

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2016

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
June 30, 2016

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INTRODUCTORY SECTION

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
BOARD OF DIRECTORS AND OFFICIALS
June 30, 2016

Board of Directors

Pat Voigt
Prairie City, Oregon

Chairperson

Phil St. Clair
Canyon City, Oregon

Vice-Chairperson

Roger Ediger
Mt. Vernon, Oregon

Secretary

Rick Henslee
Long Creek, Oregon

Director

Joanne Keerins
Canyon City, Oregon

Director

Officials

Jason Kehrberg

District Manager

Pat Holliday

Program Assistant

Address

Grant Soil and Water Conservation District
721 South Canyon Blvd.
John Day, Oregon 97845
Telephone (541) 575-0135

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Grant Soil and Water Conservation District
John Day, Grant County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Grant Soil and Water Conservation District, 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

Grant Soil and Water Conservation District'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 district'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 district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Grant Soil and Water Conservation District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 on pages 5 through 8 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 this 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grant Soil and Water Conservation District's financial statements as a whole. The other supplementary information, other financial schedules, and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, as listed in the table of contents, 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.

Reporting on Other Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated January 30, 2017 on our consideration of Grant Soil and Water Conservation District's internal control over financial reporting

and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant Soil and Water Conservation District's internal control over financial reporting and compliance.

Reporting Required by Oregon Revised Statutes

In accordance with 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, we have issued our report dated January 30, 2017 on our consideration of Grant Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering Grant Soil and Water Conservation District's internal control over financial reporting and compliance.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
January 30, 2017



Grant Soil and Water Conservation District

721 S. Canyon Blvd. - John Day, OR 97845 - Phone (541) 575-0135 - FAX (541) 575-0646

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

This discussion and analysis of Grant Soil and Water Conservation District's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on district financial performance as a whole. Efforts have been made to provide comparison to prior year when such data is available.

Grant Weed Control is a department of the Grant Soil and Water Conservation District. All financial transactions are tracked separately but are included in the district's totals.

Financial Highlights

- The district's financial status, as reflected in total net position, was \$2,114,009 as of June 30, 2016. Of this amount \$530,865 was the invested in capital assets. Net position restricted for special programs were \$475,843. The remaining \$1,107,301 was unrestricted.
- At June 30, 2016, Grant Soil and Water Conservation District's governmental funds reported an ending fund balance of \$1,602,679. \$475,843 was restricted for special projects. Nonspendable fund balance was \$302,418, and the remaining \$824,418 was available to meet general obligations of the district.

Overview of the Financial Statement

This annual report consists of three parts – Management's Discussion and Analysis (this section), the Basic Financial Statements, and the Notes to the Basic Financial Statements. The basic financial statements present financial position and results of operation of the district and consist of the Statement of Net Position and the Statement of Activities which provide both long-term and short-term information about the district's financial status. The Notes to the Basic Financial Statements explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplemental Information that further explains and supports the information in the financial statements.

The Statement of Net Position presents information regarding all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four being reported as net position. Changes in net position may serve as a useful indicator of whether or not the overall financial position of Grant Soil and Water Conservation District is improving or deteriorating.

The Statement of Activities presents information showing how Grant Soil and Water Conservation District's net position increased or decreased during the year under review. All activities in the government-wide financial statements are presented on the full accrual basis of accounting, in which they are reported as soon as the event occurs, regardless of the timing of associated cash flow.

Condensed Statement of Net Position

	June 30, 2015	June 30, 2016
Assets		
Cash and investments	\$ 1,552,954	\$ 1,315,532
Accounts receivable	198,532	265,902
Inventory	105,367	121,791
Capital assets, net of depreciation	434,505	530,865
Total assets	2,291,358	2,234,090
Deferred outflows of resources	-	-
Liabilities		
Accounts payable	80,180	37,378
Accrued liabilities	3,621	3,478
Compensated absences	20,914	19,535
Total liabilities	104,715	60,391
Deferred inflows of resources	132,796	59,690
Net position		
Investment in capital assets	434,505	530,865
Restricted for special programs	509,729	475,843
Unrestricted	1,109,613	1,107,301
Total net position	\$ 2,053,847	\$ 2,114,009

