

**CLATSOP COUNTY ROAD
DISTRICT NO. 1
Astoria, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2016



CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

DISTRICT OFFICIALS

June 30, 2016

BOARD OF COMMISSIONERS

Scott Lee
800 Exchange Street, Suite 410
Astoria, Oregon 97103

Sarah Nebeker
800 Exchange Street, Suite 410
Astoria, Oregon 97103

Lisa Clement
800 Exchange Street, Suite 410
Astoria, Oregon 97103

Dirk Rohne
800 Exchange Street, Suite 410
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Lianne Thompson
800 Exchange Street, Suite 410
Astoria, Oregon 97103

REGISTERED AGENT

Cameron Moore, County Manager
800 Exchange Street, Suite 410
Astoria, Oregon 97103

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

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Clatsop County

Budget & Finance

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December 9, 2016

To the Board of County Commissioners, County Manager, and the
Citizens of Clatsop County, Oregon:

Submitted herein is Clatsop County Road District #1's Annual Financial Report for the year ended June 30, 2016. The District's financial report is in compliance with Oregon Revised Statutes which establish that the District's fiscal affairs be audited at least annually by an independent organization of certified public accountants. The District worked with the accounting firm throughout this process to ensure that all necessary information requested by the firm was submitted in a timely and comprehensive manner. The independent audit of the District's financial statements is only a part of a broader, federally mandated 'single audit' process. Standards governing the 'single audit' require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's system of internal controls and compliance with legal requirements.

Responsibility for the accuracy, completeness, and fairness of the information presented in the financial statements, notes, and disclosures resides with the District. To the best of our knowledge and belief, the financial data and associated information enclosed in this report is accurate in all material respects and is reported in a manner that presents fairly the financial position of the District and the results of operations of the District's governmental activities at June 30, 2016.

I am pleased to report that the accounting firm Koontz, Perdue, Blasquez & Co., P.C. has finished their independent audit of the District and is issuing an 'unmodified opinion' of the District finances. An 'unmodified opinion' is issued when the independent auditor believes the District's finances are sound and the financial statements are fairly and appropriately presented and are in accordance with Generally Accepted Accounting Principles (GAAP).

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the County's Budget and Finance Department. I also want to express my sincere appreciation to all County staff who works on behalf of this district for their assistance, contributions, and cooperation in the preparation of this report.

Finally, I want to thank the Board of County Commissioners and the County Manager whose leadership, interest in, and support of, the County's financial obligations have contributed significantly to the quality of the District's fiscal operations.

Sincerely,

Monica Steele
Budget and Finance Director / County Treasurer
Clatsop County, Oregon

FINANCIAL SECTION



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Clatsop County Road District No. 1
Astoria, Oregon 97103

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Clatsop County Road District No. 1, Astoria, Oregon, a component unit of Clatsop County, as of and for the year ended June 30, 2016, 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

Clatsop County Road District No. 1's 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 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 the major fund of Clatsop County Road District No. 1, Astoria, Oregon as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 24, respectively, 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 management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clatsop County Road District No. 1's basic financial statements. The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 9, 2016 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Perdue, Blasquez & Co., P.C.

By: 

Richard D. Perdue, CPA

Albany, Oregon
December 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLATSOP COUNTY ROAD DISTRICT NO. 1

Astoria, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of Clatsop County Road District No. 1, Astoria, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, total net position of Clatsop County Road District No. 1 amounted to \$733,436, all of which was unrestricted.
- The District's total net position decreased by \$141,979 during the current fiscal year.
- Overall expenditures and special payments were \$4,047,729, which exceeded total revenues of \$3,905,750 by \$141,979.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Clatsop County Road District No. 1's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 9 through 10 of this report.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The only fund of Clatsop County Road District No. 1 is a governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major governmental fund.

Clatsop County Road District No. 1 adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 23 of this report.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2016, the District's assets exceeded liabilities by \$733,436.

