

# **Clackamas County Extension and 4-H Service District**

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*(A Component Unit of Clackamas County, Oregon)*



## **Report of Independent Auditors and Financial Statements with Supplementary Information**

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**For The Fiscal Year Ended June 30, 2015**

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)**

Report of Independent Auditors and  
Financial Statements with  
Supplementary Information

For the Fiscal Year Ended June 30, 2015

Prepared by:

Clackamas County Extension and 4-H Service District  
Department of Finance  
Marc S. Gonzales, Director of Finance  
Christa Bosserman Wolfe, Assistant Finance Director, CPA  
David Bodway, Finance Manager

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**

**GOVERNING BODY UNDER ORS 451.545**  
**BOARD OF COUNTY COMMISSIONERS**  
**CLACKAMAS COUNTY, OREGON**

Public Services Building  
2051 Kaen Road  
Oregon City, Oregon 97045

**COMMISSIONERS AS OF JUNE 30, 2015**

<u>Name</u>	<u>Term Expires</u>
John Ludlow, Chair Public Services Building	December 31, 2016
Jim Bernard, Commissioner Public Services Building	December 31, 2018
Paul Savas, Commissioner Public Services Building	December 31, 2018
Martha Schrader, Commissioner Public Services Building	December 31, 2016
Tootie Smith, Commissioner Public Services Building	December 31, 2016

**ADMINISTRATIVE OFFICES**

Clackamas County, Oregon  
2051 Kaen Road  
Oregon City, Oregon 97045

**LEGAL COUNSEL AND REGISTERED AGENT**

Steven Madkour  
2051 Kaen Road  
Oregon City, Oregon 97045

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT  
(A Component Unit of Clackamas County, Oregon)**

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**REPORT OF INDEPENDENT AUDITORS**

## REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Clackamas County Extension and 4-H Service District  
Oregon City, Oregon

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the Clackamas County Extension and 4-H Service District (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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.

## MOSS-ADAMS<sub>LLP</sub>

### ***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 District as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons 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 4 through 7 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of property tax transactions and outstanding balances (the Schedule), as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 on our consideration of the District's internal control over financial reporting and on 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 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 the District's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated September 30, 2015, 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.

A handwritten signature in black ink, reading "James C. Lavarotto".

for Moss Adams LLP  
Eugene, Oregon  
September 30, 2015



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

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Management's discussion and analysis of the Clackamas County Extension Service And 4-H District (the District) offers readers a narrative overview of financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying basic financial statements and the notes to the basic financial statements.

Oregon Revised Statutes Chapter 451 provides for the establishment of county service districts, including extension services. The Clackamas County Board of Commissioners adopted its Order No. 2008-190 on November 26, 2008, which established the District as a County service district to provide a dedicated, stable funding source for the support of agricultural extension services in Clackamas County, Oregon (the "County"). The District's boundaries are contiguous with those of the County, excepting portions lying within the city limits of Johnson City.

### **FINANCIAL HIGHLIGHTS**

- Assets of the District exceeded liabilities at the close of the fiscal year by \$4,346,306. The total amount may be used to meet ongoing obligations.
- Net Position district-wide increased by \$715,287. Property taxes levied for operations and other revenues exceeded education expenses by this amount.
- The governmental fund reported an ending fund balance of \$4,245,173, an increase of 20.04% from the prior year. Please see page 13 of the basic financial statements which reconciles the net change in fund balance to the change in net position.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are made up of two components; 1) financial statements and 2) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position and the Statement of Activities provide government-wide information for the District. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting methodology used by private sector entities. Current year revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the District-wide net position and change in net position from the prior year. Net position is the difference between assets and liabilities and represents a measurement of financial health. Over time, increases or decreases in net position indicate whether financial health is improving or deteriorating.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Following the government-wide financial statements are governmental fund financial statements. These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the District-wide statements explains the differences in the two methods of reporting.

**CLACKAMAS COUNTY EXTENSION SERVICE AND 4-H DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net Position of the District increased from prior year. The increase is due to the excess of revenues over expenses in the Statement of Activities and flows to the Statement of Net Position.

**Net Position**

The Statement of Net Position for fiscal years ended June 30, 2015 and 2014 follows.