Revenue and Expense Information

The district received revenue from several different sources. Those sources include USDA Malheur National Forest, (Title II Grants), Oregon Watershed Enhancement Board (OWEB), Oregon Department Fish and Wildlife, Oregon Department of Agriculture, USDA Natural Resources Conservation Service, Bonneville Power Administration through the Confederated Tribes of Warm Springs, Farm Service Agency, US Fish and Wildlife Services, and the Bureau of Reclamation. Revenue received from these sources is used for planning, design, administration, fiscal management, project inspection and construction to implement watershed restoration projects. Grant Weed Control receives revenue from Grant County, USDA Malheur National Forest (Title II Grants), Confederated Tribes of Warm Springs, Bureau of Land Management, private landowners, Oregon State Weed Board, and Oregon Department of Fish & Wildlife. This revenue is for weed control activity.

Revenue increased in 2015-2016 by 40%. The increase in revenue is due to the number and type of projects implemented. Expenses for 2015-2016 also increased by 28%. This is again a factor of the number of projects implemented.

Condensed Statement of Activities

	June 30, 2015	June 30, 2016
Revenues		
Program revenues		
Operating grants	\$ 1,476,311	\$ 1,945,897
Charges for services	159,521	322,740
General revenues		
Interest	5,289	6,759
Miscellaneous	68,657	118,431
Total revenues	1,709,778	2,393,827
Expenses		
Personal services	569,312	571,673
Purchased services	184,230	158,107
Materials and supplies	1,070,403	1,605,719
Capital Outlay	194	-
Total expenses	1,824,139	2,335,499
Gain (loss) on sale of capital assets	-	1,834
Change in net position	(114,361)	60,162
Beginning net position	2,296,254	2,053,847
Restatement	(128,046)	-
Ending net position	\$ 2,053,847	\$ 2,114,009

Funds

The Grant Soil and Water Conservation District has three funds reported on the financial statements. The Soil and Water Projects Fund is used to implement landowner projects for soil and water conservation practices and fish habitat improvements. This fund had an increase in fund balance of \$32,691 bringing the ending fund balance to (\$130,434).

The Weed Control Fund receives revenue from various agencies committed to the control of noxious weeds on public and private lands. Expenditures are mainly used for the purchase of chemicals and for labor to treat weeds. The weed control fund had a decrease of \$16,045 bringing the ending fund balance to \$536,396.

The General Fund is used for the general operations of the district. There was a decrease in the fund balance in the general fund of \$54,223. The fund balance in the general fund was \$1,250,940 at June 30, 2015, and is at \$1,196,717 as of June 30, 2016.

Capital Assets

The district had the following capital asset activity:

	July 1, 2015	Additions	Deletions	June 30, 2016
Land	\$ 91,205	\$ -	\$ -	\$ 91,205
Buildings and improvements	249,816	7,263	-	257,079
Equipment	304,125	120,025	(7,085)	417,065
Total	<u>645,146</u>	<u>127,288</u>	<u>(7,085)</u>	<u>765,349</u>
Accumulated depreciation	210,641	29,511	(5,668)	234,484
Invested in capital assets	<u>\$ 434,505</u>	<u>\$ 97,777</u>	<u>\$ (1,417)</u>	<u>\$ 530,865</u>

Depreciation expense of \$29,511 was charged to materials and supplies.

Budget

Grant Soil and Water Conservation District is not subject to Oregon local budget law.

Economic Factors Bearing on District's Future

Grant Soil and Water Conservation District is a non-taxing subdivision of the state and receives no tax money or guaranteed revenue. All revenue received is through contracts, cooperative agreements, or grants for implemented work. The loss of a contract or cooperative agreement would have the potential to reduce the amount of revenue the district would receive.

The district maintains a high level of program activity and net position. The strong financial position of the district reduces the reliance on funding from government sources. The board utilizes government funding as much as possible, but is able to easily manage cash flow on projects. The Grant Soil and Water Conservation District owns the building where their office is located and rents space to one USDA agency on a long-term contract. The district no longer has any debt on the building and this revenue will allow the district to maintain their office space and continue to generate income, separate from government grants, far into the future.

