

**WEST MULTNOMAH SOIL AND WATER  
CONSERVATION DISTRICT**

**Financial Statements**

**For the Year Ended June 30, 2017**

WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT  
June 30, 2017

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, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the West Multnomah Soil and Water Conservation District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Richard Winkel, CPA**

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 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 32 and the schedule of property tax transactions on page 33 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 August 24, 2017 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  
August 24, 2017

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

**West Multnomah Soil and Water Conservation District**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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, 2017. 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,**

	<b>2017</b>	<b>2016</b>
Assets:		
Current assets	\$ 1,196,004	\$ 1,159,559
Capital assets, net	23,935	13,252
Total assets	1,219,939	1,172,811
Deferred outflows related to pensions	549,963	136,920
Current liabilities	123,453	96,563
Net pension liability	938,714	425,570
Total liabilities	1,060,128	522,133
Deferred inflows related to pensions	74,235	105,549
<b>NET POSITION:</b>		
Invested in capital assets	23,935	13,252
Unrestricted	609,565	668,797
Total net position	\$ 633,500	\$ 682,049

**SUMMARY STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30,**

	<b>2017</b>	<b>2016</b>
Program revenues:		
Operating grants and contributions	\$ 294,818	\$ 166,185
Charges for services	15,641	16,416
Total program revenues	310,459	182,601
General revenues:		
Property taxes	1,458,990	1,411,110
Interest income	11,903	7,513
Total general revenues	1,470,893	1,418,623
Total revenues	1,781,352	1,601,224
Expenditures		
Soil and water conservation	1,829,901	1,853,248
Total expenses	1,829,901	1,853,248
Change in net position	(48,549)	(252,024)
Net position, beginning of year	682,049	934,073
Net position, end of year	\$ 633,500	\$ 682,049

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

Revenues were \$1,781,352 in 2017, an increase of \$180,128 over 2016. The majority of the change resulted from an increase in grant funds of \$128,633, due to increased funding from Metro, Oregon Watershed Enhancement Board and the Department of Forestry for various restoration and habitat improvement projects. The District's property tax revenues also increased by \$47,480 due to the continuing rise in assessed property values in the District.

Expenditures were \$1,829,901 in 2017, a decrease of \$23,347 from 2016. The decrease was due to a decrease of \$281,101 in Public Employees Retirement System (PERS) pension expense, partially offset by increases in personnel costs and office rent expense. Our personnel costs increased due to hiring a new seasonal conservationist and increasing one part-time position to full-time, as well as higher health benefit costs. Expenditures related to our conservation work with landowners and grants we provide to our partners also increased from the prior year. These partner funding grants expand on existing relationships with established community groups such as Tryon Creek Watershed Council, the Columbia Land Trust/Portland Audubon Society Backyard Habitat program and the Forest Park Conservancy. This funding to our partners allows us to assist indirectly a greater number of urban landowners, homeowner associations, and private properties adjoining publicly owned lands.

At June 30, 2017, the District's net assets were \$633,500, a decrease of \$48,549 from the prior year.

## **Financial Analysis of the District's Funds**

Governmental fund balances totaled \$1,029,973 at June 30, 2017. This represents an increase of \$23,917 from the prior year.

Revenues for the General Fund were \$1,685,605 which was \$50,893 under budget. Actual expenditures for the General Fund were \$1,672,284, which was \$315,533 under budget, primarily due to decreased spending in materials and services.

## **Budgetary Highlights**

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

## **Capital Assets**

At June 30, 2017 the District had \$23,935 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.

## **Net Pension Liability**

The District accounts for its pension using *GASB Statement No. 68*, Accounting and Financial Reporting for Pensions and *GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68). At June 30, 2017 the District has a net pension liability of \$938,714 an increase in the net pension liability of \$513,144 from June 30, 2016. The net pension liability represents the District's share of the net unfunded liability of the Oregon Public Employees Retirement System (OPERS). The District recognized pension expense of \$160,487 during the year ended June 30, 2017. More detailed information about the net pension liability can be found in the footnotes 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, 2018. 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 Controller, 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, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 974,608
Prepaid expenses	399
Accounts receivable	130,871
Property taxes receivable	<u>90,126</u>
Total current assets	<u>1,196,004</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>23,935</u>
Total assets	<u>1,219,939</u>
Deferred outflows of resources	
Deferred amounts related to pensions	<u>549,963</u>
LIABILITIES	
Current liabilities:	
Accounts payable	89,334
Accrued vacation	<u>34,119</u>
Total current liabilities	<u>123,453</u>
Noncurrent liabilities:	
Net pension liability	<u>938,714</u>
Total liabilities	<u>1,062,167</u>
Deferred inflows of resources	
Deferred amounts related to pensions	<u>74,235</u>
NET POSITION:	
Invested in capital assets	23,935
Unrestricted	<u>609,565</u>
Total net position	<u>\$ 633,500</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, 2017