	2015	2014
<b>Assets:</b>		
Cash and cash equivalents	\$ 4,397,499	\$ 3,630,673
Property taxes receivable	115,660	114,441
<b>Total assets</b>	<b>4,513,159</b>	<b>3,745,114</b>
<b>Liabilities:</b>		
Accrued payable	166,853	114,095
<b>Total liabilities</b>	<b>166,853</b>	<b>114,095</b>
<b>Net position:</b>		
Restricted	4,346,306	3,631,019
<b>Total net position</b>	<b>\$ 4,346,306</b>	<b>\$ 3,631,019</b>

Current assets increased \$768,045 from prior year due to property tax assessments and collections. Current liabilities increased \$52,758 primarily due to a payable to Clackamas County for architecture services for a possible new building in the current year. The change in net position is discussed in the financial highlights section.

**CLACKAMAS COUNTY EXTENSION SERVICE AND 4-H DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Statement of Activities**

Following is a summary of the Statement of Activities for fiscal years ended June 30, 2015 and 2014:

	2015	2014
<b>General revenues:</b>		
Property taxes levied for operations	\$ 2,002,309	\$ 1,914,394
Intergovernmental	840	-
Earnings on investments	17,238	15,141
<b>Total general revenues</b>	2,020,387	1,929,535
<b>Governmental expenses:</b>		
Education	1,305,100	1,187,907
<b>Change in net position</b>	715,287	741,628
<b>Net position, beginning of year</b>	3,631,019	2,889,391
<b>Net position, end of year</b>	<u>\$ 4,346,306</u>	<u>\$ 3,631,019</u>

Education expenditures increased \$117,193 compared to the prior year. The increase is attributed to the onetime expense in the current year of architecture services provided for a possible new facility and increased expenses on education.

**FUND AND BUDGET ANALYSIS**

The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance are presented for the governmental fund. The fund balance in the governmental fund increased \$708,875 during the year.

Compared to budget, a positive variance of \$20,967 is reported for total revenues, as actual collections of property taxes were more than budgeted. Total expenditures were under budget by \$909,679 due largely to a decrease in Materials and Services which was attributed to budgeting for a future building which did not occur.

**CLACKAMAS COUNTY EXTENSION SERVICE AND 4-H DISTRICT**  
**(A Component unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**ECONOMIC FACTORS**

Property taxes are the chief revenue source for the District; approximately 99.1 percent of total revenues for the year ended June 30, 2015 were property tax revenues. The 1997 property tax limitation rolled back assessed values to 90 percent of 1995-96 levels, established permanent tax rates and limited assessed value growth for individual properties to 3 percent per year. Certain taxes, such as those to pay bonded debt, were exempted from Measure 50 reductions.

The District has been building up fund balance for future capital construction of a new Clackamas County Extension Education Center since formation of the District in 2008. During the 2014-15 fiscal year the district contracted with an architecture firm to help design the future building.

**FINANCIAL CONTACT**

The financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the District's finances and to demonstrate accountability. If you have any questions about the report or need additional financial information, please contact the Clackamas County Department of Finance at 2051 Kaen Road, Oregon City, Oregon 97045-4035.

## **BASIC FINANCIAL STATEMENTS**

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 4,397,499
Property taxes receivable	<u>115,660</u>
<b>TOTAL ASSETS</b>	<u>4,513,159</u>
<b>LIABILITIES:</b>	
Accrued payable	<u>166,853</u>
<b>NET POSITION:</b>	
Restricted for education	<u>4,346,306</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 4,346,306</u></u>

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**ACTIVITIES**

**GOVERNMENTAL:**

Expenses:	
Education	\$ 1,305,100

**GENERAL REVENUES:**

Property taxes levied for operations	2,002,309
Intergovernmental	840
Earnings on investments	17,238

<b>TOTAL GENERAL REVENUES</b>	<u>2,020,387</u>
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<b>CHANGE IN NET POSITION</b>	715,287
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<b>NET POSITION, June 30, 2014</b>	<u>3,631,019</u>
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<b>NET POSITION, June 30, 2015</b>	<u><u>\$ 4,346,306</u></u>
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The notes to the basic financial statements are an integral part of this statement.