Contact Information

This financial report is designed to provide information on a general overview of the district's finances and to demonstrate the district's accountability for the funding it receives. If you have any questions about this report or need additional information, contact:

Pat Holliday, Program Assistant
Grant Soil & Water Conservation District
721 S. Canyon Blvd.
John Day, OR 97845

Phone: 541 575-0135, ext. 101
Email: pholliday@ortelco.net

OR

Jason Kehrberg, District Manager
Grant Soil & Water Conservation District
721 S. Canyon Blvd.
John Day, OR 97845

Phone: 541 575-0135, ext. 110
Email: jkehrberg@ortelco.net

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
STATEMENT OF NET POSITION
June 30, 2016

	<u>June 30, 2016</u>
ASSETS	
Cash and investments	\$ 1,315,532
Accounts receivables (net)	265,902
Inventory, at cost	121,791
Capital assets	
Land	\$ 91,205
Equipment	417,065
Buildings and improvements	257,079
Less accumulated depreciation	<u>(234,484)</u>
Total capital assets, net accumulated depreciation	530,865
Total assets	<u>2,234,090</u>
 DEFERRED OUTFLOWS OF RESOURCES	
	<u>-</u>
 LIABILITIES	
Accounts payable	37,378
Accrued liabilities	3,478
Compensated absences	19,535
Total liabilities	<u>60,391</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable grant revenues	59,690
Total deferred inflows of resources	<u>59,690</u>
 NET POSITION	
Investment in capital assets	530,865
Restricted for special programs	475,843
Unrestricted	1,107,301
Total net position	<u><u>\$ 2,114,009</u></u>

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Change in
			Contributions	Net Assets
GOVERNMENTAL ACTIVITIES				
Natural resource personnel	\$ 571,673	\$ -	\$ 384,906	\$ (186,767)
Natural resource services	158,107	-	1,153,671	995,564
Conservation supplies and materials	1,605,719	322,740	407,320	(875,659)
Total governmental activities	<u>\$ 2,335,499</u>	<u>\$ 322,740</u>	<u>\$ 1,945,897</u>	<u>(66,862)</u>
GENERAL REVENUES				
Earnings on investments				6,759
Miscellaneous				118,431
Total general revenues				<u>125,190</u>
Gain (loss) on sale of capital assets				1,834
Change in net position				60,162
Net position - July 1, 2015				<u>2,053,847</u>
Total net position - June 30, 2016				<u>\$ 2,114,009</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Weed Control	Soil and Water Projects	Total June 30, 2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and investments	\$ 958,448	\$ 357,084	\$ -	\$ 1,315,532
Accounts receivable	4,998	151,545	109,359	265,902
Inventory - at cost	61,238	60,553	-	121,791
Due from Soil and Water Projects	180,627	-	-	180,627
Total assets	1,205,311	569,182	109,359	1,883,852
Deferred outflows of resources				
Total assets and deferred outflows of resources	\$ 1,205,311	\$ 569,182	\$ 109,359	\$ 1,883,852
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,116	\$ 10,962	\$ 21,300	\$ 37,378
Payroll liabilities	3,478	-	-	3,478
Due to General Fund	-	-	180,627	180,627
Total liabilities	8,594	10,962	201,927	221,483
Deferred inflows of resources				
Unavailable grant revenues	-	21,824	37,866	59,690
Total deferred inflows	-	21,824	37,866	59,690
Fund balances				
Nonspendable	241,865	60,553	-	302,418
Spendable				
Restricted	-	475,843	-	475,843
Unassigned	954,852	-	(130,434)	824,418
Total fund balances	1,196,717	536,396	(130,434)	1,602,679
Total liabilities, deferred inflows and fund balances	\$ 1,205,311	\$ 569,182	\$ 109,359	\$ 1,883,852

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances		\$ 1,602,679
Capital assets are not financial resources and therefore, are not reported in the governmental funds.		
Cost	\$ 765,349	
Accumulated depreciation	<u>(234,484)</u>	530,865
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the balance sheet of governmental funds.		
Compensated absences		(19,535)
Total net position		<u><u>\$ 2,114,009</u></u>

