

**WEST MULTNOMAH SOIL AND WATER
CONSERVATION DISTRICT**

Financial Statements

For the Year Ended June 30, 2015

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
June 30, 2015

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Zone</u>
Kim Peterson	Director	Zone 1
Jane Hartline	Director	Zone 2
George Sowder	Director	Zone 3
Brian Lightcap	Secretary	Zone 4
Terri Preeg Riggsby	Chair	Zone 5
Shawn Looney	Vice-Chair	At Large
Weston Miller	Treasurer	At Large

MAILING ADDRESS

West Multnomah Soil and Water Conservation District
2701 NW Vaughn Street, Suite 450
Portland, OR 97210

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT
Financial Statements
For the year ended June 30, 2015

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Independent Auditor's Report

Board of Directors
West 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 West Multnomah Soil and Water Conservation District as of and for the year ended June 30, 2015, 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 and each major fund of the West Multnomah Soil and Water Conservation District, as of June 30, 2015, 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 and the schedule of net pension liability presented as Required Supplementary Information, as listed in the table of contents, 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, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Multnomah Soil and Water Conservation District's basic financial statements. The budgetary comparison schedules on page 28 and the schedule of property tax transactions on page 29 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 December 15, 2015 on our consideration of West 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
December 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Multnomah Soil and Water Conservation District
Management's Discussion and Analysis
June 30, 2015

Management's discussion and analysis presents the highlights of the financial activities and financial position of the West Multnomah Soil and Water Conservation District (the District) for the fiscal year ended June 30, 2015. Our goal is to assist users of these financial statements in interpreting key data found in the pages that follow and in analyzing the results of this fiscal year. Because the information contained in this discussion is necessarily select in nature, it should be read and interpreted in conjunction with the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which consist of (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The basic financial statements present two different views of the District through the use of government-wide and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

Government-Wide Financial Statements

The government-wide financial statements reflect the District's activities, which are supported primarily by property taxes and grant revenues. The financial statements consist of the statement of net position and the statement of activities. You can think of the District's net position, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the District's financial health, or financial position. Over time, the District's net position increases or decreases are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base and the condition of the District's capital assets (vehicles, furniture and equipment) to assess the overall health of the District.

Fund Financial Statements

The General Fund is used to account for all financial resources, principally property taxes and grants. It includes the Sturgeon Lake Fund, which is not required to be reported as a separate fund under Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). However, the District legally adopts a budget for the Sturgeon Lake Fund and reports the fund separately in budgetary basis financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplemental information, which includes this management's discussion and analysis, budgetary schedules of revenues, expenditures and changes in fund balances for the General Fund and the Sturgeon Lake Fund, and a schedule of property tax transactions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

SUMMARY STATEMENTS OF NET POSITION AT JUNE 30,

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 1,061,199	\$ 961,472
Net pension asset	128,583	-
Capital assets, net	<u>15,722</u>	<u>5,811</u>
Total assets	<u>1,205,504</u>	<u>967,283</u>
Deferred outflows related to pensions	<u>75,218</u>	<u>-</u>
Current liabilities	<u>98,537</u>	<u>77,658</u>
Total liabilities	<u>98,537</u>	<u>77,658</u>
Deferred inflows related to pensions	<u>248,112</u>	<u>-</u>
NET POSITION:		
Invested in capital assets	15,722	5,811
Unrestricted	<u>918,351</u>	<u>883,814</u>
Total net position	<u>\$ 934,073</u>	<u>\$ 889,625</u>

SUMMARY STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30,

	<u>2015</u>	<u>2014</u>
Program revenues:		
Operating grants and contributions	\$ 97,110	\$ 117,683
Charges for services	<u>14,237</u>	<u>45,666</u>
Total program revenues	111,347	163,349
General revenues:		
Property taxes	1,309,258	1,208,852
Interest income	<u>5,101</u>	<u>4,946</u>
Total general revenues	<u>1,314,359</u>	<u>1,213,798</u>
Total revenues	1,425,706	1,377,147
Expenditures		
Soil and water conservation	<u>1,149,490</u>	<u>1,381,826</u>
Total expenses	<u>1,149,490</u>	<u>1,381,826</u>
Change in net position	276,216	(4,679)
Net position, beginning of year	889,625	894,304
Prior period adjustment	<u>(231,768)</u>	<u>-</u>
Net position, end of year	<u>\$ 934,073</u>	<u>\$ 889,625</u>

Financial Analysis of the District's Statements of Activities and Statements of Assets

Revenues were \$1,425,706 in 2015, an increase of \$48,559 over 2014. The majority of the change resulted from an increase in property tax revenues of \$100,406, offset by decreases in non-recurring operating grants and from charges and contributions for services related to educational events held during 2014.

