

**TILLAMOOK COUNTY 4-H AND  
EXTENSION SERVICE DISTRICT  
Tillamook, Oregon  
ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2016**

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**TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT  
OFFICERS AND MEMBERS OF THE GOVERNING BODY**

**For the Year Ended June 30, 2016**

**Name**

William Baertlein  
4980 Sollie Smith Road  
Tillamook, Oregon 97141

Tim Josi  
6740 Baseline Road  
Tillamook, Oregon 97141

Mark Labhart  
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Tillamook, Oregon 97141

**Registered Address**

Tillamook County Courthouse  
201 Laurel Avenue  
Tillamook, Oregon 97141

**Registered Agent**

Troy Downing

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**TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT**

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For the Year Ended June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors**  
**TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT**  
**Tillamook, Oregon**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the **TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT**, a component unit of **Tillamook County, Oregon** 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***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT**, as of June 30, 2016, the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i-iii* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other 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 individual fund schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual fund 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 individual fund schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 2, 2016 on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 2, 2016

By:



Bradley G. Bingenheimer, Member



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

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# TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

The 4-H Extension Service District is a component unit of Tillamook County, Oregon. The District is included in the Tillamook County comprehensive annual financial report. This discussion and analysis presents the highlights of financial activities and financial position for the District.

### FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at June 30, 2016, by \$851,518 (net position). Of this amount \$182,477 was invested in capital assets and \$669,041 is unrestricted.

The District's net position increased by \$183,351. There was a combined increase of \$188,799 in fund balances.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual financial report consists of various sections. Taken together they provide the annual financial report of the District. The components of the report include the following:

**Management's Discussion and Analysis.** This section of the report provides financial highlights, overview and economic factors affecting the District.

**Basic Financial Statements.** Includes a Statement of Net Position, Statement of Activities, Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances and a budgetary comparison for the General Fund. Also, notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

**Individual Fund Schedule.** Readers desiring additional information on the District's two funds can find it in this section of this report. Included within this section is the schedule of revenues, expenditures and changes in fund balance – budget and actual for the Capital Projects Fund.

**Independent Auditor's Report required by Oregon state regulations.** Supplemental communication on District compliance and internal controls as required by Oregon state regulations.

### FINANCIAL SUMMARY AND ANALYSIS

As mentioned earlier, net position as of June 30, 2016, was \$851,518. Net position is comprised of cash and capital assets (e.g., property and equipment) less liabilities. Table 1 shows net position as of June 30, 2016 and 2015.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL SUMMARY AND ANALYSIS (continued)

**Table 1**  
**Net Position**

	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 670,508	\$ 480,291
Capital assets, net	<u>182,477</u>	<u>189,120</u>
Total assets	<u>852,985</u>	<u>669,411</u>
Liabilities		
Accounts payable and accrued liabilities	<u>1,467</u>	<u>1,244</u>
Net Position		
Investment in capital assets	182,477	189,120
Unrestricted	<u>669,041</u>	<u>479,047</u>
Total net position	<u>\$ 851,518</u>	<u>\$ 668,167</u>

There has been an increase in net position of \$183,351 for 2016 compared to an increase of \$44,157 for 2015 as shown in Table 2.

**Table 2**  
**Changes in Net Position**

	<u>2016</u>	<u>2015</u>
<b>General revenues</b>		
Property taxes	\$ 302,854	\$ 293,825
Timber sales	86,585	62,611
Other	<u>104,038</u>	<u>1,652</u>
Total revenues	493,477	358,088
<b>Program expenses</b>		
Educational activities	<u>310,126</u>	<u>313,931</u>
Change in net position	183,351	44,157
Beginning net position	<u>668,167</u>	<u>624,010</u>
Ending net position	<u>\$ 851,518</u>	<u>\$ 668,167</u>

## MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2016, the General Fund had a fund balance of \$447,754, which is an increase of \$6,923 from June 30, 2015.

The Capital Projects Fund had a balance of \$203,340, which is an increase of 181,876, from June 30, 2015. This increase was primarily due to funding received from the OSU Foundation for a 4H pavilion at the Tillamook County fairgrounds.

### BUDGETARY HIGHLIGHTS

There were no changes to the budget of the District’s General Fund. Revenues exceeded budgeted amounts by \$32,765 and all expenditures were within budgeted amounts.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

Table 3 shows the amount of capital assets at June 30, 2016. The District has no bonded indebtedness. See Note 4 for additional information on the District’s capital assets.