**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2015**

**ASSETS:**

Cash and cash equivalents	\$ 4,397,499
Taxes receivable	<u>115,660</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 4,513,159</u></b>
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**LIABILITIES:**

Accrued payable	<u>\$ 166,853</u>
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<b>TOTAL LIABILITIES</b>	<b><u>166,853</u></b>
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**DEFERRED INFLOWS OF RESOURCES:**

Unavailable revenue - property taxes	<u>101,133</u>
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<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>101,133</b>
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**FUND BALANCE:**

Restricted	<u>4,245,173</u>
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<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b><u>\$ 4,513,159</u></b>
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The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE**  
**SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

<b>TOTAL FUND BALANCE</b>	\$ 4,245,173
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Total net position in the Statement of Net Position is different because:

A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current year's operations and therefore are not reported as revenue in the governmental fund.

101,133
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<b>TOTAL NET POSITION</b>	<u><u>\$ 4,346,306</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**REVENUES:**

Property taxes	\$ 1,995,897
Intergovernmental	840
Interest	17,238
<b>TOTAL REVENUES</b>	<u>2,013,975</u>

**EXPENDITURES:**

Education:	
Materials and services	<u>1,305,100</u>

**EXCESS OF REVENUES OVER EXPENDITURES  
AND NET CHANGE IN FUND BALANCE**

708,875

**FUND BALANCE, June 30, 2014**

3,536,298

**FUND BALANCE, June 30, 2015**

\$ 4,245,173

The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>NET CHANGE IN FUND BALANCE</b>	\$ 708,875
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The change in net assets reported in the Statement of Activities is different because:

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental fund. In the Statement of Activities they are recognized as revenue when levied or earned.	<u>6,412</u>
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<b>CHANGE IN NET POSITION</b>	<u><u>\$ 715,287</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Property taxes	\$ 1,982,000	\$ 1,982,000	\$ 2,001,089	\$ 19,089
Forest products revenue	2,000	2,000	840	(1,160)
Interest	14,200	14,200	17,238	3,038
<b>TOTAL REVENUES</b>	<b>1,998,200</b>	<b>1,998,200</b>	<b>2,019,167</b>	<b>20,967</b>
<b>EXPENDITURES:</b>				
Education:				
Material & Services	1,697,062	2,214,779	1,305,100	909,679
Contingency	253,741	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,950,803</b>	<b>2,214,779</b>	<b>1,305,100</b>	<b>909,679</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<b>47,397</b>	<b>(216,579)</b>	<b>714,067</b>	<b>930,646</b>
<b>FUND BALANCE, JUNE 30, 2014</b>	<b>3,252,603</b>	<b>3,516,579</b>	<b>3,516,579</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2015</b>	<b>\$ 3,300,000</b>	<b>\$ 3,300,000</b>	<b>4,230,646</b>	<b>\$ 930,646</b>
<b>ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):</b>				
Property taxes susceptible to accrual, recognized as revenue on the US GAAP basis			14,527	
<b>FUND BALANCE (US GAAP BASIS), June 30, 2015</b>			<b>\$ 4,245,173</b>	

The notes to the basic financial statements are an integral part of this statement.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The District**

The Clackamas County Extension and 4-H Service District (the District), a component unit of Clackamas County, Oregon (the County), was formed under the provisions of Oregon Revised Statutes (ORS) Chapter 451, "County Service Facilities". The District has no potential component units. As provided by ORS 451.485, the Clackamas County Board of Commissioners (the Board) is the governing body of the District. Since the County is financially accountable for and significantly influences the operations of the District, the District is included in the financial statements of the County. The District's purpose is to provide financing of Oregon State University (OSU) educational and agricultural extension programs in Clackamas County. The District has entered into an intergovernmental agreement with OSU Extension Service in which OSU maintains, operates, and provides extension services to County residents.

**Basis of Presentation and Basis of Accounting**

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the District, including all of its financial activities. Governmental activities are financed primarily through property taxes.

The Statement of Activities presents direct expenses for the District's program. The District has no program revenues. Direct expenses are those that are specifically associated with the program and, therefore, are clearly identifiable to that program.

**Fund Financial Statements**

The fund financial statements provide information about the District's only fund.