Total expenditures were \$1,149,490 in 2015, a decrease of \$232,336 from 2014, primarily related to a decrease in pension expense of \$187,457 from the change in accounting for PERS expenses. There were also decreases in conservation project costs with landowners and grants we provide to our partners.

During the year ended June 30, 2015 the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This new accounting pronouncement changed the way the District accounts for pensions and resulted in a restatement of the beginning net position of \$231,768. More detailed information about this change in accounting principle can be found in the footnotes to the financial statements.

At June 30, 2015, the District's net assets were \$934,073, an increase of \$44,448 from the prior year.

Financial Analysis of the District's Funds

Governmental fund balances totaled \$919,912 at June 30, 2015. This represents an increase of \$84,388 from the prior year.

Revenues for the General Fund were \$1,425,716, which was \$47,246 over budget. Actual expense amounts for the General Fund was \$1,297,167, which was \$395,972 under budget.

Budgetary Highlights

See the supplemental information for detailed schedules of budget to actual variances for the fiscal year ended June 30, 2015. Expenditures were under budget for the year.

Capital Assets

At June 30, 2015 the District had \$15,722 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.

Economic Factors and Next Year's Budget

The District's Budget Committee considered many factors when preparing the District's budget for the fiscal year ending June 30, 2016. These factors included estimating the amount of taxes that will be collected and the amount of revenues that will be received from state sources and grants. Both property tax collections and grant revenue are expected to be stable.

Requests for Information

This financial report is designed to provide a general overview of the District's financial statements. Questions about this report or requests for additional financial information should be directed to the District Manager, 2701 NW Vaughn St., Suite 450, Portland, OR 97210.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 982,879
Property taxes receivable	<u>78,320</u>
Total current assets	1,061,199
Noncurrent assets:	
Net pension asset	128,583
Capital assets, net of accumulated depreciation	<u>15,722</u>
Total assets	<u>1,205,504</u>
Deferred outflows of resources	
Deferred amounts related to pensions	<u>75,218</u>
LIABILITIES	
Current liabilities:	
Accounts payable	75,477
Accrued vacation	<u>23,060</u>
Total liabilities	<u>98,537</u>
Deferred inflows of resources	
Deferred amounts related to pensions	<u>248,112</u>
NET POSITION	
Invested in capital assets	15,722
Unrestricted	<u>918,351</u>
Total net position	<u>\$ 934,073</u>

The accompanying notes are an integral part of these financial statements

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

	<u>Governmental Activities</u>
Expenses:	
Soil and water conservation	\$ 1,149,490
Program revenues:	
Operating grants and contributions	97,110
Charges for services	<u>14,237</u>
Total program revenues	<u>111,347</u>
Net program expenses	(1,038,143)
General Revenues:	
Property taxes	1,309,258
Interest income	<u>5,101</u>
Total General Revenues	<u>1,314,359</u>
Change in net position	276,216
Net position, beginning of year	889,625
Prior period adjustment	<u>(231,768)</u>
Net position, end of year	<u>\$ 934,073</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Balance Sheet – Governmental Funds

June 30, 2015

	<u>General Fund</u>
ASSETS:	
Cash and investments	\$ 982,879
Property taxes receivable	<u>78,320</u>
Total assets	\$ <u>1,061,199</u>
LIABILITIES:	
Accounts payable	\$ <u>75,477</u>
Total liabilities	75,477
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>65,810</u>
Total deferred inflows of resources	65,810
FUND BALANCES:	
Assigned for Sturgeon Lake projects	33,301
Unassigned	<u>886,611</u>
Total fund balances	<u>919,912</u>
Total liabilities and fund balances	\$ <u><u>1,061,199</u></u>

The accompanying notes are an integral part of these financial statements

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

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

For the Year Ended June 30, 2015

	<u>General Fund</u>
REVENUES:	
Property tax income	\$ 1,309,472
Grant income	97,110
Charges for services	14,237
Interest income	<u>5,101</u>
Total revenues	<u>1,425,920</u>
EXPENDITURES:	
Current:	
Personnel services	788,776
Materials and services	534,954
Capital outlay	<u>17,802</u>
Total expenditures	<u>1,341,532</u>
Change in fund balances	84,388
Fund balance, beginning of year	<u>835,524</u>
Fund balance, end of year	<u>\$ 919,912</u>

The accompanying notes are an integral part of these financial statements

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Reconciliation of Balance Sheet to Statement of Net Position

For the Year Ended June 30, 2015

Total fund balances – Governmental Funds \$ 919,912

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

Net capital assets 15,722

Certain items are not current financial resources in governmental funds, but they are reported in the Statement of Net Position:

Net pension asset 128,583
Deferred outflows of resources related to pensions 75,218

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. The District records deferred revenue for all property taxes levied but not received; however, in the Statement of Activities, there is no deferred revenue and the full property tax receivable is recognized as revenue.