**Table 3**  
**Capital Assets at Year-End**  
**Net of Depreciation**

	2016	2015
Land	\$ 157,564	\$ 157,564
Buildings and equipment, net	24,913	31,556
Totals	\$ 182,477	\$ 189,120

### ECONOMIC FACTORS

The primary purpose of the 4-H Extension District is to provide Oregon State University Extension education programs, training, and information to residents of Tillamook County. The District’s primary funding sources are property taxes and state timber revenue.

### 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 the District’s accountability.

If you have questions about the report or need additional financial information, please contact the County Treasurer’s Office at 201 Laurel Avenue, Tillamook, Oregon.

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## **BASIC FINANCIAL STATEMENTS**

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**TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	<b><u>Governmental Activities</u></b>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 615,241
Receivables	55,267
Capital assets:	
Land	157,564
Other capital assets, net	<u>24,913</u>
<b>TOTAL ASSETS</b>	<u>852,985</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued liabilities	<u>1,467</u>
<b><u>NET POSITION</u></b>	
Investment in capital assets	182,477
Unrestricted	<u>669,041</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 851,518</u></u>

*See accompanying notes*

**TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

	<b>Governmental Activities</b>
	<u>                    </u>
<b>PROGRAM EXPENSES</b>	
Education	
Personal services	\$      204,000
Materials and services	99,483
Depreciation	<u>          6,643</u>
 Total program expenses	 <u>          310,126</u>
 <b>GENERAL REVENUES</b>	
Property taxes levied for general purposes	302,854
Timber and land sales	86,585
Unrestricted investment earnings	2,662
Miscellaneous	<u>101,376</u>
 Total general revenues	 <u>          493,477</u>
 Change in net position	183,351
Net position - beginning	<u>668,167</u>
 Net position - ending	 <u><u>\$      851,518</u></u>

*See accompanying notes*

**TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	<u>General</u>	<u>Building Reserve</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 411,901	\$ 203,340	\$ 615,241
Receivable	<u>55,267</u>	<u>-</u>	<u>55,267</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 467,168</u></u>	<u><u>\$ 203,340</u></u>	<u><u>\$ 670,508</u></u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 1,467</u>	<u>\$ -</u>	<u>\$ 1,467</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>17,947</u>	<u>-</u>	<u>17,947</u>
<b>FUND BALANCES</b>			
Assigned for capital projects	-	203,340	203,340
Unrestricted	<u>447,754</u>	<u>-</u>	<u>447,754</u>
<b>TOTAL FUND BALANCES</b>	<u>447,754</u>	<u>203,340</u>	651,094
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 467,168</u></u>	<u><u>\$ 203,340</u></u>	

Reconciliation of the Balance Sheet to the Statement of Net Position

*Amounts reported for governmental activities in the statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	182,477
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	<u>17,947</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 851,518</u></u>

*See accompanying notes*

**TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

	<u>General</u>	<u>Building Reserve</u>	<u>Totals</u>
<b>REVENUES</b>			
Property taxes	\$ 301,659	\$ -	\$ 301,659
Intergovernmental	86,585	-	86,585
Interest	2,162	500	2,662
Miscellaneous	<u>-</u>	<u>101,376</u>	<u>101,376</u>
<b>TOTAL REVENUES</b>	390,406	101,876	492,282
<b>EXPENDITURES</b>			
Current			
Education	<u>303,483</u>	<u>-</u>	<u>303,483</u>
Excess (deficiencies) of revenues over expenditures	86,923	101,876	188,799
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(80,000)</u>	<u>80,000</u>	<u>-</u>
Net change in fund balances	6,923	181,876	188,799
Fund balances at beginning of year	<u>440,831</u>	<u>21,464</u>	
Fund balances at end of year	<u>\$ 447,754</u>	<u>\$ 203,340</u>	

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to Change in Net Position of Governmental Activities:*

Governmental funds report outlays for capital assets as expenditures while governmental activities report depreciation expenses to allocate those expenditures over the estimated useful life of the assets. In the current year, this amount is:

Depreciation	(6,643)
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In the statement of activities, property taxes are reported as revenues when assessed. However in the governmental funds, property taxes are reported when they are measurable and available. This revenue recognition results in differences in amounts reported for property tax revenues.

