

**CLACKAMAS COUNTY SOIL AND WATER  
CONSERVATION DISTRICT**

**Financial Statements**

**For the Year Ended June 30, 2012**

CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT  
June 30, 2012

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Zone</u>
Jesse Nelson	Director	Zone 1
Ron Oberg	Chair	Zone 2
Vacant		Zone 3
Joan Zuber	Secretary	Zone 4
Don Guttridge	Treasurer	Zone 5
Michael Weinberg	Vice Chair	At Large
Jan Lee	Director	At Large

MAILING ADDRESS

Clackamas County Soil and Water Conservation District  
221 Molalla Avenue, Suite 102  
Oregon City, OR 97045

CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT  
Financial Statements  
For the year ended June 30, 2012

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis	6
Statement of Activities – Modified Cash Basis	7
Fund Financial Statements:	
Balance Sheet – Modified Cash Basis – Governmental Funds	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	9
Notes to Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION	
Modified Cash Basis Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – General Fund	17
Modified Cash Basis Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Conservation Implementation Fund	18
OTHER SUPPLEMENTARY INFORMATION	
Modified Cash Basis Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Building Reserve Fund	19
Modified Cash Basis Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Equipment Reserve Fund	20
Schedule of Property Tax Transactions	21
AUDITOR’S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	22

Independent Auditor's Report

Board of Directors  
Clackamas County Soil and Water Conservation District  
Clackamas County, Oregon

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clackamas County Soil and Water Conservation District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

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

As described in Note 1, Clackamas County Soil and Water Conservation District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Clackamas County Soil and Water Conservation District as of June 30, 2012 and the respective changes in financial position – modified cash basis for the year then ended on the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the budgetary comparison information on pages 17-18 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

**Richard Winkel, CPA**

PO Box 91637  
Portland, OR 97291

tel: (503) 332-6750  
fax: (888) 739-8185  
email: [rwinkel@winkelcpa.com](mailto:rwinkel@winkelcpa.com)

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clackamas County Soil and Water Conservation District's basic financial statements. The budget and actual schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. Those schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Richard Winkel, CPA*

October 1, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2012**

Our discussion and analysis of Clackamas County Soil and Water Conservation District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. 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 increased in 2012 by \$179,401. The majority of the change resulted from increases in property tax revenue, which increased by \$198,051 due to an increase in the levy rate from 4 cents in 2011 to 4.5 cents in 2012. Grant revenues decreased by \$17,809 due to reduced funding by OWEB for various projects.
- Total expenditures increased by \$206,531, primarily related to increases in specific projects.
- The District's net assets increased by \$103,563 during the year ended June 30, 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The government-wide financial statements on pages 6 and 7 are designed to provide an overview of the District's finances. The statement of net assets – modified cash basis presents information regarding assets and liabilities, with the difference between the two reported as net assets. Over time, the increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating. The statement of activities – modified cash basis presents information showing how the District's net assets changed during the year.

The fund financial statements on pages 8 and 9 focus on inflows and outflows of spendable resources, as well as balances of resources available at the end of the year for the District's funds. Both the modified cash basis governmental fund balance sheet and the modified cash basis governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison with the government-wide financial statements.

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**SUMMARY STATEMENT OF NET ASSETS**  
**MODIFIED CASH BASIS**

	<u>FY 2012</u>	<u>FY 2011</u>
Assets:		
Current assets	\$ 2,287,416	\$ 2,161,347
Capital assets, net of depreciation	<u>130,301</u>	<u>142,087</u>
Total assets	<u>\$ 2,417,717</u>	<u>\$ 2,303,434</u>
Current liabilities	<u>\$ 102,557</u>	<u>\$ 91,838</u>
NET ASSETS:		
Invested in capital assets	130,301	142,087
Unrestricted	<u>2,184,859</u>	<u>2,069,509</u>
Total net assets	<u>\$ 2,315,160</u>	<u>\$ 2,211,596</u>