District's Net Position

At the end of the current fiscal year, the District was able to report a positive balance in net position. The District's net position decreased by \$141,979 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 733,436	\$ 875,415
Liabilities	-	-
Net position		
Unrestricted	<u>\$ 733,436</u>	<u>\$ 875,415</u>

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

District's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
General revenues		
Property taxes	\$ 1,952,668	\$ 1,924,234
Other taxes	155,413	156,477
Timber and land sales	1,795,517	1,225,427
Investment earnings	<u>2,152</u>	<u>2,810</u>
Total revenues	<u>3,905,750</u>	<u>3,308,948</u>
Program expenses		
Land use, housing, and transportation	<u>2,320</u>	<u>2,350</u>
Special payments to Clatsop County General Roads Fund	<u>(4,045,409)</u>	<u>(3,086,800)</u>
Change in net position	(141,979)	219,798
Net position - beginning of year	<u>875,415</u>	<u>655,617</u>
Net position - end of year	<u><u>\$ 733,436</u></u>	<u><u>\$ 875,415</u></u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental fund reported a fund balance of \$617,437, a decrease of \$132,439 from the prior year. Total fund balance constitutes unassigned fund balance, which is available for spending at the District's discretion.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- The District expects continued reductions in a number of federal and state revenue sources.
- The District expects increases in personnel costs associated with retirement contributions in the Clatsop County General Roads Fund, which is partially funded by transfers from the District.

These factors were considered in preparing the District's budget for fiscal year 2016-2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be directed to the following address: Monica Steele, Clatsop County Budget and Finance, 800 Exchange Street, Suite 310, Astoria, Oregon 97103.

BASIC FINANCIAL STATEMENTS

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 593,987
Property taxes receivable	<u>139,449</u>
Total assets	733,436
LIABILITIES	<u>-</u>
NET POSITION	
Unrestricted	<u>\$ 733,436</u>

The accompanying notes are an integral part of these financial statements.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	Revenue and
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	Changes in
			<u>Contributions</u>	<u>Contributions</u>	Net Position
					<u>Governmental</u>
					<u>Activities</u>
Governmental activities					
Land use, housing, and transportation	<u>\$ 2,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,320)</u>
General revenues					
Property taxes					1,952,668
Other taxes					155,413
Timber and land sales					1,795,517
Investment earnings					<u>2,152</u>
Total general revenues					<u>3,905,750</u>
Special payments to Clatsop County General Roads Fund					<u>(4,045,409)</u>
Change in net position					(141,979)
Net position - beginning					<u>875,415</u>
Net position - ending					<u>\$ 733,436</u>

The accompanying notes are an integral part of these financial statements.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

BALANCE SHEET

GOVERNMENTAL FUND

June 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 593,987
Property taxes receivable	<u>139,449</u>
Total assets	<u>\$ 733,436</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities	\$ -
Deferred inflows of resources	
Unavailable revenue - property taxes	115,999
Fund balance	
Unassigned	<u>617,437</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 733,436</u>

The accompanying notes are an integral part of these financial statements.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

Total fund balance	\$ 617,437
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Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 60 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental fund.

115,999

Net position of governmental activities	\$ <u>733,436</u>
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The accompanying notes are an integral part of these financial statements.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended June 30, 2016

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 1,962,208
Other taxes	155,413
Timber and land sales	1,795,517
Investment earnings	<u>2,152</u>
Total revenues	3,915,290
EXPENDITURES	
Current	
Land use, housing, and transportation	<u>2,320</u>
Excess (deficiency) of revenues over (under) expenditures	3,912,970
OTHER FINANCING SOURCES (USES)	
Special payments to Clatsop County General Roads Fund	<u>(4,045,409)</u>
Net change in fund balance	(132,439)
Fund balance - beginning	<u>749,876</u>
Fund balance - ending	<u>\$ 617,437</u>

The accompanying notes are an integral part of these financial statements.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net change in fund balance	\$ (132,439)
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Amounts reported for governmental activities in the statement of activities are different because:

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental fund. In the statement of activities, property taxes are recognized as revenue when levied.

<u>(9,540)</u>

Change in net position	<u><u>\$ (141,979)</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clatsop County Road District No. 1 have been prepared in accordance 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. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Clatsop County Road District No. 1 was formed for the purpose of enhancing and maintaining the rural areas of Clatsop County. The District is reported as a component unit of Clatsop County.

Clatsop County Road District No. 1 is managed by Clatsop County's five-member board of commissioners. In addition, the District has an elected five-member advisory board that makes budget recommendations to the County's budget committee.