1,195

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 183,351</u>
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*See accompanying notes*

**TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT**

**GENERAL FUND  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Property taxes	\$ 283,200	\$ 303,584	\$ 20,384
Intergovernmental	62,100	73,519	11,419
Investment earnings	1,200	2,162	962
<b>TOTAL REVENUES</b>	<b>346,500</b>	<b>379,265</b>	<b>32,765</b>
<b>EXPENDITURES</b>			
Personal services	236,000	204,000	32,000
Materials and services	159,700	99,260	60,440
Contingency	77,000	-	77,000
<b>TOTAL EXPENDITURES</b>	<b>472,700</b>	<b>303,260</b>	<b>169,440</b>
Excess (deficiencies) of revenues over expenditures	(126,200)	76,005	202,205
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(80,000)	(80,000)	-
Net change in fund balance	(206,200)	(3,995)	202,205
Fund balance at beginning of year	365,300	415,896	50,596
Fund balance at end of year	<b>\$ 159,100</b>	<b>\$ 411,901</b>	<b>\$ 252,801</b>
<b>Reconciliation to balance sheet - governmental funds</b>			
Receivables recognized as revenue in the current period net of amounts deferred		37,320	
Accounts payable		(1,467)	
Fund balance per governmental funds balance sheet		<b>\$ 447,754</b>	

*See accompanying notes*

# TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

### 1. Summary of significant accounting policies

#### A. *The District*

The **TILLAMOOK COUNTY 4-H AND EXTENSION SERVICE DISTRICT** was formed February 12, 1986, under the provisions of ORS Chapter 451 to provide Oregon State University extension education programs, training, and information to residents of Tillamook County.

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

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

Tillamook County is financially accountable for the operations of the District. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. The management of Tillamook County has determined that the District should be included as a blended component unit, in the comprehensive annual financial report of Tillamook County for the year ended June 30, 2016.

#### B. *Financial statement presentation*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District.

*Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major governmental funds are reported in separate columns in the respective fund financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the District, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental funds:

*General* - accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Building Reserve* - accounts for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are transfers from the General Fund and interest on investments.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### D. Budgets

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

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

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The District established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budgeted amounts may be revised during the year. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

#### E. Property taxes receivable

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

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are assessed and become a lien against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15 following the lien date.

#### F. Capital assets

Capital assets are stated at cost. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in general revenues.

The estimated useful lives of capital assets are as follows:

Buildings and land improvements	5 to 30 years
Machinery and equipment	5 years



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### G. *Deferred outflows / inflows of resources*

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

In addition to liabilities, the statement of net position and / or balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are unavailable and recognized as an inflow of resources in the period when the amounts become available.

#### H. *Equity classifications*

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

On the statement of net position, equity is classified as net position and displayed in three components:

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

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

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

In the government-wide financial statements, when the District has restricted and unrestricted resources available, it is the District’s policy to expend restricted resources first and then unrestricted resources as needed in determining the amounts to report as restricted – net position and unrestricted – net position.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### H. *Equity classifications (continued)*

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

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

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

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

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

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

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

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

In the governmental fund financial statements, when the District has restricted and unrestricted (Committed, Assigned or Unassigned) resources available, it is the District's policy to expend restricted resources first. Unrestricted resources are then expended in the order of committed, assigned, and unassigned as needed, unless otherwise provided for in actions to commit or assign resources, in determining the amounts to be reported in each of the fund balance categories.

#### I. *Use of estimates*

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### J. Risk management

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

### 2. Deposits and investments

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

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

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

*Credit Risk.* Tillamook County's policy on the credit risk of investments is based on Oregon statutes which authorize the investment in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool. The Tillamook County pension trust is authorized to invest in a variety of debt and equity securities.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and Investments (continued)

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

	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
<u>Governmental Activities / Funds and Business-type Activities / Proprietary Funds</u>			
State Treasurer's Investment Pool	N/A	Not Rated	\$ 14,736,873
Corporate Bonds			
US Bancorp	11/15/2016	A+	1,006,300
JP Morgan Chase	8/15/2017	A-	1,016,820
Wells Fargo & Co	12/15/2016	A	1,009,474
Berkshire Hathaway	8/15/2016	AA	1,212,132
Westpac BKG Corp	8/14/2017	AA-	1,017,356
Bank of Nova Scotia	12/18/2017	A+	1,003,628
US Agency Securities			
Federal Home Loan Mortgage Corp	9/29/2017	AA+	1,002,789
<u>Pension Trust Investments:</u>			
Money Market Fund	N/A	Not Rated	379,051
U.S. Treasury Notes	2/15/2017	AAA	491,625
Mutual Funds	N/A	Not Rated	<u>53,356,151</u>
Total			<u>\$ 76,232,198</u>

*Interest Rate Risk.* Tillamook County does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

*Concentration of Credit Risk.* Tillamook County does not have a formal policy that places a limit on the amount that may be invested in any one issuer. 67 percent of the County's investments, other than the Pension Trust investments, are in the State Treasurer's Investment Pool.