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2016

	General	Weed Control	Soil and Water Projects	Total June 30, 2016
Revenues				
Grants and intergovernmental revenue	\$ 295,919	\$ 59,997	\$ 1,589,981	\$ 1,945,897
Rental income	32,484	84	-	32,568
Interest income	3,866	2,892	-	6,758
Other income	2,029	5,605	78,229	85,863
Charges for services and products	-	322,740	-	322,740
Total revenues	<u>334,298</u>	<u>391,318</u>	<u>1,668,210</u>	<u>2,393,826</u>
Expenditures				
Current				
Personal services	136,765	-	436,286	573,051
Purchased services	28,405	129,702	-	158,107
Materials and supplies	130,966	280,912	1,272,029	1,683,907
Capital outlay	19,589	-	-	19,589
Total expenditures	<u>315,725</u>	<u>410,614</u>	<u>1,708,315</u>	<u>2,434,654</u>
Excess of revenues over (under) expenditures	18,573	(19,296)	(40,105)	(40,828)
Other financing sources (uses)				
Transfers in	(72,796)	-	-	(72,796)
Transfers out	-	-	72,796	72,796
Sale of capital assets	-	3,251	-	3,251
Total other sources (uses)	<u>(72,796)</u>	<u>3,251</u>	<u>72,796</u>	<u>3,251</u>
Net change in fund balances	(54,223)	(16,045)	32,691	(37,577)
Fund balances, beginning of year	<u>1,250,940</u>	<u>552,441</u>	<u>(163,125)</u>	<u>1,640,256</u>
Fund balances, end of year	<u>\$ 1,196,717</u>	<u>\$ 536,396</u>	<u>\$ (130,434)</u>	<u>\$ 1,602,679</u>

Grant Soil and Water Conservation District
Grant County, Oregon
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended
June 30, 2016

Net change in fund balances		\$ (37,577)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	\$ 127,288	
Sale of capital assets	(1,417)	
Less current year depreciation	<u>(29,511)</u>	96,360
<p>Compensated absences are included in the government-wide financial statements however they are not included in the governmental funds.</p>		
		1,379
CHANGE IN NET POSITION		<u><u>\$ 60,162</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 1. Significant Accounting Policies

Grant Soil and Water Conservation District was formed on July 20, 1956, on a vote of the landowners within the district. Its purpose is to provide technical assistance to landowners within the district for land and water management and conservation. Assistance is provided through the U.S. Department of Agriculture's Natural Resources Conservation Service. The administration of the district is vested in a five-member board of directors.

The following is a summary of significant accounting policies utilized by the district in preparation of the accompanying financial statements.

A. Reporting Entity

For financial reporting purposes, Grant Soil and Water Conservation District has included all funds, organizations, agencies, boards, commissions and authorities. The district has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the district are such that exclusion would cause the district's financial statements to be misleading or incomplete. The five-member board of directors receives funding from local, intermediate, state and federal sources. However, Grant Soil and Water Conservation district is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. No other entities met requirements for inclusion in Grant Soil and Water Conservation District.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the district. These statements include the governmental financial activities of the overall district. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through intergovernmental revenues and charges for services.

The Statement of Net Position presents the district's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those specifically associated with a function and therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. 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 and, (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including earnings on investments are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the district's funds. Separate statements for each fund category (governmental) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregate and reported as nonmajor governmental funds. Currently, all the district's funds are considered major funds.

The district reports the following major governmental funds:

General Fund - the General Fund is the general operating fund of the district. It is used to account for all financial resources and disbursements except those accounted for in another fund.

Weed Control Fund—The Weed Control Fund is a special revenue fund used to account for the revenues and expenditures for the weed department.

Soil and Water Projects Fund—The Soil and Water Projects Funds is a special revenue fund used to account for the proceeds of grants to be used for projects by the district

C. Measurement Focus and Basis of Accounting

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 at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 to finance expenditures of the fiscal period. 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 after year end.

Intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the district.

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims, judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the district funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the district's policy to first apply restricted cost-reimbursement grant resources to such programs, and then unrestricted general revenues.

D. Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The district defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one reporting period. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 to 100 years
Equipment	5 to 30 years

E. Budgets and Budgetary Accounting

In accordance with district policy, Grant Soil and Water Conservation District prepares an annual budget that estimates the resources and expenditures required to conduct business in the upcoming year, with regards to the district funds. A properly prepared budget allows lawful appropriations, which provides the authority to spend money.

