, 2017. 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 East Multnomah Soil and Water Conservation District's financial statements are free of material misstatement we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 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, 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
- Programs funded from outside sources
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- Authorized investment of surplus funds (ORS Chapter 294)

In connection with our testing nothing came to our attention that caused us to believe East Multnomah Soil and Water Conservation District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including 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 East Multnomah Soil and Water Conservation District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of East Multnomah Soil and Water Conservation District internal control over financial reporting.

This report is intended for the information of East Multnomah Soil and Water Conservation District's board of directors and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink that reads "Richard Winkel, CPA". The signature is written in a cursive style.

Richard Winkel, CPA
November 1, 2017