

***MARION COUNTY EXTENSION
AND 4-H SERVICE DISTRICT
MARION COUNTY, OREGON
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016***

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
TABLE OF CONTENTS

	<u>Page</u>
Introductory Section:	
Principal Officials	1
Financial Section:	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-5
Basic Financial Statements:	
Balance Sheet / Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	8
Notes to the Financial Statements	9-10
Independent Auditor's Report Required by Oregon State Regulations	11-12

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
PRINCIPAL OFFICIALS
JUNE 30, 2016

Board Members

Kevin Cameron	County Commissioner Marion County P.O. Box 14500 Salem, Oregon 97309	Chair
Sam Brentano	County Commissioner Marion County P.O. Box 14500 Salem, Oregon 97309	Vice Chair
Janet Carlson	County Commissioner Marion County P.O. Box 14500 Salem, Oregon 97309	Second Vice Chair

Budget Officer

Tamra Goettsch
555 Court St NE, Suite 3120
Salem, Oregon 97301



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board Members
Marion County Extension and 4-H Service District
Salem, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Marion County Extension and 4-H Service District (the District), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 audits 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Marion County Extension and 4-H Service District as of June 30, 2016, and the respective changes in financial position and the budgetary comparison information thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages 4 and 5 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 MD&A 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 21, 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.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
December 21, 2016

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

As management of Marion County Extension and 4-H Service District (the District), we offer readers of these financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2016.

Financial Highlights

- Voters approved formation of the District in May 2015; District operations began in the current fiscal year.
- The District's assets exceeded its liabilities at the end of the current fiscal year by \$597,118 (net position). The entire amount is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's financial position improved over the current fiscal year due to an increase in net position of \$597,118.
- At the end of the current fiscal year, the District reported a fund balance of \$575,155. This is equal to 143% of total expenditures and reflects an increase of \$575,155 from the beginning of the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The *government-wide financial statements* are designed to provide an overview of the District's finances in a manner similar to a private-sector business. The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents information showing how the District net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The District accounts for its operations in a single governmental type fund. Governmental *fund financial statements* focus on near-term inflows and outflows of spendable resources, and the balance of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, both the governmental fund *balance sheet* and the governmental fund *statement of revenues, expenditures, and changes in fund balance* are presented with a reconciliation to the government-wide financial statements and an explanation of the differences.

The District adopts an annual appropriated budget; a budgetary comparison statement has been provided to demonstrate budgetary compliance.

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

Government-Wide Financial Analysis

Net position – At the end of fiscal year 2016, assets exceeded liabilities by \$597,118. All of the District's net position is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. The District's net position increased by \$597,118 during fiscal year 2016.

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2016

Marion County Extension and 4-H Service District Net Position			Marion County Extension and 4-H Service District Changes in Net Position		
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
Assets:			Revenues:		
Current assets	\$ 807,980	\$ -	Property taxes	\$ 1,065,987	\$ -
			Other revenues	354,331	-
			Total revenues	<u>1,420,318</u>	<u>-</u>
Liabilities:			Expenses:		
Current liabilities	<u>210,862</u>	<u>-</u>	Extension services	<u>823,200</u>	<u>-</u>
			Change in net position	597,118	-
Net Position:			Net position - beginning	<u>-</u>	<u>-</u>
Unrestricted	<u>\$ 597,118</u>	<u>\$ -</u>	Net position - ending	<u>\$ 597,118</u>	<u>\$ -</u>

Fund Financial Analysis

At the end of the current fiscal year, the District reported a fund balance of \$575,155. The entire fund balance is unrestricted and thus available for spending at the District's discretion. Fund balance is 143% of total expenditures. Since this was the District's first year of operations, expenditures were less than anticipated due to the time required to begin operations.

There were no changes to the District's original adopted budget in the current fiscal year.

Economic Factors and Next Year's Budget and Rates

There are no economic factors expected to materially impact operations in the next fiscal year.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Budget Officer, PO Box 14500, Salem, OR 97309.

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
BALANCE SHEET / STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS:			
Cash and investments	\$ 778,623	\$ -	\$ 778,623
Receivables:			
Accounts	1,030	-	1,030
Property taxes	26,564	-	26,564
Interest	1,763	-	1,763
	<u>807,980</u>	<u>-</u>	<u>807,980</u>
<i>Total Assets</i>	<u>\$ 807,980</u>	<u>-</u>	<u>807,980</u>
LIABILITIES:			
Accounts payable	\$ 210,862	-	210,862
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	21,963	(21,963)	-
FUND BALANCE / NET POSITION:			
Fund Balance - Unassigned	575,155	(575,155)	-
	<u>575,155</u>	<u>(575,155)</u>	<u>-</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 807,980</u>		
Net Position - Unrestricted		<u>\$ 597,118</u>	<u>\$ 597,118</u>

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

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<i>Statement of Revenues, Expenditures and Changes in Fund Balance</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
REVENUES:			
Property taxes	\$ 1,044,024	\$ 21,963	\$ 1,065,987
Intergovernmental	2,310	-	2,310
Interest	3,193	-	3,193
Transfer from Marion County	348,828	-	348,828
<i>Total Revenues</i>	<u>1,398,355</u>	<u>21,963</u>	<u>1,420,318</u>
EXPENDITURES / EXPENSES:			
Current:			
Contracted services	713,815	-	713,815
Rent	71,737	-	71,737
Other materials and services	37,648	-	37,648
<i>Total Expenditures / Expenses</i>	<u>823,200</u>	<u>-</u>	<u>823,200</u>
CHANGE IN FUND BALANCE / NET POSITION	575,155	21,963	597,118
FUND BALANCE / NET POSITION:			
Beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
End of the year	<u>\$ 575,155</u>	<u>\$ 21,963</u>	<u>\$ 597,118</u>

