

**DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon)**

**FINANCIAL STATEMENTS**

**Year Ended  
JUNE 30, 2016**

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DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon)  
June 30, 2016

**GOVERNING BODY**

**Douglas County Commissioners**

Tim Freeman  
Chris Boice  
Susan Morgan

**Budget Officer and Registered Agent**

John Punches  
Douglas County 4-H, Master Gardener and Extension Service District  
1134 SE Douglas Ave.  
Roseburg, Oregon 97470

## INDEPENDENT AUDITOR'S REPORT

January 27, 2017

Board of Commissioners  
Douglas County 4-H, Master Gardener  
and Extension Service District  
Roseburg, Oregon

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Douglas County 4-H, Master Gardener and Extension Service District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Douglas County 4-H, Master Gardener and Extension Service 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 Douglas County 4-H, Master Gardener and Extension Service District, as of June 30, 2016, and the respective changes in financial position 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 management's discussion and analysis on pages 4 through 6 and the budgetary comparison information on page 14 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 management's discussion and analysis 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information 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 budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Report on Other Legal and Regulatory Requirements**

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 27, 2017 on our consideration of Douglas County 4-H, Master Gardener and Extension Service District's internal control over financial reporting and on our tests of its 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

  
Kenneth Kuhns & Co.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Management's Discussion and Analysis

### (MD&A)

We offer readers of Douglas County 4-H, Master Gardener and Extension Service District financial statements the following narrative overview and analysis for fiscal year ended June 30, 2016.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at June 30, 2016 by \$546,810. The full amount may be used to meet the District's obligations to citizens and creditors.
- Expenses exceeded revenues in fiscal 2015-16 by \$60,619.

### **Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the District's basic financial statements. These basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on the District's assets and liabilities, with any difference between the two reported as net position.

The *Statement of Activities* presents information showing how net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items such as property taxes revenues that will result in cash flows in future fiscal periods.

Each of these government-wide financial statements, Statement of Net Position and Statement of Activities, show the functions of the District that are supported primarily by taxes. The governmental activities of the District are providing a variety of educational services to the people of Douglas County.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

The District's fund financial statements emphasize available resources (fund balance) rather than net position. They are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

The District reported activity in one governmental fund during the fiscal year ended June 30, 2016. Information is presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance for General Fund.

The District adopted an annual budget for fiscal 2015-16 with appropriations of \$598,149. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

**Notes to financial statements.** The notes 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, over time, may serve as a useful indicator of a government's financial position. District assets exceeded liabilities by \$546,810 at June 30, 2016, a decrease of \$60,619 during the year.

#### Douglas County 4-H, Master Gardener and Extension Service District Net position

	June 30, 2016	June 30, 2015
Current Assets	\$697,202	\$726,999
Current Liabilities	150,392	119,570
Net Position	\$546,810	\$607,429

#### Douglas County 4-H, Master Gardener and Extension Service District Change in Net position

	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015
Revenues - General:		
Property Taxes	\$469,646	\$458,925
Interest	6,487	4,899
Intergovernmental	4,379	2,216
Total Revenues	480,512	466,040
Expenses:		
Culture and Recreation	541,131	432,878
Change in Net Position	(60,619)	33,162
Net Position:		
Beginning of the Year	\$607,429	\$574,267
End of the Year	\$546,810	\$607,429

## **Requests for Information**

This financial report is designed to provide a general overview to those parties interested in Douglas County 4-H, Master Gardener and Extension Service District finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Douglas County Office of Management and Finance, 1036 SE Douglas Ave., Roseburg, Oregon 97470.

## BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon )  
STATEMENT OF NET POSITION  
June 30, 2016

ASSETS	
Cash and Investments	\$644,375
Receivables	<u>52,827</u>
Total Assets	<u>697,202</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>150,392</u>
Total Liabilities	<u>150,392</u>
NET POSITION	
Unrestricted	<u>546,810</u>
Total Net Position	<u><u>\$546,810</u></u>

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

DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon )  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

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REVENUES:	
Intergovernmental	\$4,379
Taxes	469,646
Interest	<u>6,487</u>
Total revenues	480,512
EXPENSES:	
Culture and Recreation	<u>541,131</u>
Change in net position	(60,619)
Net position - beginning	<u>607,429</u>
Net position - ending	<u><u>\$546,810</u></u>

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

DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon )  
BALANCE SHEET - GOVERNMENTAL FUND  
June 30, 2016

ASSETS	
Cash and Investments	\$644,375
Receivables	<u>52,827</u>
Total Assets	<u><u>\$697,202</u></u>
LIABILITIES	
Accounts Payable	<u>\$150,392</u>
Total Liabilities	<u>150,392</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>45,317</u>
Total Deferred Inflows of Resources	<u>45,317</u>
FUND BALANCE	
Unassigned	<u>501,493</u>
Total Fund Balance	<u>501,493</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$697,202</u></u>
Fund Balance above	\$501,493
A portion of the District's property taxes will be collected after year-end and are, therefore, not a current available resource.	<u>45,317</u>
Net Position of Governmental Activities	<u><u>\$546,810</u></u>

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

DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon )  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND  
For the Year Ended June 30, 2016

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REVENUES:	
Intergovernmental	\$4,379
Property Taxes	469,467
Interest	<u>6,487</u>
Total Revenues	<u>480,333</u>
EXPENDITURES:	
Culture and Recreation:	
Materials and Services	<u>541,131</u>
Total Expenditures	<u>541,131</u>
Net Change in Fund Balance	(60,798)
Fund Balance, Beginning of Year	<u>562,291</u>
Fund Balance, End of Year	<u><u>\$501,493</u></u>
Net Change in Fund Balance above	(\$60,798)
Property tax revenue is recognized above under the modified accrual basis of accounting only to the extent it has been collected within 60 days of year-end. On the accrual basis Statement of Activities, this revenue is recognized regardless of when collected.	<u>179</u>
Change in Net Position - Governmental Activities	<u><u>(\$60,619)</u></u>

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

DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies**

A. Reporting Entity

The District was established under the provisions of Chapter 451 of the Oregon Revised Statutes. The purpose of the District is to provide support and funding for extension educational programs in Douglas County. The District's governing body is the Douglas County Board of Commissioners.

Because the District's governing body is identical to that of Douglas County, Oregon, the District has been determined under the criteria of the Governmental Accounting Standards Board (GASB), to be a blended component unit of Douglas County, Oregon. All significant activities over which the District exercises oversight responsibility have been included in the basic financial statements.

B. Basis of Presentation

The accounting system is organized and operated on a fund basis. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts which are segregated for purposes of carrying on specific activities. The District has one governmental fund (General Fund) which is reported as a major fund.

C. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the District. The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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 in which the taxes are levied.

D. Fund Financial Statements

Fund accounting is used to demonstrate legal compliance and to assist financial management by segregating transactions related to certain government functions or activities.

The District's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period.

E. Budget

Oregon law requires the District to prepare an annual budget where total resources equal total expenditures and requirements for a fund. All annual appropriations lapse at fiscal year end.

The District prepares its budget on a detailed line item basis for management purposes, and adopts and appropriates the budget for legal control by expenditure type (personal services, materials and services, capital outlay, and other). Under state law, the appropriation levels become the legal spending control level for District operations.

#### F. Cash and Investments

The District maintains its cash and investments in a pool of cash and investments with Douglas County which is unrated. The County reports all short-term, highly liquid money market investments and participating interest-earning investment contracts with a remaining maturity at time of purchase of three months or less at amortized costs. Investments with a remaining maturity at time of purchase of more than three months are valued at fair value.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

#### G. Deferred Outflows/Inflows of Resources

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 63 and GASB Statement No. 65 in a prior year. Under GASB Statement Nos. 63 and 65, certain items previously reported as assets or liabilities are now reported as deferred outflows/inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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. The District currently has no items that qualify for reporting in this category.

Similarly, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes not collected within 60 days subsequent to year-end as unavailable revenue under the deferred inflows of resources category in the governmental funds balance sheet.