**SUMMARY STATEMENT OF ACTIVITIES**  
**MODIFIED CASH BASIS**

	<u>FY 2012</u>	<u>FY 2011</u>
Program revenues:		
Grants	\$ 84,693	\$ 102,502
General revenues:		
Property taxes	1,592,696	1,394,645
Interest income	9,946	9,339
Other income	<u>21</u>	<u>1,469</u>
Total revenues	1,687,356	1,507,955
Expenditures		
Soil and water conservation	<u>1,583,792</u>	<u>1,377,262</u>
Total expenses	<u>1,583,792</u>	<u>1,377,262</u>
Change in net assets	103,564	130,693
Net assets, beginning of year	<u>2,211,596</u>	<u>2,080,903</u>
Net assets, end of year	<u>\$ 2,315,160</u>	<u>\$ 2,211,596</u>



**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2012**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Governmental fund balances totaled \$2,184,859 at June 30, 2012. A summary of changes in governmental fund balances follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>
General fund	\$ 1,811,103	\$ 1,811,912	\$ (809)
Building reserve fund	379,143	257,597	121,546
Conservation implementation fund	<u>(5,387)</u>	<u>-</u>	<u>(5,387)</u>
 Total	 <u>\$ 2,184,859</u>	 <u>\$ 2,069,509</u>	 <u>\$ 115,350</u>

In 2012 the General Fund revenues increased by \$161,367, approximately 10.7%, while expenditures increased by \$5,022, approximately 0.4%. The increase in revenues is due to a higher property tax levy rate, offset by a decrease in grant revenues, as mentioned above.

Revenues for the General Fund were \$1,668,151, which was \$77,312 over budget. Budgeted expense amounts for the General Fund was \$1,817,812, compared to actual expenditures of \$1,413,636.

The negative fund balance in the Conservation Implementation Fund will be corrected during the year ended June 30, 2013 with transfers from the General Fund.

**BUDGETARY HIGHLIGHTS**

See the supplemental information for detailed schedules of budget to actual variances for the fiscal year ended June 30, 2012. Expenditures were under budget for the year.

**CAPITAL ASSETS**

At June 30, 2012 the District had \$305,876 invested in capital assets. During the year ended June 30, 2012 the District purchased capital assets in the amount of \$20,105. More detailed information about the District's capital assets is presented in the notes to the financial statements.

**ECONOMIC FACTORS**

Property tax revenue is the main source of the District's operating revenue. The District also receives state and federal grants. 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 221 Molalla Ave, Suite 102, Oregon City, OR 97045. The District telephone number is (503) 210-6000.

## **FINANCIAL SECTION**

## **BASIC FINANCIAL STATEMENTS**

CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT

Statement of Net Assets – Modified Cash Basis

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,184,859
Property taxes receivable	102,557
Capital assets, net of depreciation	<u>130,301</u>
Total assets	<u>\$ 2,303,434</u>
LIABILITIES	
Deferred property tax revenue	<u>\$ 102,557</u>
CASH BASIS NET ASSETS	
Invested in capital assets	130,301
Unrestricted	<u>2,184,859</u>
Total net assets	<u>\$ 2,315,160</u>

The accompanying notes are an integral part of these financial statements

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**Statement of Activities – Modified Cash Basis**

**For the Year Ended June 30, 2012**

Functions	Expenses	Function Revenues		Net (Expense) Revenue And Changes in Net Assets
		Charges For Services	Operating Grants and Contributions	
Conservation	\$ <u>1,583,792</u>	\$ <u>-</u>	\$ <u>84,693</u>	\$ <u>(1,499,099)</u>
Total Governmental Activities	\$ <u>1,583,792</u>	\$ <u>-</u>	\$ <u>84,693</u>	(1,499,099)

General Revenues:

Property taxes	1,592,696
Unrestricted investment earnings	9,946
Other general revenues	<u>21</u>

Total General Revenues 1,602,663

Change in net assets 103,564

Net Assets, beginning of year 2,211,596

Net Assets, end of year \$ 2,315,160

The accompanying notes are an integral part of these financial statements

**FUND FINANCIAL STATEMENTS**

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**Balance Sheet – Modified Cash Basis – Governmental Funds**