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

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance</i>
REVENUES:			
Property taxes	\$ 1,049,513	\$ 1,044,024	\$ (5,489)
Intergovernmental	-	2,310	2,310
Interest	-	3,193	3,193
Transfer from Marion County	348,828	348,828	-
	<u>1,398,341</u>	<u>1,398,355</u>	<u>14</u>
EXPENDITURES:			
Materials and services	1,021,718	823,200	198,518
Contingency	376,623	-	376,623
	<u>1,398,341</u>	<u>823,200</u>	<u>575,141</u>
NET CHANGE IN FUND BALANCE	-	575,155	575,155
FUND BALANCE:			
Beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
End of the year	<u>\$ -</u>	<u>\$ 575,155</u>	<u>\$ 575,155</u>

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

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Structure and Reporting Entity

Marion County voters approved the formation of the Marion County Extension and 4-H Service District in May 2015. The District's purpose is to build a stronger economy by fostering agriculture and forestry businesses, healthy youth and families, sustainable communities and natural resources. The District serves all incorporated cities and unincorporated areas of Marion County and works in cooperation with Oregon State University Extension Service to provide agricultural education services and support to local residents. The District is a component unit of Marion County, and the Marion County Board of Commissioners acts as the District's governing body. The District's primary source of income is property taxes.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements – The Statement of Net Position and Statement of Activities 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.

Fund Financial Statements – The District accounts for its operations in a single governmental type fund. The Balance Sheet, the Statement of Revenues, Expenditures and Changes in Fund Balance, and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collection within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after fiscal year end. Property taxes and interest are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are generally recorded when a liability is incurred.

In the fund financial statements, the District reports classifications of fund balance based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which those funds can be spent. Unassigned fund balance is the residual classification for amounts that are not restricted, committed or assigned to specific purposes. When more than one category of fund balance is available for a certain expenditure, the District considers fund balance to be spent in the following order: restricted, committed, assigned, and unassigned.

CASH AND INVESTMENTS

The District participates in Marion County's internal cash and investments pool. At year end, the carrying amount of the District's cash and investments was \$778,623.

The types of investments in which the County may invest are restricted by Oregon statutes and County policy. Authorized investments include general obligations of the U.S. government and its agencies, obligations of the states of Oregon, California, Idaho, Washington and their municipalities, corporate indebtedness, certificates of deposit, banker's acceptances, repurchase agreements, and the State of Oregon local government investment pool.

MARION COUNTY EXTENSION AND 4-H SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2016

PROPERTY TAXES RECEIVABLE

Property tax transactions for the year ended June 30, 2016 are summarized as follows:

	Taxes receivable July 1, 2015	Add current levy extended to tax rolls	Add (deduct) corrections & adjustments	(Deduct) discounts allowed	Add interest collected on delinquent accounts	(Deduct) cash collections	Taxes receivable June 30, 2016
2015-16	\$ -	\$1,094,625	\$ (822)	\$ (28,786)	\$ 372	\$(1,038,825)	\$ 26,564

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15 and May 15. Real property taxes unpaid on May 16 are considered delinquent. Uncollected property taxes, including delinquent amounts, are deemed to be substantially collectible or recoverable through liens.

Property taxes receivable that are not available to finance current operations are offset by deferred inflows in the fund financial statements. Such receivables are not reflected as revenue until they become available to finance current operations.

CONTRACTED SERVICES

The District contracts with Oregon State University to deliver educational programs, services and information to the residents of the District; amounts paid for those services totaled \$650,340 during the year ended June 30, 2016. The District also contracts with Marion County for legal, financial and administrative support services; amounts paid for those services totaled \$52,475 during the year ended June 30, 2016. The District paid \$11,000 for other contracted services during the year ended June 30, 2016.

RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

COMMITMENTS AND CONTINGENCIES

The District has a long-term agreement to lease office space through December 2019. Rent for this facility was \$71,737 for fiscal 2016. Future obligations under this agreement are as follows:

Fiscal Year	Amount
2017	77,705
2018	79,648
2019	81,639
2020	41,324

STEWARDSHIP AND ACCOUNTABILITY

The District budgets all funds using the modified accrual basis of accounting as required by Oregon Revised Statutes 294.305 to 294.565. The District annually authorizes appropriations that set the level by which expenditures cannot exceed appropriations. The level of control for appropriations is by the categories of materials and services, and contingency. Appropriations lapse at the end of the fiscal year.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2016 and is not aware of any subsequent events that require recognition or disclosure in the financial statements.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board Members
Marion County Extension and 4-H Service District
Salem, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Marion County Extension and 4-H Service District (the District) as of and for the year ended June 30, 2016, and have issued our report thereon dated December 21, 2016.

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 grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.


OAR 162-10-0230 - 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 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.

Restriction on Use

This report is intended solely for the information and use of the board members and management of the District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Ryan T. Pasquarella, A Shareholder
December 21, 2016