Deferred revenue related to property taxes 65,810

Certain items are reported in the Statement of Net Position; however, they are not due and payable in the current period and therefore are not reported in the funds.

Accrued vacation (23,060)
Deferred inflows of resources related to pensions (248,112)

Net position \$ 934,073

The accompanying notes are an integral part of these financial statements

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

**Reconciliation of Statement of Revenues, Expenditures, and Changes
In Fund Balance to Statement of Activities**

For the Year Ended June 30, 2015

Total changes in fund balances – Governmental Funds \$ 84,388

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 17,802
Depreciation expense (7,892)

Property tax revenue in the Statement of Activities differs from the amount reported in the governmental funds. In the governmental funds, which are on the modified accrual basis, the District recognizes deferred revenue for all property taxes levied but not received; however, in the Statement of Activities, there is no deferred revenue and the full property tax receivable is recognized as revenue. (214)

Governmental funds report pension contributions as expenditures; however, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expenses. 187,457

Accrued vacation and compensation is not due and payable in the current period and therefore is not reported in the funds.

Change in accrued vacation and compensation (5,325)

Change in net position \$ 276,216

The accompanying notes are an integral part of these financial statements

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

Reporting Entity

West 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 seven member board of directors. The District was organized under the authority of Oregon Revised Statutes Chapter 568. The District's purpose is to serve residents and landowners by providing technical and financial assistance, as well as conservation education, to protect natural resources.

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.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements – Continued

June 30, 2015

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 fund:

The General Fund is the general operating fund of the District. It is used to account for all financial sources of the District. The principal revenue sources are property taxes, grants, charges for services and interest. The General Fund includes the Sturgeon Lake Fund which does not meet the requirements to be reported as a separate fund under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The District legally adopts a budget for the Sturgeon Lake Fund and reports the fund separately in the budgetary basis statements.

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 – consists of capital assets net of accumulated depreciation.

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.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements – Continued

June 30, 2015

1. Summary of Significant Accounting Policies (continued)

Fund Equity

The District follows the guidance in GASB 54. 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.

New Accounting Pronouncements and Accounting Standards

During the fiscal year ended June 30, 2015, the District implemented the following GASB pronouncements:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

This statement was issued to improve accounting and financial reporting by state and local governments for pensions. This statement replaces requirements of statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as requirements of statement No. 50, *Pension Disclosures*. This statement and statement No. 67 (applicable to Pension Plans) establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions and paying benefits to plan members as they come due. This statement is effective for the fiscal year ended June 30, 2015.

Additional information about the implementation of this statement and statement No. 71 is addressed in the note about a Change in Accounting Principle, as well as in the detailed note for Pensions.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68)

The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement is effective for the fiscal year ended June 30, 2015.

Change in Accounting Principle

In implementing GASB Statement No. 68 and Statement No. 71, the District has restated beginning net position in order to recognize the District's proportionate share of the Net Pension Liability of the Oregon Public Employees Retirement System (OPERS). The restatement recognizes a deferred outflow of resources related to pensions for contributions made after the June 30, 2014 measurement date.

Net position – beginning (as reported)	\$ 889,625
Cumulative effect of change in accounting principle	<u>(231,768)</u>
Net position – beginning (restated)	<u>\$ 657,857</u>

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.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

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 receivables 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 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:

Furniture and Equipment	3 – 5 years
Vehicles	3 – 10 years

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 personnel 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.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

3. Cash and Investments

Cash and investments of the District consisted of the following at June 30, 2015:

Cash on deposit with financial institutions	\$	78,723
Local Government Investment Pool		904,134
Petty cash		<u>22</u>
Total	\$	<u>982,879</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, Oregon Revised Statutes (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 in 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, 2015, deposits per the bank statements were \$98,745 and were federally insured.