	<u>Governmental Activities</u>
Expenses:	
Soil and water conservation	\$ 1,829,901
Program revenues:	
Operating grants and contributions	294,818
Charges for services	<u>15,641</u>
Total program revenues	<u>310,459</u>
Net program expenses	(1,519,442)
General Revenues:	
Property taxes	1,458,990
Interest income	<u>11,903</u>
Total General Revenues	<u>1,470,893</u>
Change in net position	(48,549)
Net position, beginning of year	<u>682,049</u>
Net position, end of year	<u>\$ 633,500</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, 2017**

	<u>General Fund</u>
<b>ASSETS:</b>	
Cash and investments	\$ 974,608
Prepaid expenses	399
Accounts receivable	130,871
Property taxes receivable	<u>90,126</u>
 Total assets	 \$ <u><u>1,196,004</u></u>
 <b>LIABILITIES:</b>	
Accounts payable	\$ <u>89,334</u>
 Total liabilities	 89,334
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	<u>76,697</u>
 Total deferred inflows of resources	 76,697
 <b>FUND BALANCES:</b>	
Assigned for Sturgeon Lake projects	74,677
Unassigned	<u>955,296</u>
 Total fund balances	 <u>1,029,973</u>
 Total liabilities and fund balances	 \$ <u><u>1,196,004</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, 2017**

	<u>General Fund</u>
REVENUES:	
Property tax income	\$ 1,458,879
Grant income	294,818
Charges for services	15,641
Interest income	<u>11,903</u>
Total revenues	<u>1,781,241</u>
EXPENDITURES:	
Current:	
Personnel services	954,451
Materials and services	780,177
Capital outlay	<u>22,696</u>
Total expenditures	<u>1,757,324</u>
Change in fund balances	23,917
Fund balance, beginning of year	<u>1,006,056</u>
Fund balance, end of year	<u>\$ 1,029,973</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, 2017**

Total fund balances – Governmental Funds \$ 1,029,973

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 23,935

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

Net pension liability (938,714)  
Deferred outflows of resources related to pensions 549,963

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 76,697

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 (34,119)  
Deferred inflows of resources related to pensions (74,235)

Net position \$ 633,500

**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, 2017**

Total changes in fund balances – Governmental Funds	\$ 23,917
<p>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.</p>	
Current year capital outlay expenditures capitalized as additions	22,696
Depreciation expense	(12,013)
<p>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.</p>	
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<p>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.</p>	
	(68,787)
<p>Accrued vacation and compensation is not due and payable in the current period and therefore is not reported in the funds.</p>	
Change in accrued vacation and compensation	<u>(14,473)</u>
Change in net position	<u>\$ (48,549)</u>

The accompanying notes are an integral part of these financial statements

# WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements

June 30, 2017

### 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 include 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, 2017

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

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

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

#### Fund Accounting

The District has the following major 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, 2017

### 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.

#### 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, 2017

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

#### Receivables

Grants and accounts receivable consists of amounts due from grantor agencies and charges for services and miscellaneous reimbursements. The District considers all 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

#### Retirement Plans

Substantially all employees are participants in the Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

#### 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.

#### Pensions

The District accounts for its pension using GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement 68)*.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2017**

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

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, these are deferred amounts related to pensions. This amount is deferred and recognized as an outflow of resources in the period when the District recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Unavailable revenue from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The District also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the District recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position.

**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 30<sup>th</sup>. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspapers, and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of controls. Such transfers require the approval of the Board of Directors.

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

**3. Cash and Investments**

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

Cash on deposit with financial institutions	\$	144,394
Local Government Investment Pool		830,199
Petty cash		<u>15</u>
Total	\$	<u>974,608</u>

# WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2017

### 3. Cash and Investments (continued)

#### 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 is the risk that, in the event of bank failure, the District will be unable to recover deposits or collateral securities in the hands of an outside party. At June 30, 2017, deposits per the bank statements were \$144,394 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, 2017, were amounts deposited with the state of Oregon LGIP. The District's investment in the LGIP is carried at cost, which approximates fair value. The state of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon Investment Council (the Council). The State Treasurer is the investment officer for the Council and is responsible for the funds on deposit in the State Treasury. The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as would a prudent investor, exercising reasonable care, skill, and caution.

