

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

FINANCIAL STATEMENTS

**Year Ended
JUNE 30, 2018**

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DOUGLAS COUNTY 4-H, MASTER GARDENER
AND EXTENSION SERVICE DISTRICT
(A Component Unit of Douglas County, Oregon)
June 30, 2018

GOVERNING BODY

Douglas County Commissioners

Chris Boice
Tim Freeman
Vacant

Budget Officer

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

Registered Agent

Paul Meyer
Douglas County Courthouse
1036 SE Douglas Ave. Room 321
Roseburg, Oregon 97470

INDEPENDENT AUDITOR'S REPORT

December 26, 2018

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, 2018, 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, 2018, 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 December 26, 2018 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.

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, 2018.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2018 by \$336,634. The full amount may be used to meet the District's obligations to citizens and creditors.
- Expenses exceeded revenues in fiscal 2017-18 by \$108,996.

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 tax 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, 2018. 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 2017-18 with appropriations of \$677,748. 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 \$336,634 at June 30, 2018, a decrease of \$108,996 during the year.

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

	June 30, 2018	June 30, 2017
Current Assets	\$486,309	\$593,911
Current Liabilities	149,675	148,281
Net Position	\$336,634	\$445,630

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

	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
Revenues - General:		
Property Taxes	\$498,725	\$484,559
Interest	8,058	8,535
Intergovernmental	5,040	3,735
Total Revenues	511,823	496,829
Expenses:		
Culture and Recreation	620,819	598,009
Change in Net Position	(108,996)	(101,180)
Net Position:		
Beginning of the Year	\$445,630	\$546,810
End of the Year	\$336,634	\$445,630

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, 2018

ASSETS	
Cash and Investments	\$432,652
Receivables	<u>53,657</u>
Total Assets	<u>486,309</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>149,675</u>
Total Liabilities	<u>149,675</u>
NET POSITION	
Unrestricted	<u>336,634</u>
Total Net Position	<u><u>\$336,634</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, 2018

REVENUES:	
Intergovernmental	\$5,040
Taxes	498,725
Interest	<u>8,058</u>
Total revenues	511,823
EXPENSES:	
Culture and Recreation	<u>620,819</u>
Change in net position	(108,996)
Net position - beginning	<u>445,630</u>
Net position - ending	<u><u>\$336,634</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, 2018

ASSETS	
Cash and Investments	\$432,652
Receivables	<u>53,657</u>
Total Assets	<u><u>\$486,309</u></u>
LIABILITIES	
Accounts Payable	<u>\$149,675</u>
Total Liabilities	<u>149,675</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>46,492</u>
Total Deferred Inflows of Resources	<u>46,492</u>
FUND BALANCE	
Unassigned	<u>290,142</u>
Total Fund Balance	<u>290,142</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$486,309</u></u>
Fund Balance above	\$290,142
A portion of the District's property taxes will be collected after year-end and are, therefore, not a current available resource.	<u>46,492</u>
Net Position of Governmental Activities	<u><u>\$336,634</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, 2018

REVENUES:	
Intergovernmental	\$5,040
Property Taxes	499,615
Interest	<u>8,058</u>
Total Revenues	<u>512,713</u>
EXPENDITURES:	
Culture and Recreation:	
Materials and Services	<u>620,819</u>
Total Expenditures	<u>620,819</u>
Net Change in Fund Balance	(108,106)
Fund Balance, Beginning of Year	<u>398,248</u>
Fund Balance, End of Year	<u><u>\$290,142</u></u>
Net Change in Fund Balance above	(\$108,106)
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>(890)</u>
Change in Net Position - Governmental Activities	<u><u>(\$108,996)</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, 2018

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 1st and property owners have the option of paying the full amount November 15th or February 15th less a discount, or paying in three installments. Under the installment method of payment, the first one-third of the tax is due November 15th, the second one-third on February 15th, and the remaining one third on May 15th. Property taxes attach as an enforceable lien July 1st 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, 2023. 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 \$618,319 during the year ended June 30, 2018.

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$2,000	\$2,000	\$5,040	\$3,040
Property Taxes	493,402	493,402	499,615	6,213
Interest	5,000	5,000	8,058	3,058
Total Revenues	<u>500,402</u>	<u>500,402</u>	<u>512,713</u>	<u>12,311</u>
Expenditures:				
Culture and Recreation:				
Materials and Services	645,474	645,474	620,819	24,655
Contingency Account	<u>32,274</u>	<u>32,274</u>		<u>32,274</u>
Total Expenditures	<u>677,748</u>	<u>677,748</u>	<u>620,819</u>	<u>56,929</u>
Excess (deficiency) of revenues over (under) expenditures	(177,346)	(177,346)	(108,106)	69,240
Reserve for future expenditures	<u>(80,000)</u>	<u>(80,000)</u>		<u>80,000</u>
Net Change in Fund Balance	(257,346)	(257,346)	(108,106)	149,240
Fund Balance, Beginning of Year	<u>394,708</u>	<u>394,708</u>	<u>398,248</u>	<u>3,540</u>
Fund Balance, End of Year	<u><u>\$137,362</u></u>	<u><u>\$137,362</u></u>	<u><u>\$290,142</u></u>	<u><u>\$152,780</u></u>

INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY OREGON STATE REGULATIONS

KENNETH KUHNS & CO.
CERTIFIED PUBLIC ACCOUNTANTS
570 LIBERTY STREET S.E., SUITE 210
SALEM OREGON 97301-3594
TELEPHONE (503) 585-2550

INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY OREGON STATE REGULATIONS

December 26, 2018

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, 2018, and have issued our report thereon dated December 26, 2018.

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.