Grant Soil and Water Conservation District does not receive property tax revenues (i.e., ad valorem tax), consequently, the district is not required to prepare its budget according to Oregon budget law.

F. Project Beneficiaries

During the course of operations, numerous projects are undertaken involving watershed restoration and other conservation projects. Grant Soil and Water Conservation District's policy is to undertake projects with any party interested in such conservation projects, including members of the board of directors and employees of the district.

G. Cash and Cash Equivalents

Grant Soil and Water Conservation 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. All short-term cash surpluses are maintained at the Oregon State Treasury Local Government Investment Pool and allocated to each fund based on the amount of excess cash each fund has deposited.

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Oregon statutes and local ordinances authorize Grant Soil and Water Conservation District to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the United States, U.S. agency issues, general obligations of the states of Oregon, Washington, Idaho, and California, certain interest bearing bonds of a county, port, or school district, certain interest bearing bonds of any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are stated at cost.

H. Inventories

Inventories consist primarily of chemicals, weed spray, and steel, valued at the lower of cost or market. These items are valued at cost, which approximates market. The cost of inventories is recorded as expense when consumed by projects and is relieved using the first in, first out method. Inventory at June 30, 2016 was valued at \$121,791.

I. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position. The district did not have any deferred outflows of resources as of June 30, 2016.

J. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has one item that qualifies for reporting in this category. Unavailable revenue from grants is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. Deferred inflows are included in the government-wide Statement of Net Position. The district had deferred inflows of resources of \$59,690 consisting of unavailable grant revenues.

K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The liability at June 30, 2016 is \$19,535 compared to \$20,914 at June 30, 2015.

L. Encumbrances

The district does not use encumbrance accounting.

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

M. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period.

N. Fund Balances

GASB statement No. 54 requires analysis and presentation of fund balances in five categories; the fund balance categories are:

- *Non-Spendable* – Includes items not immediately converted to cash, such as prepaid items, interfund receivables and inventory.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the district’s board of directors, by formal board resolution.
- *Assigned* – Includes items assigned for specific uses, authorized by the persons authorized by district manager and/or program assistant.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category.

The board authorized the district manager and the program assistant to make assignments of ending fund balance. Assignments of fund balances can be done at any time, including after fiscal year end date.

GASB 54 requires a spending policy, as it relates to ending fund balance. The spending policy states in what order fund balance categories are spent. The following is the board approved fund balance order of spending policy:

1. Restricted Fund Balance
2. Committed Fund Balance
3. Assigned Fund Balance
4. Unassigned Fund Balance

O. Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Note 2. Pension Plan

Grant Soil and Water Conservation District has adopted a savings incentive match plan for employees under section 408(p) of the Internal Revenue Code - the Grant Soil and Water Conservation District 5304 SIMPLE IRA Plan. The plan is a defined contribution plan and may be amended only as provided in the

GRANT SOIL AND WATER CONSERVATION DISTRICT
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Internal Revenue Code. Each employee who is eligible to enroll as a contributing participant may set aside his or her pay into the plan by signing an elective deferral agreement. The elective deferral agreement replaces any earlier agreement and will remain in effect as long as the employee remains an eligible employee under the plan. To become eligible to participate in the plan, employees are required to earn at least \$5,000 during any of the two preceding years before enrollment. For the calendar year, Grant Soil and Water Conservation District will make a matching contribution in an amount equal to the employee's elective deferral not in excess of 3% of the employee's compensation. Employee contributions and employer contributions for the year ended June 30, 2016 and June 30, 2015 were \$50,381 and \$52,472, respectively.

Note 3. Deposits and Investments

Cash and Investments

The district maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and investments.

Cash and investments are comprised of the following at June 30, 2016:

Deposits with banks	\$	534,434
Investments		779,375
Cash on hand		1,723
		\$ 1,315,532

Cash and investments are shown on the basic financial statements as:

Statement of Net Position		
Cash and investments	\$	1,315,532
		\$ 1,315,532

As of June 30, 2016, the district held the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Investment Portfolio</u>
Local Government Investment Pool	\$ 779,375	100%

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorized deposits to give an indication of the level of custodial risk assumed by the district at June 30, 2016. If bank deposits at year end are not entirely insured or collateralized with securities held by the district or by its agent in the district's name, the district must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2016, the carrying amount of the district's deposits (cash) was \$534,434 and the bank balance was \$555,368. Of these deposits, all were not covered by federal depository insurance. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
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June 30, 2016

continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. The district deposits were in compliance with requirements of ORS 295.018.