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

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

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2017**

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

*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, 2016	Additions	Deletions	Balance June 30, 2017
Office equipment	\$ 24,010	\$ 9,561	\$ -	\$ 33,571
Vehicles	11,855	13,135	-	24,990
<b>Total depreciable capital assets</b>	<b>35,865</b>	<b>22,696</b>	<b>-</b>	<b>58,561</b>
Less: accumulated depreciation				
Office equipment	(10,758)	(9,824)	-	(20,582)
Vehicles	(11,855)	(2,189)	-	(14,044)
<b>Total accumulated depreciation</b>	<b>(22,613)</b>	<b>(12,013)</b>	<b>-</b>	<b>(34,626)</b>
<b>Net capital assets</b>	<b>\$ 13,252</b>	<b>\$ 10,683</b>	<b>\$ -</b>	<b>\$ 23,935</b>

Depreciation expense of \$12,013 is recorded as a program expense in the accompanying Statement of Activities for the year ended June 30, 2017.

**5. Pension Plan**

Plan Description

Employees of the District are provided with pensions through the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. The Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

# WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2017

### 5. Pension Plan (continued)

#### Plan Benefits

##### *Tier One/Tier Two Retirement Benefit:*

#### **Pension Benefits**

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension 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). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

#### **Disability Benefits**

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

# WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2017

### 5. Pension Plan (continued)

#### **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. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

#### *OPSRP Pension Program:*

#### **Pension Benefits**

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

- General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

#### **Death Benefits**

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

#### **Disability Benefits**

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

#### **Benefit Changes After Retirement**

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

# WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2017

### 5. Pension Plan (continued)

#### *OPSRP Individual Account Program (IAP)*

##### **Pension Benefits**

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

##### **Death Benefits**

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

##### **Recordkeeping**

OPERS contracts with VOYA Financial to maintain IAP participant records.

#### Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation as subsequently modified by 2015 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2017 were \$91,700, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017 were 19.35 percent for Tier One/Tier Two General Service Member and 12.89 percent for OPSRP Pension Program General Service Members.

Covered employees are required to contribute 6.0% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program.

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2017**

**5. Pension Plan (continued)**

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

At June 30, 2017, the District reported a liability of \$938,714 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The District's proportion of the net pension liability 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 entities, actuarially determined. At June 30, 2016, the District's proportion was 0.006253 percent, which was a decrease from its proportion of 0.007412 percent measured as of June 30, 2015.

For the year ended June 30, 2017, the District's recognized pension expense of \$160,487. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,057	\$ -
Changes of assumptions	200,205	-
Net difference between projected and actual earnings on investments	185,450	-
Changes in proportionate share	23,079	62,408
Differences between employer contributions and employer's proportionate share of system contributions	18,470	11,827
Total (prior to post-Measurement Date contributions)	458,261	74,235
Contributions subsequent to the Measurement Date	91,700	-
<b>Total</b>	<b>\$ 549,961</b>	<b>\$ 74,235</b>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows		Deferred Inflows	
Amortization Period		Amortization Period	
FY 2018	\$ 178,188	FY 2018	\$ 17,992
FY 2019	86,488	FY 2019	17,992
FY 2020	154,448	FY 2020	17,992
FY 2021	114,646	FY 2021	15,907
FY 2022	16,191	FY 2022	4,352
<b>Total</b>	<b>\$ 549,961</b>	<b>Total</b>	<b>\$ 74,235</b>

# WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2017

### 5. Pension Plan (continued)

#### Actuarial Methods and Assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015 and effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study	2014, published September 2105
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	2.50% (reduced from 2.75%)
Investment Rate of Return	7.50% (reduced from 7.75%)
Discount Rate	7.50% (reduced from 7.75%)
Projected Salary Increases	3.50% (reduced from 3.75%)
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2017**

**5. Pension Plan (continued)**

Mortality

Healthy retirees and beneficiaries:  
 RP-2000 Sex-distinct, generational per Scale BB, 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 (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table

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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

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 2015 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 is 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.

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
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			<u>100.0%</u>

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2017**

**5. Pension 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	1.25	6.07
 Assumed Inflation – Mean		 2.75

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan’s Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan’s funded position.

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

**Notes to Financial Statements - Continued**

**June 30, 2017**

**5. Pension Plan (continued)**

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent 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 of the 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.

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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability (asset)	\$ 1,027,097	\$ 425,570	\$ (81,359)

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. Other Post-Employment Health Benefits**

Retirement Health Insurance Account

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statue (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

# WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT

## Notes to Financial Statements - Continued

June 30, 2017

### 6. Other Post-Employment Health Benefits

Because RHIA was created by enabling legislation, contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight or more years of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC). The ARC represents a level of funding that is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions for the year ended June 30, 2017 equaled the required contributions for the year.