*Custodial Credit Risk – Investments.* This is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. Investments, including the Pension Trust investments, amounting to \$61,495,325 has custodial credit risk because the related securities are uninsured, unregistered and held by the Tillamook County's brokerage firm, which is the counterparty to those securities. Tillamook County does not have a policy which limits the amount of investments that can be held by counterparties.

*Custodial Credit Risk – Deposits.* This is the risk that in the event of a bank failure, the District's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District's deposits with financial institutions up to \$250,000 each for the aggregate of demand deposit accounts and the aggregate of all time and savings accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2016, \$4,098,199 of Tillamook County's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the County's name.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**2. Deposits and Investments (continued)**

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

	<u>Tillamook County</u>	<u>Allocable to 4-H and Extension Service District</u>
Total investments	\$ 76,232,198	\$ 559,986
Cash on hand	31,315	100
Cash with investment company	27,585	--
Deposits with financial institutions	<u>4,284,098</u>	<u>55,155</u>
Total deposits and investments	<u>\$ 80,575,196</u>	<u>\$ 615,241</u>

- B. Deposits and investments by fund:

General	\$ 411,901
Building Reserve	<u>203,340</u>
Total deposits and investments	<u>\$ 615,241</u>

**3. Receivables**

- A. The District's receivables at June 30, 2016 are as follows:

	<u>General</u>
Property taxes	\$ 20,209
Unsegregated taxes	2,009
State timber allotment	<u>33,049</u>
	<u>\$ 55,267</u>

- B. Ensuing year's property tax levy

The permanent tax rate is \$.069 per \$1,000 assessed value as limited by the Constitution of the State of Oregon.

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

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**4. Capital assets**

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Capital assets not being depreciated				
Land	\$ 157,564	\$ -	\$ -	\$ 157,564
Capital assets being depreciated				
Buildings	\$ 136,023	\$ -	\$ -	\$ 136,023
Machinery and equipment	17,037	-	-	17,037
Total capital assets being depreciated	153,060	-	-	153,060
Less accumulated depreciation for:				
Buildings	104,467	6,643	-	111,110
Machinery and equipment	17,037	-	-	17,037
Total accumulated depreciation	121,504	6,643	-	128,147
Total capital assets being depreciated, net	\$ 31,556	\$ (6,643)	\$ -	\$ 24,913

**5. Unavailable revenue**

Resources owned by the District, which are measurable but unavailable in the governmental funds, consist of the following:

	<u>General</u>
Property taxes	<u>\$ 17,947</u>

## **INDIVIDUAL FUND SCHEDULE**

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**TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT**  
**BUILDING RESERVE - CAPITAL PROJECTS FUND (MAJOR FUND)**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Investment earnings	\$ 200	\$ 500	\$ 300
Miscellaneous	<u>-</u>	<u>101,376</u>	<u>101,376</u>
<b>TOTAL REVENUES</b>	200	101,876	101,676
<b>EXPENDITURES</b>			
Capital outlay	<u>101,600</u>	<u>-</u>	<u>101,600</u>
Excess (deficiencies) of revenues over expenditures	(101,400)	101,876	203,276
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	(21,400)	181,876	203,276
Fund balance at beginning of year	<u>21,400</u>	<u>21,464</u>	<u>64</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 203,340</u>	<u>\$ 203,340</u>

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

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

Board of Directors  
**TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT**  
Tillamook, OR

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT** as of and for the year ended June 30, 2016, and have issued our report thereon dated December 2, 2016.

### Compliance

As part of obtaining reasonable assurance about whether the **TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

In connection with our testing, nothing came to our attention that caused us to believe the **TILLAMOOK COUNTY 4H AND EXTENSION SERVICE 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.

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

In planning and performing our audit, we considered the District's internal control over financial reporting 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 over financial reporting. Deficiencies in internal control, if any, were communicated separately.

**Restriction on Use**

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

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 2, 2016

By:



Bradley G. Bingenheimer, Member