**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 when the related cash flows take place. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental fund to be available if they are collected within sixty days after year-end. Interest

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation and Basis of Accounting (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

and property taxes are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on the bonds payable and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

**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 disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

The District considers investments with maturities of three months or less when purchased to be cash equivalents.

The District's cash and cash equivalents comprise funds held and invested by the State of Oregon Treasurer's Local Government Investment Pool and the County Treasurer. Financial information required by Governmental Accounting Standards Board Statements No. 3, No. 31 and No. 40 regarding the accounting and financial reporting for the District's pooled cash and investments, held by the County Treasurer, has been disclosed in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

**Receivables**

Property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. All property taxes receivable are due from property owners within the District.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet reports a separate section for *deferred outflows of resources*, which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the balance sheet reports a separate section for *deferred inflows of resources*, which represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue – property taxes, are a portion of the District's property taxes that are collected after year-end and meet the recognition in future periods requirement of deferred inflows of resources.



**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budget**

A budget is prepared and legally adopted for the fund on the modified accrual basis of accounting, except for property taxes which are recognized on the cash basis. The budget is adopted, appropriations made, and the tax levy is declared no later than June 30<sup>th</sup> for the next fiscal year. The resolution authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. Appropriations, which are set at the principal object level, consisting of materials and services (including contractual payments), capital outlay, and contingency are the levels of control established by the resolution. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Management may make transfers of appropriations within object levels. However, transfers of appropriations between object levels require the approval of the governing body. Unexpected additional resources may be added to the budget through the use of a supplemental budget. The Board at a regular Board meeting may adopt supplemental budgets less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control with approval by the Board. The Board made no appropriation transfer and adopted one supplemental budget during the year. Appropriations lapse as of year-end.

**Fund Balance and Net Position**

On the government-wide *Statement of Net Position*, net position is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by an external party that provided the resources, by enabling legislation or by the nature of the asset. This amount is reported on the Statement of Net Position.

Certain revenues derived from specific taxes or other earmarked revenue sources are considered restricted assets. Such revenues include dedicated property taxes, state gas tax, intergovernmental grants, and charges for services which are legally restricted to finance particular functions or activities. Net position in these resources is reported as restricted on the *Statement of Net Position* and is recorded in the general fund supporting the specific function or operation.

In the financial statements, assets in excess of liabilities are presented as either fund balances or net position, depending on the measurement focus used for financial reporting in the fund.

Governmental funds report assets in excess of liabilities and deferred inflows of resources as fund balances and will be reported in the classifications that comprise a hierarchy based on the extent that the District is bound to honor those constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as *Non-spendable* when the resources cannot ever be spent, whether due to legal restrictions (such as corpus), or items not spendable in form such as inventory balances or interfund loans/receivables.

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance and Net Position (Continued)**

Fund balance is reported as *Restricted* when the resources have legal externally enforceable restrictions, representing a spending constraint such as grants or contracts, fines and forfeitures, lender requirements, or laws and regulations of other governments.

Fund balance is reported as *Committed* when the Board of County Commissioners passes a resolution to establish a specific spending constraint on how the resources may be used. The Board can also modify or rescind the resolution through the passage of the same type of formal action employed to previously commit those amounts.

Fund balance is reported as *Assigned* when the County Administrator and Finance Director or designee assign portions of revenue sources or ending fund balance which are not determined to be non-spendable, restricted or committed by formal written notice. Authority is granted to the individuals by the Board of County Commissioners and such authority may only be established, modified or rescinded by the Board.

Fund balance is reported as *Unassigned* when resources are not otherwise reported as non-spendable, restricted, committed, or assigned.

When both restricted and unrestricted fund balance is available for use, the purpose for which that is restricted, it is the District's policy to use restricted fund balance first, then unrestricted fund balance as needed. When unrestricted fund balance is spent, the District will consider that committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts last.

The property taxes collected by the fund are legally restricted by special tax levy Measure 3-311, passed by the voters in November 2008, for the purpose of providing financing to the Oregon State University educational and agricultural extension programs in Clackamas County. Therefore, all accumulated fund balance is restricted.