Custodial Credit Risk—Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The district does not have a policy for custodial credit risk for deposits.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of government entities.

Investments

At June 30, 2016, the district held \$779,375 of investments, which is all classified as cash and investments on the Statement of Net Position. The district has no policy for managing interest rate risk or credit risk.

The district has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2016 in the amount of \$779,375. The Local Government Investment Pool was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Local Government Investment Pool is an external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40. Oregon LGIP is unrated for credit quality.

In addition, the Oregon LGIP distributes investment income on an amortized cost basis and participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the district's cash position.

Investments in the Oregon LGIP are made under the provisions of ORS 194.180. These funds are held in the district's name and are not subject to collateralization requirements of ORS 295.018. Investments are stated at cost, which approximated fair value.

A separate financial report for the Oregon Short-term Fund Local Government Investment Pool is prepared by the Secretary of State Audits Division in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of this report can be obtained from the Oregon Audits Division 255 Capitol Street NE, Suite 500 Salem, OR 97310 or online at <http://www.sos.state.or.us/audits.index.html>.

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Oregon statutes restrict the types of investments in which the district may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker repurchase agreements, bankers' acceptance, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool. As of June 30, 2016 and for the year then ended, the district was in compliance with the aforementioned Oregon statutes.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize the district to invest primarily in general obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper, and the Oregon Local Government Investment Pool, among others. The district has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk—Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The district is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the United States Government. The district has no such investments.

Interest Rate Risk—The district has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Foreign Currency Risk—The district is prohibited from investments that are not US dollar-denominated; therefore, the district is not exposed to this risk.

Note 4. Capital Assets

Capital assets activity for the year was as follows:

	July 1, 2015	Increases	Decreases	June 30, 2016
Capital assets not being depreciated				
Land	\$ 91,205	\$ -	\$ -	\$ 91,205
Total capital assets not being depreciated	<u>91,205</u>	<u>-</u>	<u>-</u>	<u>91,205</u>
Capital assets being depreciated				
Buildings and improvements	249,816	7,263	-	257,079
Equipment	304,125	120,025	(7,085)	417,065
Total capital assets being depreciated	<u>553,941</u>	<u>127,288</u>	<u>(7,085)</u>	<u>674,144</u>
Less accumulated depreciation	210,641	29,511	(5,668)	234,484
Total capital assets being depreciated, net	<u>343,300</u>	<u>97,777</u>	<u>(1,417)</u>	<u>439,660</u>
Total capital assets, net	<u>\$ 434,505</u>	<u>\$ 97,777</u>	<u>\$ (1,417)</u>	<u>\$ 530,865</u>

Depreciation expense of \$29,511 was charged to project materials and supplies.

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Note 5. Accounts Receivable

Accounts receivable at June 30, 2016 were as follows:

Fund	Amount	Type
General Fund	\$ 4,998	Grants receivable
Weed Control Fund	151,545	Grants receivable
Soil and Water Projects Fund	109,359	Grants receivable
	\$ 265,902	

Note 6. Risk Management

Grant Soil and Water Conservation District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks can be covered by the purchase of commercial insurance. The district assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7. Fund Balance Classifications

Below is a schedule of ending fund balances, based on GASB Statement No. 54 requirements:

Fund Balances	General Fund	Weed Control	Soil and Water Projects	Total
<u>Nonspendable</u>				
Inventory	\$ 61,238	\$ 60,553	\$ -	\$ 121,791
Interfund receivable	180,627	-	-	180,627
	241,865	60,553	-	302,418
<u>Restricted</u>				
Special projects	-	475,843	-	475,843
<u>Unassigned</u>	954,852	-	(130,434)	824,418
TOTAL FUND BALANCES	\$ 1,196,717	\$ 536,396	\$ (130,434)	\$ 1,602,679

Note 8. Deficit Ending Fund Balance

The district had the following deficit ending fund balances at June 30, 2016:

Fund	Amount	Corrective Action
Soil and Water Projects Fund	\$ (130,434)	Grants will be reimbursed for expenditures throughout the year.

