

**CLATSOP COUNTY ROAD DISTRICT #1**

**Astoria, Oregon**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2014**

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**CLATSOP COUNTY ROAD DISTRICT #1**

**OFFICERS AND MEMBERS OF THE GOVERNING BODY**

**For the Year Ended June 30, 2014**

<b><u>District No.</u></b>	<b><u>Name and Address</u></b>	<b><u>Term Expires December 31,</u></b>
1	Scott Lee 800 Exchange St., Suite 410 Astoria, OR 97103	2018
2	Sarah Nebeker 800 Exchange St., Suite 410 Astoria, OR 97103	2016
3	Peter Huhtala 800 Exchange St., Suite 410 Astoria, OR 97103	2014
4	Dirk Rohne 800 Exchange St., Suite 410 Astoria, OR 97103	2016
5	Matt Samuelson (Term began March 2014) 800 Exchange St., Suite 410 Astoria, OR 97103	2014
5	Debra Birkby (Term ended January 2014) 800 Exchange St., Suite 410 Astoria, OR 97103	2014

**Registered Agent and Address**

Scott Somers, County Manager  
800 Exchange St., Suite 410  
Astoria, OR 97103

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## INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners  
CLATSOP COUNTY ROAD DISTRICT #1  
Astoria, Oregon**

### **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 #1**, *component unit of Clatsop County, Oregon*, as of and for the year ended June 30, 2014, 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 the major fund of the **CLATSOP COUNTY ROAD DISTRICT #1**, as of June 30, 2014, the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### ***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 i through iv 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.

#### **Other Reporting Required by Oregon State Regulations**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 12, 2014, on our consideration of the District's 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.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 12, 2014  
By:

A handwritten signature in blue ink, appearing to read 'Bradley G. Bingenheimer', is written over a faint, larger signature that is partially obscured.

Bradley G. Bingenheimer, Member



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

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**CLATSOP COUNTY ROAD DISTRICT #1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2014**

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We offer readers of Clatsop County Road District #1's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the financial statements.

**Financial Highlights**

- Assets exceeded liabilities at the close of the current fiscal year by \$655,617 (net position).
- Total net position increased by \$336,520.
- At the close of the current fiscal year, the Road District General Fund reported an ending fund balance of \$513,347, an increase of \$354,627 in comparison with the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Clatsop County Road District #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.

**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, revenue 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*government activities*). The governmental activities of the District include providing enhancements to road construction and maintenance in the rural areas of Clatsop County.

## MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

### Overview of the Financial Statements (continued)

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The type of fund utilized by the District 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 spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’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 government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District presents its only fund as a major fund. A budgetary comparison statement has been provided to demonstrate compliance with finance-related legal requirements.

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District’s financial position. The District’s assets exceeded liabilities by \$655,617 at the close of the most recent fiscal year.

The largest portion of the District’s current assets (74%) reflects cash and investments.

The District’s unrestricted net position, in the amount of \$ may be used to meet the government’s ongoing obligations to citizens and creditors.

#### Clatsop County Road District No. 1’s Net Position

	<u>2014</u>	<u>2013</u>
Current assets	<u>\$ 655,617</u>	<u>\$ 319,097</u>
Unrestricted net position	<u><u>\$ 655,617</u></u>	<u><u>\$ 319,097</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Government-wide Financial Analysis (continued)

**Governmental activities.** Net position increased by \$336,520.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General revenues and special payments		
Property taxes	\$ 1,884,190	\$ 1,900,679
Timber and land sales	1,228,660	825,086
Other taxes	169,305	170,476
Investment earnings	2,665	2,373
Special payments to Clatsop County (General Road Fund)	<u>(2,943,100)</u>	<u>(2,796,700)</u>
Total general revenues and special payments	341,720	101,914
General expenses		
Land use, housing and transportation	<u>5,200</u>	<u>1,850</u>
Change in net position	336,520	100,064
Net position, beginning	<u>319,097</u>	<u>219,033</u>
Net position, ending	<u>\$ 655,617</u>	<u>\$ 319,097</u>

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year, the Road District General Fund reported an ending fund balance of \$513,347 an increase of \$354,627 in comparison with the prior year.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

### **Key Economic Factors and Budget Information for the Future.**

- Continued reductions in a number of state and federal revenue sources are anticipated for the future.
- Increased personnel costs associated with cost-of-living adjustments, annual step increases, increased medical insurance costs, and retirement contributions in the County Road Fund which is partially funded by transfers from the District.