**2. RISK MANAGEMENT**

The District is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; and bodily injury for which the District and/or County carries commercial insurance. The District participates in the County's self-insurance program where not commercially insured. The District makes payments to the County's self-insurance internal service funds based on historical cost information estimates of the amounts needed to pay prior year and current year claims, claim reserves, premiums, and administrative costs of the program. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2015 are comprised of the following:

Cash and cash equivalents with County Treasurer	\$ 8,241
State of Oregon Treasurer's Local Government Investment Pool	<u>4,389,258</u>
	<u>\$ 4,397,499</u>

Cash and cash equivalents represent the District's equity in pooled accounts maintained by the County Treasurer. State statutes authorize the District to invest in general obligations of the U.S. Government and in its agencies, certain bonded obligations of Oregon municipalities, certain corporate indebtedness, bank repurchase agreements, bankers' acceptances and the State of Oregon Treasurer's Local Government Investment Pool (LGIP), among others. As of June 30, 2015, and for the year then ended, the District and the County were in compliance with the aforementioned State of Oregon statutes.

Oregon Revised Statutes require the public funds depository institution to be a participant in a multiple financial institution collateral pool administered by the Oregon State Treasurer. Reference should be made to the June 30, 2015, Clackamas County Comprehensive Annual Report for compliance with these statutes.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State 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. In seeking to best serve local government in Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The LGIP is subject to regulatory oversight by the Oregon State Treasurer, ORS 294.135, Oregon Investment Council, and is not required to be categorized by risk. Investments in the LGIP are stated at fair value, which approximates cost. Fair value in the LGIP is the same as the value of its pool shares. The District's LGIP funds are in the District's name and reference should be made to the June 30, 2015, Clackamas County Comprehensive Annual Report for disclosures of the risk inherent in the County's portfolio.

## **SUPPLEMENTARY INFORMATION**

**CLACKAMAS COUNTY EXTENSION AND 4-H SERVICE DISTRICT**  
**(A Component Unit of Clackamas County, Oregon)**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Fiscal Year	Uncollected June 30, 2014	Levy as Extended by Assessor	Discounts	Interest	Adjustments	Collections	Uncollected June 30, 2015
2014-2015	\$ -	\$ 2,049,885	\$ (52,561)	\$ 913	\$ (2,924)	\$ (1,947,503)	\$ 47,810
2013-2014	49,173	-	16	2,093	(883)	(25,668)	24,731
2012-2013	27,349	-	1	2,080	(129)	(11,748)	17,553
2011-2012	19,108	-	3	2,665	(167)	(10,356)	11,253
Prior-2011	18,811	-	1	1,677	(362)	(5,814)	14,313
	<u>\$ 114,441</u>	<u>\$ 2,049,885</u>	<u>\$ (52,540)</u>	<u>\$ 9,428</u>	<u>\$ (4,465)</u>	<u>\$ (2,001,089)</u>	<u>\$ 115,660</u>

**REPORT OF INDEPENDENT AUDITORS 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***

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

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Clackamas County Extension and 4-H Service District  
Oregon City, Oregon

We have audited, 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, the financial statements of the governmental activities, the major fund, and the budgetary comparison for the Clackamas County Extension and 4-H Service District (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal controls) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 the 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 the Report**

The purpose of the report is solely to describe the scope of our testing of our 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

A handwritten signature in black ink that reads "Moss Adams, LLP". The signature is written in a cursive, flowing style.

Eugene, Oregon  
September 30, 2015



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH OREGON MINIMUM AUDIT STANDARD**

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND  
 ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
 ACCORDANCE WITH *OREGON MINIMUM AUDITING STANDARDS***

Board of County Commissioners of  
 Clackamas County, Oregon, as Governing Body of  
 Clackamas County Extension and 4-H Service District  
 Oregon City, Oregon

We have audited the basic financial statements of the Clackamas County Extension and 4-H Service District (the District) as of and for the year ended June 30, 2015 and have issued our report thereon dated September 30, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal year 2015 and 2016.
- The requirements relating to insurance and fidelity bond coverage.
- The statutory requirements pertaining to the investment of public funds.

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 test disclosed no instances of noncompliance that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State.



### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, Board of County Commissioners, management, others within the entity, and Oregon Secretary of State Audits Division, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "James C. Laganotto".

for Moss Adams LLP  
Eugene, Oregon  
September 30, 2015