Investments

ORS 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, 2015 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.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

3. Cash and Investments (continued)

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. Capital Assets

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Office equipment	\$ 2,058	\$ 17,802	\$ -	\$ 19,860
Vehicles	<u>11,855</u>	<u>-</u>	<u>-</u>	<u>11,855</u>
Total depreciable capital assets	13,913	17,802	-	31,715
Less: accumulated depreciation				
Office equipment	-	(4,138)	-	(4,138)
Vehicles	<u>(8,101)</u>	<u>(3,754)</u>	<u>-</u>	<u>(11,855)</u>
Total accumulated depreciation	<u>(8,101)</u>	<u>(7,892)</u>	<u>-</u>	<u>(15,993)</u>
Net capital assets	<u>\$ 5,812</u>	<u>\$ 9,910</u>	<u>\$ -</u>	<u>\$ 15,722</u>

Depreciation expense of \$7,892 is recorded as a program expense in the accompanying Statement of Activities for the year ended June 30, 2015.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

5. Employee Retirement Plan

Plan Description

The District contributes to the State of Oregon Public Employees Retirement System (PERS), which is governed by ORS Chapter 238. PERS is a single cost-sharing multiple employer defined benefit pension plan that provides retirement and disability benefits, cost of living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 and 238A assign the authority to establish and amend benefit provisions to the state legislature.

Plan Benefits

Tier One/Tier Two Retirement Benefit (Chapter 238):

Pension Benefits - The PERS retirement allowance may be selected from 13 retirement benefit options. These options include annuities, survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest) and employer funds equal to the account balance, provided certain conditions are met.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Also, monthly benefits are adjusted annually through cost-of-living changes.

OPSRP Pension Program (ORS Chapter 238A):

Pension Benefits - The Pension Program provides benefits to members hired on or after August 29, 2003. OPSRP provides a life pension funded by employer contributions. Benefits are based upon the number of years of service and the final average salary.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits - This is available for qualifying employees for both duty and non-duty connected causes.

Benefit Changes After Retirement - Monthly benefits are adjusted annually through cost-of-living changes.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

5. Employee Retirement Plan, continued

Funding Policy

PERS funding policy requires the District to contribute monthly at an actuarially determined rate. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. The District paid 14.14% for Tier I and Tier II employees and 12.97% for OPSRP General Service employees and 15.70% for OPSRP Police and Fire Employees for the fiscal year. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. The District's contribution was \$70,457 for the year ended June 30, 2015. Covered employees are required to contribute 6.0% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported an asset of \$128,583 for its proportionate share of the OPERS net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was 0.00567264%, which is unchanged from its proportion measured as of June 30, 2013.

Actuarial Methods and Assumptions

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75%
Investment Rate of Return	7.75%
Projected Salary Increases	3.75% overall payroll growth; salaries for individuals are assumed to grow at 3.75% plus assumed rates of merit/longevity increases based on service

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

5. Employee Retirement Plan, continued

Mortality	Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.
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Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 experience study which reviewed experience for the four-year period ending on December 31, 2012.

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

5. Employee Retirement Plan, continued

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	7.71	6.07
Assumed Inflation – Mean		2.75

Assumed asset allocation

<u>Asset Class/Strategy</u>	<u>Low Range</u>	<u>High Range</u>	<u>OIC Target</u>
Cash	0.0 %	3.0 %	0.0 %
Debt securities	15.0	25.0	20.0
Public equity	32.5	42.5	37.5
Private equity	16.0	24.0	20.0
Real estate	9.5	15.5	12.5
Alternative equity	0.0	10.0	10.0
Opportunity portfolio	0.0	3.0	0.0
 Total			 100.0 %

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

5. Employee Retirement Plan, continued

For the year ended June 30, 2015, the District recognized pension expense of \$(187,457). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 248,112
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,761	-
Contributions subsequent to the measurement date	<u>70,457</u>	<u>-</u>
 Total	 <u>\$ 75,218</u>	 <u>\$ 248,112</u>

Subsequent to the Measurement Date, the Oregon Supreme Court ruled that certain provisions of Senate Bill 861, which was signed into law in October 2013, were unconstitutional. The estimated effect for the District is an approximate \$278,909 change in the Net Pension Asset/Liability, going from an asset of \$128,583 to an estimated liability of \$150,326.

There were no changes in the net pension liability due to the change in assumptions or plan benefits from the prior Measurement Date.

Deferred outflows of resources related to pensions of \$248,112 resulting from the District's contributions subsequent to the measurement date will be recognized as either a reduction of the net pension liability or an increase in the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	62,028
2017		62,028
2018		62,028
2019		62,028
2020		<u>-</u>
	\$	<u>248,112</u>

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

5. Employee Retirement Plan, continued

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability (asset)	\$ 272,291	\$ (128,583)	\$ (467,628)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

6. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all district employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

7. 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, 2014 that exceeded the District's insurance coverage.

8. 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.