B. Government-Wide and Fund 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 activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund – The General Fund is the District's only fund. It accounts for all financial resources of the District.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity

1. Deposits and Investments

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

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

1. Deposits and Investments (Continued)

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining are recorded as unavailable revenue because they are not deemed available to finance operations of the current period.

3. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and therefore will not be recognized as an inflow of resources until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity (Continued)

4. Fund Equity

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the board of commissioners or by an official or body to which the board of commissioners delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment or assignment of fund balance is accomplished through adoption of a resolution or ordinance by the board of commissioners. Further, commitments and assignments of fund balance may be modified or rescinded only through approval of the board of commissioners via resolution or ordinance. Authority to assign fund balance has been granted to the Budget Officer.

The District has not formally adopted a minimum fund balance policy.

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary from those estimates.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets its fund in accordance with the requirements of state law. An annual appropriated budget is adopted for the General Fund. The fund is budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. Management prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of commissioners by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for the fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, and contingency for the fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of the fund's original budget may be adopted by the board of commissioners at a regular board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of commissioners. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of commissioners. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts.

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS

A. Deposits and Investments

Clatsop County Road District No. 1's deposits and investments are held by Clatsop County in a pool of cash and cash equivalents that is available for use by the District and all funds of the County. The District's fund's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of Clatsop County's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the County to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The County has an adopted investment policy that was reviewed by the Oregon Short Term Fund Board and complies with state statutes.

Investments

As of June 30, 2016, the County had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 31,071,774</u>

As of June 30, 2016, the District's portion of Clatsop County investments amounted to \$593,987.

Interest Rate Risk

The County's policy limits investment maturities to 18 months as a means of managing its exposure to fair value losses arising from increases in interest rates.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Concentration of Credit Risk

The County's policy places a limit on the amount that may be invested in any one insurer, as follows:

	<u>Amount</u>
Oregon Local Government Investment Pool	100%
Certificates of deposit	25%
United States Treasury bills, bonds, notes	25%
Banker's acceptance (BAs) OR issue	25%
Repurchase agreements (all to be fully collateralized by US government and US obligation mark to market)	10%

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. The County does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the County's deposits may not be returned. All County deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The County holds accounts at US Bank and Columbia Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts per institution. At June 30, 2016, the County had deposits of \$275,794 insured by the FDIC and \$1,179,497 covered by the PFCP.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

III. DETAILED NOTES ON THE FUND AND ALL ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits

The County's deposits and investments and amounts allocable to the District at June 30, 2016 are as follows:

	<u>Clatsop County</u>	<u>Allocable to District</u>
Cash on hand	\$ 550	\$ -
Checking accounts	984,138	-
Total investments	<u>31,071,774</u>	<u>593,987</u>
 Total deposits and investments	 <u>\$ 32,056,462</u>	 <u>\$ 593,987</u>

B. Property Tax Assessment Appeal

The District has established a tax reserve with Clatsop County Tax Department for the settlement of a property tax assessment petition refund filed by Georgia-Pacific. During the year ended June 30, 2016, \$6,877 of the reserve was turned over to the District as unsegregated taxes in accordance with the provisions of ORS 311.814. As of June 30, 2016, the balance of the reserve was \$44,530. (See Note III-C for additional information.)

C. Reserve Account

In May 2012, Clatsop County, the Oregon Department of Revenue, and the Oregon Department of Justice reached an agreement with Georgia-Pacific, the County's largest property taxpayer, in connection with a property tax appeal. Under this agreement, the County refunded property taxes in the amount of \$2,500,000 to Georgia-Pacific. In August 2012, to facilitate this refund, the County issued long-term obligations in the amount of \$2,550,800, bearing interest at 2.18% and maturing over 10 years. The County has executed an intergovernmental agreement with taxing districts affected by this refund with each taxing district contributing to the annual debt service payment based on its respective property tax distribution percentage established by the Clatsop County Assessment and Taxation Department. The District's initial share of the long-term obligation amounted to \$72,292. As of June 30, 2016, the District's commitment toward the long-term obligation amounted to \$44,530. The District has established a reserve account in accordance with ORS 311.814 with the Clatsop County Assessment and Taxation Department in the amount of \$44,530, which will be used to pay down the District's remaining share of the long-term obligation. Any amount of the reserve account not used for the satisfaction of this obligation will be returned to the District as unsegregated taxes. As of June 30, 2016, the total debt outstanding on the long-term obligation amounted to \$1,577,513.