All of these factors were considered in preparing the District’s budget for fiscal year 2014-15.

### **Request for Information**

This financial report is designed to provide a general overview of Clatsop County Road District #1’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be directed to the following address:

Monica Steele  
Clatsop County Budget & Finance  
800 Exchange Street, Suite 310  
Astoria, OR 97103

## **BASIC FINANCIAL STATEMENTS**

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**CLATSOP COUNTY ROAD DISTRICT #1**

**STATEMENT OF NET POSITION**

**June 30, 2014**

	<b><u>Governmental Activities</u></b>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 484,942
Receivables, net	<u>170,675</u>
 TOTAL ASSETS	 <u>655,617</u>
 <b><u>NET POSITION</u></b>	
Unrestricted	<u><u>\$ 655,617</u></u>

*See accompanying notes*

**CLATSOP COUNTY ROAD DISTRICT #1**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

	<b>Governmental Activities</b>
<b>PROGRAM EXPENSES</b>	
Land use, housing and transportation	
Materials and services	\$ 1,800
Other	<u>3,400</u>
Total program expenses	<u>5,200</u>
<b>GENERAL REVENUES AND SPECIAL PAYMENTS</b>	
Property taxes	1,884,190
Timber and land sales	1,228,660
Other taxes	169,305
Investment earnings	2,665
Special payments to Clatsop County (General Road Fund)	<u>(2,943,100)</u>
Total general revenues and special payments	<u>341,720</u>
Change in net position	336,520
Net position - beginning	<u>319,097</u>
Net position - ending	<u><u>\$ 655,617</u></u>

*See accompanying notes*

**CLATSOP COUNTY ROAD DISTRICT #1**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	<u><b>General</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 484,942
Receivable, net	<u>170,675</u>
 TOTAL ASSETS	 <u><u>\$ 655,617</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	
	\$ 142,270
 <b>FUND BALANCES</b>	
Unrestricted	<u>513,347</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BLANCES	 <u><u>\$ 655,617</u></u>
 <b>RECONCILIATION OF THE BALANCE SHEET FOR THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION</b>	
Fund Balance-governmental fund	\$ 513,347
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	<u>142,270</u>
 NET POSITON OF GOVERNMENTAL ACTIVITIES	 <u><u>\$ 655,617</u></u>

*See accompanying notes*

**CLATSOP COUNTY ROAD DISTRICT #1**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

	<u><b>General</b></u>
<b>REVENUES</b>	
Property taxes	\$ 1,902,297
Timber and land sales	1,228,660
Other taxes	169,305
Investment earnings	<u>2,665</u>
TOTAL REVENUES	3,302,927
<b>EXPENDITURES</b>	
Current	
Land use, housing and transportation	<u>5,200</u>
Excess (deficiency) of revenues over expenditures	3,297,727
<b>OTHER FINANCING SOURCES (USES)</b>	
Special payments to Clatsop County (General Road Fund)	<u>(2,943,100)</u>
Net change in fund balances	354,627
Fund balances at beginning of year	<u>158,720</u>
Fund balances at end of year	<u><u>\$ 513,347</u></u>
 <i>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities:</i>	
Net change in fund balance	\$ 354,627
In the Statement of Activities, property taxes are reported as revenues when assessed. However in the governmental funds, property taxes are reported when they are measurable and available. This revenue recognition results in differences in amounts reported for property tax revenues	<u>(18,107)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 336,520</u></u>