**June 30, 2012**

	<u>General Fund</u>	<u>Conservation Implementation Fund</u>	<u>Building Reserve Fund</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash and investments	\$ 1,805,716	\$ -	\$ 379,143	\$ 2,069,509
Property taxes receivable	102,557	-	-	102,557
Due from other fund	<u>5,387</u>	<u>-</u>	<u>-</u>	<u>5,387</u>
 Total assets	 <u>\$ 1,913,660</u>	 <u>-</u>	 <u>\$ 379,143</u>	 <u>\$ 2,161,347</u>
<b>LIABILITIES:</b>				
Deferred property tax revenue	\$ 102,557	\$ -	\$ -	\$ 102,557
Due to other fund	<u>-</u>	<u>5,387</u>	<u>-</u>	<u>5,387</u>
 Total liabilities	 102,557	 -	 -	 91,838
<b>FUND BALANCES:</b>				
Assigned (building reserve)	-	-	379,143	379,143
Unassigned	<u>1,811,103</u>	<u>(5,387)</u>	<u>-</u>	<u>1,805,716</u>
 Total fund balances	 <u>1,811,103</u>	 <u>(5,387)</u>	 <u>379,143</u>	 <u>2,184,859</u>
 Total liabilities and fund balances	 <u>\$ 1,913,660</u>	 <u>\$ (5,387)</u>	 <u>\$ 379,143</u>	 <u>\$ 2,161,347</u>

**Reconciliation of Balance Sheet to Statement of Net Assets**

Total fund balances – Governmental Funds \$ 2,184,859

The cost of capital assets (equipment, vehicles and office equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole.

Net capital assets 130,301

Net assets \$ 2,315,160

The accompanying notes are an integral part of these financial statements

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

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

**For the Year Ended June 30, 2012**

	General Fund	Conservation Implementation Fund	Building Reserve Fund	Total
<b>REVENUES:</b>				
Property tax income	\$ 1,592,696	\$ -	\$ -	\$ 1,592,696
Grant income	67,034	17,659	-	84,693
Interest income	8,400	-	1,546	9,946
Other income	21	-	-	21
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,668,151	17,659	1,546	1,687,356
<b>EXPENDITURES:</b>				
Personal services	977,029	-	-	977,029
Materials and services	409,921	158,370	-	568,291
Capital outlay	26,686	-	-	26,686
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,413,636	158,370	-	1,572,006
Revenues over (under) expenditures	254,515	(140,711)	1,546	115,350
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	(255,324)	135,324	120,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Change in fund balances	(809)	(5,387)	121,546	115,350
Fund balance, beginning	1,811,912	-	257,597	2,069,509
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, ending	\$ 1,811,103	\$ (5,387)	\$ 379,143	\$ 2,184,859

Total changes in fund balances – Governmental Funds \$ 115,350

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	20,105
Depreciation expense	<u>(31,891)</u>

Change in net assets \$ 103,564

The accompanying notes are an integral part of these financial statements



# CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2012

### 1. Summary of Significant Accounting Policies

#### Reporting Entity

Clackamas County Soil and Water Conservation District (the “District”) is a municipal corporation organized under the general laws of the State of Oregon established to provide technical and practical services designed to conserve and use resources sustainable today and for future generations. The District works with landowners who have a personal commitment to improving the conservation of their property, including development and delivery of designs and improvements in drainage, protection of water from animal nutrients, mud and manure management, weed control, sustainable crops, and erosion protection.

The District is governed by a seven-member Board of Directors, which is elected by Clackamas County residents. Officers are elected by the Board of Directors, which is authorized to transact all business on the District’s behalf.

The District is a political subdivision of the State of Oregon. 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.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets – modified cash basis and the statement of activities – modified cash basis) report information on all of the governmental activities of the District in one column. The statement of activities demonstrates the degree to which expenses are offset by program revenues. Items not properly included among program revenues are reported as general revenues.

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. 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. Interest income is reported as general revenues.

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

#### 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 and interest.

# CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements – Continued

June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

- The Conservation Implementation Fund is a special revenue fund to account for special projects related to conservation.
- The Building Reserve Capital Project Fund is a capital project fund used to account for resources restricted for the acquisition or construction of specific capital items or projects.

#### Measurement Focus and Basis of Accounting

All financial statements have been prepared on the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

The modified cash basis of accounting differs from the modified accrual basis as prescribed by generally accepted accounting principles for governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures, with certain exceptions, are recognized when the related liability is incurred.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

#### 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.

The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal Deposit Insurance Corporation (FDIC) insurance of up to \$250,000 applies to total deposits at each financial institution.

#### 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. Clackamas 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.

# CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

#### Use of Estimates

The preparation of financial statements in accordance with an other comprehensive basis of accounting 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.

#### Capital Assets

Capital assets are stated at historical cost. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture and Equipment	3 to 7 years
Vehicles	5 years

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets are 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 assets are 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 assets – consists of net assets with constraints placed on them by entities outside of the District. At June 30, 2012 the District had no restricted net assets.

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

#### Fund Equity

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. 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 of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.

# CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

- 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.

The negative fund balance in the Conservation Implementation Fund will be corrected with transfers from the General Fund.

#### Transfers

The District makes transfers between funds when approved by the Board. Transfers for the year ended June 30, 2012 are presented in the fund financial statements, but have been eliminated from the statement of activities.

### 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 budget is adopted and appropriations are made no later than June 30<sup>th</sup>.

The detail budget document, however, is required to contain more specific detailed information for the above-mentioned expenditure categories. 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.

# CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2012

### 3. Cash and Investments

Cash and investments of the District consisted of the following at June 30, 2012:

Cash on deposit with financial institutions	\$	482,754
Local Government Investment Pool		<u>1,702,106</u>
Total	\$	<u>2,184,860</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 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, 2012, deposits were fully collateralized.

#### 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, 2011 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.

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2012**

**3. Cash and Investments (continued)**

*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. Capital Assets**

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Equipment	\$ 72,967	\$ 1,555	\$ -	\$ 74,522
Vehicles	67,742	-	-	67,742
Office equipment	<u>145,062</u>	<u>18,550</u>	<u>-</u>	<u>163,612</u>
 Total capital assets	 285,771	 20,105	 -	 305,876
 Less: accumulated depreciation				
Equipment	(42,756)	(4,055)	-	(46,811)
Vehicles	(56,444)	(3,873)	-	(60,317)
Office equipment	<u>(44,484)</u>	<u>(23,963)</u>	<u>-</u>	<u>(68,447)</u>
 Total accumulated depreciation	 <u>(143,684)</u>	 <u>(31,891)</u>	 <u>-</u>	 <u>(175,575)</u>
 Net capital assets	 <u>\$ 142,087</u>	 <u>\$ (11,786)</u>	 <u>\$ -</u>	 <u>\$ 130,301</u>

**5. Leases**

The District leases office space under the terms of an operating lease. The lease requires monthly payments that escalate during the lease term and expires in October 31, 2014. Total rent expense under the term of this lease agreement was \$76,021 for the year ended June 30, 2012.

Future requirements under the terms of the operating lease are as follows:

Year ending June 30,	
2013	\$ 78,302
2014	80,651
2015	<u>27,147</u>
 Total	 <u>\$ 186,100</u>

# CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2012

### **6. 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 has purchased insurance coverage.

No losses were incurred during the prior three years ended June 30, 2012 that exceeded the District's insurance coverage.

### **7. 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 contributes 7.5% percent of the employees' compensation to the Plan. During the year ended June 30, 2012 the District contributed \$49,666 to the Plan.

### **8. Subsequent Events**

The District did not have any subsequent events through October 1, 2012 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, 2012.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CLACKAMAS COUNTY 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, 2012**

	Original And Final Budget	Actual	Variance to Final Budget Positive (Negative)
<b>REVENUES:</b>			
Property taxes	\$ 1,535,839	\$ 1,592,696	\$ 56,857
Grant revenue	49,000	67,034	18,034
Interest	6,000	8,400	2,400
Miscellaneous income	-	21	21
	<hr/>	<hr/>	<hr/>
Total revenues	1,590,839	1,668,151	77,312
<b>EXPENDITURES:</b>			
Personal services	1,202,512	977,029	225,483
Materials and supplies	535,300	409,921	125,379
Capital outlay	30,000	26,686	3,314
Contingency	50,000	-	50,000
	<hr/>	<hr/>	<hr/>
Total expenditures	1,817,812	1,413,636	404,176
Excess of revenues over (under) expenditures	(226,973)	254,515	481,488
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers out	(395,324)	(255,324)	140,000
	<hr/>	<hr/>	<hr/>
Change in fund balance	(622,297)	(809)	621,488
Beginning fund balance	1,800,000	1,811,912	11,912
	<hr/>	<hr/>	<hr/>
Ending fund balance	\$ 1,177,703	\$ 1,811,103	\$ 633,400