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Notes to Financial Statements - Continued

June 30, 2015

9. Operating Lease

The District leases office space under the terms of an operating lease agreement. The agreement requires monthly rent payments and expires on September 30, 2018. Future obligations under the terms of the operating lease are as follows:

Fiscal year ending June 30,	
2016	\$ 16,882
2017	17,304
2018	<u>4,352</u>
Total	\$ <u>38,538</u>

Rent expense was \$16,470 during the year ended June 30, 2015 under the terms of this lease agreement.

10. Subsequent Events

The District did not have any subsequent events through December 15, 2015, 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, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

WEST 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, 2015

	Original And Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Property taxes	\$ 1,232,000	\$ 1,309,472	\$ 77,472
Grant revenue	141,970	97,110	(44,860)
Charges for services	1,000	14,237	13,237
Interest	3,500	4,897	1,397
	<u> </u>	<u> </u>	<u> </u>
Total revenues	1,378,470	1,425,716	47,246
EXPENDITURES:			
Personnel services	820,355	788,776	31,579
Materials and supplies	765,784	490,589	275,195
Capital outlay	37,000	17,802	19,198
Contingency	70,000	-	70,000
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	1,693,139	1,297,167	395,972
Change in fund balance	(314,669)	128,549	443,218
Beginning fund balance	850,000	758,062	(91,938)
	<u> </u>	<u> </u>	<u> </u>
Ending fund balance	\$ 535,331	\$ 886,611	\$ 351,280
	<u> </u>	<u> </u>	<u> </u>

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Schedule of Proportionate Share of Net Pension Liability

For the Last Two Fiscal Years¹

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.05672%	0.05672%
District's proportionate share of the net pension liability (asset)	\$ (128,583)	\$ 289,483
District's covered-employee payroll	\$ 520,087	\$ 480,115
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-24.7%	60.1%
Plan fiduciary net position as a percentage of the total pension liability	103.6%	92.0%

**Schedule of the District's Contributions
Oregon Public Employees Retirement System**

For the Last Two Fiscal Years¹

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 70,457	\$ 61,057
Contributions in relation to the contractually required contribution	<u>(70,457)</u>	<u>(61,057)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 520,087	\$ 480,115
Contributions as a percentage of covered-employee payroll	13.55%	12.72%

¹ 10-year trend information required by GASB Statement 68 will be presented prospectively

OTHER SUPPLEMENTARY INFORMATION

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

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

For the Year Ended June 30, 2015

	<u>Original And Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance to Final Budget Positive (Negative)</u>
REVENUES:			
Grants	\$ 502,085	\$ -	\$ (502,085)
Interest	<u>500</u>	<u>204</u>	<u>(296)</u>
Total revenues	502,585	204	(502,381)
EXPENDITURES:			
Materials and services	<u>502,585</u>	<u>44,365</u>	<u>458,220</u>
Total expenditures	<u>502,585</u>	<u>44,365</u>	<u>458,220</u>
Change in fund balance	-	(44,161)	(44,161)
Beginning fund balance	<u>-</u>	<u>77,462</u>	<u>77,462</u>
Ending fund balance	<u>\$ -</u>	<u>\$ 33,301</u>	<u>\$ 33,301</u>

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

Schedule of Property Tax Collections and Taxes Receivable

For the Year Ended June 30, 2015

Transactions by Year	Property Taxes Uncollected, Beginning	Levy as Extended by Assessor	Discounts	Collections	Adjustments	Property Taxes Uncollected, Ending
2014-2015	\$ -	\$ 1,344,987	\$ (34,497)	\$ (1,275,252)	\$ (3,587)	\$ 31,651
2013-2014	32,450	-	42	(12,741)	(1,883)	17,867
2012-2013	18,347	-	7	(4,938)	(377)	13,038
2011-2012	14,689	-	1	(4,459)	(309)	9,922
2010-2011	4,711	-	-	(1,419)	(44)	3,247
2009-2010	2,579	-	-	(130)	(39)	2,412
2008 & prior	275	-	-	(64)	(29)	183
	<u>\$ 73,051</u>	<u>\$ 1,344,987</u>	<u>\$ (34,447)</u>	<u>\$ (1,299,003)</u>	<u>\$ (6,268)</u>	<u>\$ 78,320</u>

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

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

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

We have audited the accompanying basic financial statements of West Multnomah Soil and Water Conservation District (the District) as of and for the year ended June 30, 2015 and have issued our report thereon dated December 15, 2015. 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 West 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)

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In connection with our testing nothing came to our attention that caused us to believe West 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 West 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 West Multnomah Soil and Water Conservation District internal control over financial reporting.

This report is intended for the information of West 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.

Richard Winkel, CPA

December 15, 2015