#### H. Property Taxes

Property taxes are levied July 1 and property owners have the option of paying the full amount November 15<sup>th</sup> or February 15<sup>th</sup> less a discount, or paying in three installments. Under the installment method of payment, the first one-third of the tax is due November 15<sup>th</sup>, the second one-third on February 15<sup>th</sup>, and the remaining one third on May 15<sup>th</sup>. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the due date. Property taxes receivable are deemed to be substantially collectible or recoverable. Therefore, no allowance for uncollectible accounts is deemed necessary.

Tax revenue is considered available for expenditure upon receipt by the County, which serves as the collecting agency. Uncollected property taxes are shown on the governmental balance sheet as receivables. Collections within 60 days subsequent to year-end have been accrued and the remaining taxes receivable are recorded as unavailable revenue-property taxes under deferred inflows of resources on the modified accrual basis of accounting since they are not deemed available to finance operations of the current period.

**Note 2 – Financial Agent**

Douglas County is the financial agent for the District. In its fiduciary capacity, Douglas County receives revenues and disburses expenditures on behalf of the District. The County reports these transactions in a Special Revenue Fund called the 4-H Extension Service District Fund. Douglas County provides support services at no charge.

**Note 3 - Commitment**

The District is party to an agreement with the Oregon State University Extension Service. Under the terms of the agreement, the OSU Extension Service provides staffing and delivers extension educational programs to Douglas County residents. The District is obligated to provide funding to the OSU Extension Service. The original agreement was for five years commencing on July 1, 2008 and expiring on June 30, 2013. This agreement has been renewed through June 30, 2018. This agreement can be terminated by either party upon thirty days written notice to the other party for one or more specific violations of the agreement or upon written notification that funding is no longer available. Payments under the agreement totaled \$538,479 during the year ended June 30, 2016.

## REQUIRED SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY 4-H, MASTER GARDENER  
AND EXTENSION SERVICE DISTRICT  
(A Component Unit of Douglas County, Oregon )  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$750	\$750	\$4,379	\$3,629
Property Taxes	473,708	473,708	469,467	(4,241)
Interest	4,000	4,000	6,487	2,487
Total Revenues	<u>478,458</u>	<u>478,458</u>	<u>480,333</u>	<u>1,875</u>
Expenditures:				
Culture and Recreation:				
Materials and Services	569,666	569,666	541,131	28,535
Contingency Account	<u>28,483</u>	<u>28,483</u>		<u>28,483</u>
Total Expenditures	<u>598,149</u>	<u>598,149</u>	<u>541,131</u>	<u>57,018</u>
Excess (deficiency) of revenues over (under) expenditures	(119,691)	(119,691)	(60,798)	58,893
Reserve for future expenditures	<u>(250,000)</u>	<u>(250,000)</u>		<u>250,000</u>
Net Change in Fund Balance	(369,691)	(369,691)	(60,798)	308,893
Fund Balance, Beginning of Year	<u>565,201</u>	<u>565,201</u>	<u>562,291</u>	<u>(2,910)</u>
Fund Balance, End of Year	<u><u>\$195,510</u></u>	<u><u>\$195,510</u></u>	<u><u>\$501,493</u></u>	<u><u>\$305,983</u></u>

INDEPENDENT AUDITOR'S COMMENTS  
REQUIRED BY OREGON STATE REGULATIONS

INDEPENDENT AUDITOR'S COMMENTS  
REQUIRED BY OREGON STATE REGULATIONS

January 27, 2017

Board of Commissioners  
Douglas County 4-H, Master Gardener  
and Extension Service District  
Roseburg, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Douglas County 4-H, Master Gardener and Extension Service District as of and for the year ended June 30, 2016, and have issued our report thereon dated January 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Douglas County 4-H, Master Gardener and Extension Service District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Douglas County 4-H, Master Gardener and Extension Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Douglas County 4-H, Master Gardener and Extension Service 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 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

As part of obtaining reasonable assurance about whether Douglas County 4-H, Master Gardener and Extension Service District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- 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).

In connection with our testing nothing came to our attention that caused us to believe Douglas County 4-H, Master Gardener and Extension Service District was not in substantial compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

*Kenneth Kuhns & Co.*

Kenneth Kuhns & Co.