GRANT SOIL AND WATER CONSERVATION DISTRICT
 Grant County, Oregon
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2016

Note 10. Transfers

The district had the following interfund transfers during the year:

From	To	Amount	Reason
General Fund	Soil and Water Projects	\$ 72,796	To transfer administrative costs.

OTHER SUPPLEMENTARY INFORMATION

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**
GENERAL FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and intergovernmental revenue	\$ 201,905	\$ 201,905	\$ 295,919	\$ 94,014
Rental income	25,900	25,900	32,484	6,584
Interest income	2,200	2,200	3,866	1,666
Other income	6,000	6,000	2,029	(3,971)
Total revenues	<u>236,005</u>	<u>236,005</u>	<u>334,298</u>	<u>98,293</u>
Expenditures				
Personal services				
Wages and benefits	150,249	150,249	136,039	14,210
Payroll taxes and unemployment	-	-	726	(726)
Purchased services				
Professional fees	-	-	8,053	(8,053)
Telephone	1,600	1,600	201	1,399
Utilities	11,200	11,200	4,916	6,284
Printing and advertising	500	500	558	(58)
Meetings	2,000	2,000	1,861	139
Dues and memberships	2,000	2,000	700	1,300
Legal and auditing	5,000	5,000	-	5,000
Insurance and fidelity bond	6,000	6,000	9,566	(3,566)
Travel and training	3,000	3,000	2,550	450
Materials and supplies				
Field materials and supplies	-	-	113,800	(113,800)
Office supplies	5,500	5,500	8,358	(2,858)
Freight and postage	-	-	1,217	(1,217)
Equipment purchases	5,000	5,000	-	5,000
Equipment maintenance	4,000	4,000	50	3,950
Equipment operating supplies	4,000	4,000	95	3,905
Fuel	3,500	3,500	2,955	545
Auto expense	4,000	4,000	2,586	1,414
Building maintenance	8,000	8,000	-	8,000
Miscellaneous	5,456	5,456	1,905	3,551
Capital outlay	5,000	5,000	19,589	(14,589)
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>236,005</u>	<u>236,005</u>	<u>315,725</u>	<u>(79,720)</u>
Excess revenues over(under) expenditures	-	-	18,573	18,573
Other financing sources (uses)				
Transfer to				
Special Projects	-	-	(72,796)	(72,796)
Total other financing sources uses	<u>-</u>	<u>-</u>	<u>(72,796)</u>	<u>(72,796)</u>
Net change in fund balance	-	-	(54,223)	(54,223)
Fund balance, beginning of year	1,075,049	1,075,049	1,250,940	175,891
Fund balance, end of year	<u>\$ 1,075,049</u>	<u>\$ 1,075,049</u>	<u>\$ 1,196,717</u>	<u>\$ 121,668</u>

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
WEED CONTROL FUND
(BUDGET BASIS)**
For the Year Ended
June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and intergovernmental revenue	\$ 321,531	\$ 321,531	\$ 59,997	\$ (261,534)
Rental income	-	-	84	84
Interest income	1,800	1,800	2,892	1,092
Other income	-	-	5,605	5,605
Charges for services and products	123,000	123,000	322,740	199,740
Total revenues	<u>446,331</u>	<u>446,331</u>	<u>391,318</u>	<u>(55,013)</u>
Expenditures				
Purchased services				
Telephone	1,500	1,500	896	604
Dues and fees	1,200	1,200	678	522
Insurance and fidelity bonds	900	900	1,126	(226)
Administration	6,000	6,000	6,429	(429)
Travel	2,500	2,500	2,871	(371)
Meetings	-	-	320	(320)
Freight	-	-	2,500	(2,500)
Legal and auditing	750	750	-	750
Payroll expenses	120,000	120,000	114,882	5,118
Materials and supplies				
Field materials and supplies	193,931	193,931	4,961	188,970
Equipment purchases	150,000	150,000	-	150,000
Equipment operating supplies	3,000	3,000	-	3,000
Equipment maintenance	4,000	4,000	4,692	(692)
Vehicle fuel	8,000	8,000	5,713	2,287
Chemicals	95,000	95,000	264,682	(169,682)
Auto expense	2,000	2,000	-	2,000
Miscellaneous	2,000	2,000	864	1,136
Contingency	2,550	2,550	-	2,550
Total expenditures	<u>593,331</u>	<u>593,331</u>	<u>410,614</u>	<u>182,717</u>
Excess of revenues over(under) expenditures	(147,000)	(147,000)	(19,296)	(127,704)
Other financing sources(uses)				
Sale of capital assets	-	-	3,251	3,251
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,251</u>	<u>3,251</u>
Net change in fund balance	(147,000)	(147,000)	(16,045)	130,955
Fund balance, beginning of year	429,050	429,050	552,441	123,391
Fund balance, end of year	<u>\$ 282,050</u>	<u>\$ 282,050</u>	<u>\$ 536,396</u>	<u>\$ 254,346</u>