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**Modified Cash Basis Schedule of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual – Conservation Implementation Fund**

**For the Year Ended June 30, 2012**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
REVENUES:			
Grant income	<u>\$ -</u>	<u>\$ 17,659</u>	<u>\$ 17,659</u>
EXPENDITURES:			
Materials and services	<u>385,324</u>	<u>158,370</u>	<u>226,954</u>
Excess of revenues over (under) expenditures	(385,324)	(140,711)	244,613
OTHER FINANCING SOURCES (USES):			
Transfers in	<u>135,324</u>	<u>135,324</u>	<u>-</u>
Change in fund balance	(250,000)	(5,387)	244,613
Beginning fund balance	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ (5,387)</u></u>	<u><u>\$ (5,387)</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**Modified Cash Basis Schedule of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual – Building Reserve Fund**

For the Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest income	\$ 400	\$ 1,546	\$ 1,146
<b>EXPENDITURES:</b>			
Materials and services	-	-	-
Excess of revenues over (under) expenditures	-	1,546	1,546
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	220,000	120,000	(100,000)
Change in fund balance	220,400	121,546	(98,854)
Beginning fund balance	257,018	257,597	579
Ending fund balance	<u>\$ 477,418</u>	<u>\$ 379,143</u>	<u>\$ (98,275)</u>

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

**Modified Cash Basis Schedule of Receipts, Disbursements and Changes in  
Fund Balance – Budget and Actual – Equipment Reserve Fund**

For the Year Ended June 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Interest income	\$ 220	\$ -	\$ (200)
<b>EXPENDITURES:</b>			
Capital outlay	26,000	-	26,000
Excess of revenues over (under) expenditures	(25,800)	-	25,800
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	40,000	-	(40,000)
Change in fund balance	14,200	-	(14,200)
Beginning fund balance	-	-	-
Ending fund balance	<u>\$ 14,200</u>	<u>\$ -</u>	<u>\$ (14,200)</u>

**CLACKAMAS COUNTY SOIL AND WATER CONSERVATION DISTRICT**

Schedule of Property Tax Transactions

For the Year Ended June 30, 2012

<u>Transactions by Year</u>	<u>Property Taxes Uncollected, Beginning</u>	<u>Levy as Extended by Assessor</u>	<u>Interest</u>	<u>Discounts</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Property Taxes Uncollected, Ending</u>
2011-2012	\$ -	\$ 1,640,200	\$ 329	\$ (35,265)	\$ (1,545,960)	\$ (5,346)	\$ 53,958
2010-2011	46,044	-	923	174	(26,522)	(1,023)	19,596
2009-2010	26,860	-	985	197	(6,588)	(559)	20,895
2008-2009	14,249	-	1,037	1	(8,710)	(229)	6,348
2007-2008	4,686	-	478	-	(3,311)	(93)	1,760
	<u>\$ 91,839</u>	<u>\$ 1,640,200</u>	<u>\$ 3,752</u>	<u>\$ (34,893)</u>	<u>\$ (1,591,091)</u>	<u>\$ (7,250)</u>	<u>\$ 102,557</u>

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

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

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

I have audited the basic financial statements of Clackamas County Soil and Water Conservation District (the District) as of and for the year ended June 30, 2012 and have issued my report thereon dated October 1, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether Clackamas County Soil and Water Conservation District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 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 my audit, and, accordingly, I do not express such an opinion.

I performed procedures to the extent I considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of Public Funds with Financial Institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions and repayment
- Insurance and Fidelity Bond Coverage
- Budgets legally required (ORS Chapter 294)
- Public Contracting and Purchasing
- Programs Funded From Outside Sources
- Authorized investment of surplus funds (ORS Chapter 294)

**Richard Winkel, CPA**

PO Box 91637  
Portland, OR 97291

tel: (503) 332-6750  
fax: (888) 739-8185  
email: [rwinkel@winkelcpa.com](mailto:rwinkel@winkelcpa.com)



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

### **OAR 162-10-0230 Internal Control**

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

My consideration of the internal control structure was for the limited purpose and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, I have identified a deficiency in internal control that I consider to be a material weakness that is disclosed in a separate letter.

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

*Richard Winkel, CPA*

October 1, 2012