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

IV. OTHER INFORMATION

A. 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; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncement that has a future effective date that will impact future financial presentations. Management has not currently determined what impact implementation of the following statement will have on future financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* will be effective for the District beginning with its fiscal year ending June 30, 2017. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

C. Subsequent Events

Management has evaluated subsequent events through December 9, 2016, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

GENERAL FUND

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Property taxes	\$ 1,906,000	\$ 56,208	\$ 1,962,208	\$ -	\$ 1,962,208
Other taxes	128,000	27,413	155,413	-	155,413
Timber and land sales	1,761,350	34,167	1,795,517	-	1,795,517
Investment earnings	<u>3,500</u>	<u>(1,348)</u>	<u>2,152</u>	<u>-</u>	<u>2,152</u>
Total revenues	3,798,850	116,440	3,915,290	-	3,915,290
EXPENDITURES					
Road District No. 1					
Current					
Materials and services	<u>2,560</u>	<u>(240)</u>	<u>2,320</u>	<u>-</u>	<u>2,320</u>
Excess (deficiency) of revenues over (under) expenditures	3,796,290	116,680	3,912,970	-	3,912,970
OTHER FINANCING SOURCES (USES)					
Special payments to Clatsop County General Roads Fund	<u>(4,263,250)</u>	<u>(217,841)</u>	<u>(4,045,409)</u>	<u>-</u>	<u>(4,045,409)</u>
Net change in fund balance	(466,960)	334,521	(132,439)	-	(132,439)
Fund balance - beginning	<u>466,960</u>	<u>282,916</u>	<u>749,876</u>	<u>-</u>	<u>749,876</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 617,437</u>	<u>\$ 617,437</u>	<u>\$ -</u>	<u>\$ 617,437</u>

OTHER FINANCIAL SCHEDULES

CLATSOP COUNTY ROAD DISTRICT NO. 1
Astoria, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2016

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2015</u>	<u>2015-2016 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2016</u>
2015-2016	\$ -	\$ 1,993,076	\$ (52,530)	\$ 1,872,085	\$ 68,461
2014-2015	72,291	-	(144)	40,827	31,320
2013-2014	36,316	-	(86)	15,506	20,724
2012-2013	23,740	-	(37)	14,768	8,935
2011-2012	10,350	-	(66)	6,774	3,510
2010-2011	2,789	-	(64)	920	1,805
2009-2010	1,844	-	(56)	513	1,275
Prior	<u>3,629</u>	<u>-</u>	<u>(3)</u>	<u>207</u>	<u>3,419</u>
Subtotal - Prior	<u>150,959</u>	<u>-</u>	<u>(456)</u>	<u>79,515</u>	<u>70,988</u>
Total	<u>\$ 150,959</u>	<u>\$ 1,993,076</u>	<u>\$ (52,986)</u>	1,951,600	<u>\$ 139,449</u>

Add:

Other taxes and interest	3,731
Undistributed taxes with county, July 1, 2015	-
GP reserve - unsegregated taxes released	<u>6,877</u>

Total available	1,962,208
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Less: Turnovers to District	<u>(1,962,208)</u>
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Undistributed taxes with county, June 30, 2016	<u>\$ -</u>
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**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY
STATE REGULATIONS**



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners
Clatsop County Road District No. 1
Astoria, Oregon 97103

We have audited the basic financial statements of Clatsop County Road District No. 1 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 9, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether Clatsop County Road District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 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:

Accounting records

Deposit of public funds with financial institutions (ORS Chapter 295)

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered Clatsop County Road District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clatsop County Road District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clatsop County Road District No. 1's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 9, 2016.

This report is intended solely for the information and use of the board of commissioners and management of Clatsop County Road District No. 1 and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Koontz, Perdue, Blasquez & Co., P.C.".

Koontz, Perdue, Blasquez & Co., P.C.

December 9, 2016