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE -BUDGET AND ACTUAL
SOIL AND WATER PROJECTS FUND
(BUDGET BASIS)**
For the Year Ended
June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Grants and intergovernmental revenue	\$ 1,338,888	\$ 1,338,888	1,589,981	\$ 251,093
Other income	-	-	78,229	78,229
Total revenues	<u>1,338,888</u>	<u>1,338,888</u>	<u>1,668,210</u>	<u>329,322</u>
Expenditures				
Personal services	289,751	289,751	436,286	(146,535)
Materials and supplies	1,049,137	1,049,137	1,272,029	(222,892)
Total expenditures	<u>1,338,888</u>	<u>1,338,888</u>	<u>1,708,315</u>	<u>(369,427)</u>
Excess of revenues over (under) expenditures	-	-	(40,105)	698,749
Other financing sources (uses)				
Transfers in	-	-	72,796	72,796
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>72,796</u>	<u>72,796</u>
Net change in fund balance	-	-	32,691	32,691
Fund balance, beginning of year	-	-	(163,125)	(163,125)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (130,434)</u>	<u>\$ (130,434)</u>

OTHER FINANCIAL SCHEDULES

GRANT SOIL AND WATER CONSERVATION DISTRICT
Grant County, Oregon
SCHEDULE OF CASH, CASH ITEMS AND COLLATERAL SECURITY
June 30, 2016

	* Bank of Eastern Oregon Checking	* Bank of Eastern Oregon Money Market	Cash on Hand	** Local Government Investment Pool	Total
General Fund	\$ 57,917	\$ 449,281	\$ -	\$ 451,250	\$ 958,448
Special Revenue Fund	* US Bank Checking				
201 Weed Control	\$ 27,236	\$ -	\$ 1,723	\$ 328,125	\$ 357,084
Total	<u>\$ 85,153</u>	<u>\$ 449,281</u>	<u>\$ 1,723</u>	<u>\$ 779,375</u>	<u>\$ 1,315,532</u>

COLLATERAL SECURITY, per ORS 295.018

Insurance under Federal Deposit Insurance Corporation Act (FDIC)	
Demand account - Bank of Eastern Oregon	<u>\$ 250,000</u>
Demand account - U. S. Bank	<u>\$ 250,000</u>

** The Local Government Investment Pool is fully collateralized with the State of Oregon.

* For deposits held in excess of FDIC Insurance, the district is required to maintain accounts only with qualified depositories. The district is in compliance with this requirement. See note 3.

REPORT REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Grant Soil and Water Conservation District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Grant Soil and Water Conservation District's basic financial statements and have issued our report thereon dated January 30, 2017.

Compliance

As part of obtaining reasonable assurance about whether Grant Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions, and repayment
- 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 Grant Soil and Water Conservation District was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-230 Internal Control

In planning and performing our audit, we considered Grant Soil and Water Conservation District'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 Grant Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grant Soil and Water Conservation District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies that we consider to be material weaknesses, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Oregon Minimum Standards in considering the district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP

By 

Burns, Oregon
January 30, 2017

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Grant Soil and Water Conservation District
John Day, Grant County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Grant Soil and Water Conservation District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Grant Soil and Water Conservation District's basic financial statements and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grant Soil and Water Conservation District's internal control over financial reporting (internal control) to determine the audit 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 Grant Soil and Water Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant Soil and Water Conservation District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect misstatements and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the district's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP

By *Cara Willer*

Burns, Oregon
January 30, 2017