### 7. 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.

### 8. 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 Districts Association of Oregon insurance program.

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

### 9. 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, 2017**

**10. 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, 2022. Future obligations under the terms of the operating lease are as follows:

Fiscal year ending June 30,	
2018	\$ 69,869
2019	71,966
2020	74,125
2021	76,348
2022	78,639
2023	<u>19,804</u>
Total	\$ <u>390,751</u>

Rent expense was \$68,893 during the year ended June 30, 2017 under the terms of this lease agreement.

**11. Subsequent Events**

The District did not have any subsequent events through August 24, 2017, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2017.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2017

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES:</b>				
Property tax income	\$ 1,507,000	\$ 1,507,000	\$ 1,458,879	\$ (48,121)
Grant income	214,298	214,298	199,891	(14,407)
Charges for services	11,200	11,200	15,641	4,441
Interest	<u>4,000</u>	<u>4,000</u>	<u>11,194</u>	<u>7,194</u>
 Total revenues	 <u>1,736,498</u>	 <u>1,736,498</u>	 <u>1,685,605</u>	 <u>(50,893)</u>
 <b>EXPENDITURES:</b>				
Personnel services	997,622	1,017,622	954,451	63,171
Materials and services	905,195	885,195	695,137	190,058
Capital outlay	35,000	35,000	22,696	12,304
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
 Total expenditures	 <u>1,987,817</u>	 <u>1,987,817</u>	 <u>1,672,284</u>	 <u>315,533</u>
 Change in fund balances	 <u>(251,319)</u>	 <u>(251,319)</u>	 <u>13,321</u>	 <u>264,640</u>
 Fund balance, beginning of year	 <u>923,443</u>	 <u>923,443</u>	 <u>941,975</u>	 <u>18,532</u>
 Fund balance, end of year	 <u><u>\$ 672,124</u></u>	 <u><u>\$ 672,124</u></u>	 <u><u>\$ 955,296</u></u>	 <u><u>\$ 283,172</u></u>

See independent auditor's report

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

**Schedule of Proportionate Share of Net Pension Liability and Related Ratios**

<u>Year Ended</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	0.05672%	\$ (128,583)	\$ 520,087	(24.7%)	103.6%
6/30/2016	0.07412%	\$ 425,570	\$ 590,349	72.1%	91.9%
6/30/2017	0.06253%	\$ 938,714	\$ 647,336	145.0%	80.5%

**Schedule of the Employer Contributions  
Oregon Public Employees Retirement System**

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2015	\$ 70,457	\$ 70,457	\$ -	\$ 520,087	13.5%
6/30/2016	\$ 84,103	\$ 84,103	\$ -	\$ 590,349	14.2%
6/30/2017	\$ 91,700	\$ 91,700	\$ -	\$ 647,336	14.1%

Note: 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, 2017

	Original And Final Budget	Actual Amounts Budgetary Basis	Variance to Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES:</b>			
Grants	\$ 890,020	\$ 94,927	\$ (795,093)
Interest	572	709	137
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	890,592	95,636	(794,956)
<b>EXPENDITURES:</b>			
Materials and services	<u>890,020</u>	<u>85,040</u>	<u>804,980</u>
Total expenditures	<u>890,020</u>	<u>85,040</u>	<u>804,980</u>
Change in fund balance	<u>572</u>	<u>10,596</u>	<u>10,024</u>
Beginning fund balance	<u>76,301</u>	<u>64,081</u>	<u>(12,220)</u>
Ending fund balance	<u><u>\$ 76,873</u></u>	<u><u>\$ 74,677</u></u>	<u><u>\$ (2,196)</u></u>

See independent auditor's report

**WEST MULTNOMAH SOIL AND WATER CONSERVATION DISTRICT**

Schedule of Property Tax Collections and Taxes Receivable

For the Year Ended June 30, 2017

<u>Transactions by Year</u>	<u>Property Taxes Uncollected, Beginning</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Property Taxes Uncollected, Ending</u>
2016-2017	\$ -	\$ 1,500,729	\$ (39,116)	\$ (1,427,797)	\$ (4,913)	\$ 28,903
2015-2016	31,412	-	31	(12,211)	(1,312)	17,920
2014-2015	17,647	-	4	(4,232)	(203)	13,216
2013-2014	13,239	-	2	(3,491)	(90)	9,660
2012-2013	9,024	-	-	(1,756)	(21)	7,247
2011-2012	7,899	-	-	(185)	(33)	7,681
2010-2011	5,614	-	-	(100)	(15)	5,499
	<u>\$ 84,835</u>	<u>\$ 1,500,729</u>	<u>\$ (39,079)</u>	<u>\$ (1,449,772)</u>	<u>\$ (6,587)</u>	<u>\$ 90,126</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, 2017 and have issued our report thereon dated August 24, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether 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*

August 24, 2017