*See accompanying notes*

**CLATSOP COUNTY ROAD DISTRICT #1**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Property taxes	\$ 1,857,500	1,902,297	\$ 44,797
Timber and land sales	959,300	1,228,660	269,360
Other taxes	128,000	169,305	41,305
Investment earnings	<u>3,500</u>	<u>2,665</u>	<u>(835)</u>
TOTAL REVENUES	<u>2,948,300</u>	<u>3,302,927</u>	<u>354,627</u>
<b>EXPENDITURES</b>			
Materials and services	1,800	1,800	-
Other charges	<u>3,400</u>	<u>3,400</u>	<u>-</u>
TOTAL EXPENDITURES	<u>5,200</u>	<u>5,200</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	2,943,100	3,297,727	354,627
<b>OTHER FINANCING SOURCES (USES)</b>			
Special payments to Clatsop County (General Road Fund)	<u>(2,943,100)</u>	<u>(2,943,100)</u>	<u>-</u>
Net change in fund balance	-	354,627	354,627
Fund balance at beginning of year	<u>-</u>	<u>158,720</u>	<u>158,720</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 513,347</u>	<u>\$ 513,347</u>

*See accompanying notes*

**CLATSOP COUNTY ROAD DISTRICT #1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

**1. Summary of significant accounting policies**

*A. The District*

The **CLATSOP COUNTY ROAD DISTRICT #1** was formed for the purpose of enhancing and maintaining the rural areas of Clatsop County. The District has a five-person elected Advisory Board that makes budget recommendations to the Clatsop County Budget Committee.

The District is a component unit of Clatsop County. The following criteria from Governmental Accounting Standards Board Statement No. 61, "The Financial Reporting Entity" regarding manifestation of oversight were considered by the County in its evaluation of the District's organization and activities:

- Financial interdependency – Clatsop County receives financial support or provides financial benefit to the organization.
- Authoritative appointment of governing authority – The Commissioners of Clatsop County are the organization's governing authority.

Clatsop County is financially accountable for the operations of the District. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. The management of Clatsop County has determined that the District should be included as a blended component unit, in the Annual Financial Report of Clatsop County for the year ended June 30, 2014.

*B. Financial statement presentation*

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 or segments 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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including property taxes, other taxes, timber and land sales and earnings on investments are presented as general revenues.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### C. *Measurement focus and basis of accounting*

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 a liability is incurred, regardless of the timing of 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America.

The District reports the following major governmental funds:

*General* - accounts for all financial resources of the District

#### D. *Budgets*

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds of the District. The District uses the cash basis of accounting for all budgets. All annual appropriations lapse at fiscal year-end.

The District begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The governing body adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### D. *Budgets (continued)*

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The District established the levels of budgetary control at organizational level.

#### E. *Property taxes receivable*

Uncollected property taxes are reported on the balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred revenue. All property taxes receivable are due from property owners within Clatsop County.

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 collections to entities levying taxes. Real and personal property taxes are assessed and become a lien against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15 following the lien date.

#### F. *Equity*

##### i. *Government-wide statements*

On the Statement of Net Position equity is classified as net position and displayed in three components:

**Net investment in capital assets** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**Restricted net position** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets, net of related debt.”

In the government-wide financial statements, 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.



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### F. *Equity (continued)*

##### ii. *Governmental fund type fund balance reporting*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories list below:

***Non-spendable*** — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

***Restricted*** — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

***Committed*** — Amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board of Commissioners is the highest level of decision making authority for the County. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Commissioners.

***Assigned*** — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The County Treasurer has the authority to assign fund balance amounts.

***Unassigned*** — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment or assignment actions.

#### G. *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### H. Risk management

The District is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; bodily injury; and worker's compensation for which the District carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

### 2. Deposits and investments

The District's deposits and investments are held by the County in a pool of cash and investments that are available for use by the District all funds of the County. The District's fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

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 in 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 unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who 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 the County's position in the LGIP is the same as the value of the pool shares.

*Credit Risk.* The County's policy on the credit risk of investments is based on Oregon statutes which 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 state treasurer's investment pool.

As of June 30, 2014, the County had the following investments:

	<u>Maturities</u>	<u>Moody's Rating</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	Not Rated	\$ 22,155,262
Portland OR Urban Renewal Bond	06/15/15	A-1	\$ 827,550

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and investments (continued)

*Concentration of Credit Risk.* The County's formal policy places a limit on the amount that may be invested in any one issuer as follows:

State of Oregon Local Government Pool	100%
Certificates of Deposit	25%
United States Treasury Bills, Bonds, Notes	25%
Banker's Acceptance (BA's) OR Issue	25%
Repurchase Agreements (All to be fully Collateralized by US Government & US Obligation Marked 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 which 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 District's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the County's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2014, \$1,279,056 of the County's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the County's name.

The County's deposits and investments and the amount allocable to the District at June 30, 2014 are as follows:

	Clatsop County	Clatsop County Road District #1
Total investments	\$ 22,982,812	\$ 484,942
Cash on hand	3,069	-
Deposits with financial institutions	<u>1,043,366</u>	<u>-</u>
Total deposits and investments	<u>\$ 24,029,247</u>	<u>\$ 484,942</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Receivables

A. The District's receivables at June 30, 2014 are as follows:

	<u>General</u>
Property taxes	<u>\$ 170,675</u>

B. Property tax transactions

<u>Levy year</u>	<u>Balances July 1, 2013</u>	<u>Current Levy</u>	<u>Adjustments</u>	<u>Interest (Discounts)</u>	<u>Collections</u>	<u>Balances June 30, 2014</u>
Current						
2013-14	\$ -	\$ 1,925,311	\$ (15,746)	\$ (47,193)	\$ 1,783,682	\$ 78,690
Prior						
2012-13	\$ 91,738	-	(1,333)	3,084	48,826	44,663
2011-12	49,496	-	(186)	3,537	23,715	29,132
2010-11	31,982	-	(151)	6,022	28,514	9,339
2009-10	16,072	-	(892)	4,173	16,489	2,864
2008-09	6,080	-	(2,007)	638	1,857	2,854
All other	4,277	-	(40)	903	2,007	3,133
	<u>\$ 199,645</u>	<u>\$ 1,925,311</u>	<u>\$ (20,355)</u>	<u>\$ (28,836)</u>	<u>\$ 1,905,090</u>	<u>\$ 170,675</u>
					(39,268)	
					28,405	
					8,070	
					<u>\$ 1,902,297</u>	

C. Ensuing year's property tax levy

The permanent tax rate is \$1.0175 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

The tax rate limit of \$10 per thousand of assessed value imposed by the Oregon Constitution is not expected to affect this levy.

D. Property tax assessment appeal

The District had an established a tax reserve with Clatsop County Tax Department for the settlement of property tax assessment refund filed by Georgia Pacific Corporation. During the year, \$8,070 in the reserve was turned over to the District as unsegregated taxes in accordance with provisions of ORS 311.814. As of June 30, 2014, the balance of the reserve was \$56,949. See related footnote regarding the Reserve Account.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 4. Deferred inflows of resources

Resources owned by the District, which are measurable but not available and are unavailable revenue in the governmental funds, consist of the following:

Property taxes	<u>\$ 142,270</u>
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### 5. Risk management

The District is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; bodily injury; and worker's compensation for which the County carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

### 6. Reserve account

In May 2012, the County, the Oregon Department of Revenue, and the Oregon Department of Justice reached an agreement with Georgia Pacific Inc., 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 Inc. 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 percent and maturing over ten 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 Assessment and Taxation Department. The District's initial share of the long-term obligation amounted to \$72,292. As of June 30, 2014, the District's commitment toward the long-term obligation is \$56,949. 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 \$56,949 which will be used to pay down the District's 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, 2014, the total debt outstanding on the long-term obligations was \$2,059,593.

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

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

Board of Commissioners  
**CLATSOP COUNTY ROAD DISTRICT #1**  
Astoria, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **CLATSOP COUNTY ROAD DISTRICT #1** as of and for the year ended June 30, 2013, and have issued our report thereon dated December 12, 2014. 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 the **CLATSOP COUNTY ROAD DISTRICT #1** 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 162-10-000 through 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 statements 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.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS (Continued)**

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, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

The current and ensuing year's appropriations resolution did not appropriate expenditures by separate amounts for special payments in accordance with ORS 294.456(3)(B).

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

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Deficiencies, if any, were communicated separately.

This report is intended solely for the information and use of the board of commissioners and management of **CLATSOP COUNTY 4H AND EXTENSION SERVICE DISTRICT** and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 12, 2014  
By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', is written over a horizontal line.

Bradley G. Bingenheimer, Member