

***MARION SOIL & WATER
SALEM, OREGON
CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2010***

MARION SOIL & WATER CONSERVATION DISTRICT
JUNE 30, 2010

BOARD OF DIRECTORS

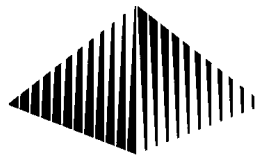
<u>Name/Address</u>	<u>Position</u>	<u>Term Expires</u>
Darin Olson 6925 Joseph Street SE Salem, Oregon 97317	Chair Zone 3	December 31, 2010
Emily Ackland 1595 Church Street NE Salem, Oregon 97301	Vice Chair At Large 1	December 31, 2012
Doug Krahmer 19664 Arbor Grove Road St. Paul, Oregon 97137	Secretary/Treasurer Zone 1	December 31, 2012
Sarah Jane Harper 9292 Howell Prairie Road NE Brooks, Oregon 97305	Director Zone 2	December 31, 2010
Jayne Miller PO Box 1183 Jefferson, Oregon 97352	Director Zone 4	December 31, 2012
Joanne Carr PO Box 472 Silverton, Oregon 97381	Director Zone 5	December 31, 2010
Brian McKinley 2017 Fieldcrest Court S Salem, Oregon 97306	Director At Large 2	December 31, 2010

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MARION SOIL & WATER CONSERVATION DISTRICT
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marion Soil and Water Conservation District
650 Hawthorne Avenue SE
Suite 130
Salem, Oregon 97301

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marion Soil and Water Conservation District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in the summary of significant accounting policies of the notes to the financial statements, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Oregon, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate fund information of Marion Soil and Water Conservation District, as of June 30, 2010, and the respective changes in financial position - modified cash basis thereof for the year then ended, in conformity with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion Soil and Water Conservation District's financial statements as a whole. The combining and individual fund financial statements and other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

GROVE, MUELLER & SWANK, PC
CERTIFIED PUBLIC ACCOUNTANTS

By:



Charles A. Swank, A Shareholder
October 21, 2010

**Marion Soil & Water Conservation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

As management of Marion Soil & Water Conservation District, we offer readers of Marion Soil & Water Conservation District's financial statements this narrative overview and analysis of the financial activities of Marion Soil & Water Conservation District for the fiscal year ended June 30, 2010. The MD&A report is intended to explain and outline any significant changes in the District's financial position.

Introduction - Overview and Background Information

The Marion Soil and Water Conservation District (SWCD) is a local unit of government managed by an elected board of seven (7) directors. The District implements their annual work plan utilizing a variety of resources, including grants, volunteers, and tax revenues. In 2000, the District established a permanent tax base that requires compliance with Oregon Local Budget Law. As a taxing District, the SWCD is required to hold an annual budget committee meeting for the review and approval of the current year's budget. The budget committee meets, reviews the budget, hears public comment and approves the budget. The budget was published in the newspaper and presented for adoption at the District budget hearing held June 3, 2009.

How are District Programs Funded?

District activities are funded using income from tax revenues, state, federal, and local grants; local contributions; donations; and with the proceeds from the Native Plant and Tree Sale. The Natural Resource Conservation Service (NRCS) donates to the District the use of their telephone system and computer network, and some supplies, in exchange for administrative and technical assistance.

Budget Committee Approval - Tax Rate Levy or Amount of Total Levy

Current law allows taxing districts to approve the budget by an amount or permanent rate. In the 2009-10 Budget, the District certified the permanent rate. If an amount is certified, that is the maximum the District can collect. If new growth exceeds expectations and the permanent rate generates more than expected, the District could not collect it. By certifying the rate, the District will be allowed to collect the total amount generated by the established Assessed Value (AV). The District's permanent rate is \$0.05/\$1000 of AV.

How are the District's tax revenues calculated?

With the passage of ballot measures 47 and 50 in 1996, the law required reductions in taxing authority, and the conversion of a tax base to a permanent rate. The District's permanent rate was established in 2000. The Marion SWCD's Permanent Rate is \$0.05 / \$1000 of Assessed Value of property in Marion County. The law allows a maximum of 3% growth in Assessed Value in the county, not including new construction. Therefore, the District can increase collections by a maximum of 3%, plus the value of new construction multiplied by our Permanent Rate.

Method used for estimating the tax revenues for Fiscal Year 2009-2010:

Multiply 2008-09 Assessed Value (AV) x 1.04 = Projected 2009-10 Assessed Value (AV). *This estimate includes the 3% increase and 1% anticipated new growth.*

Projected 2009-10 (AV) = \$ 2008-2009 AV x 1.04	\$18,860,234,193
x SWCD permanent rate (.05/1000 assessed value)	943,012
Less the estimated uncollectible taxes for 2009-10 @ 14.267%	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div> (134,538)
Total anticipated tax collections in 2009-10 budget	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100px;"></div> \$ 808,474

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The District's budget is categorized by a General Fund, Special Revenue and Reserve Funds. The budget is prepared on 8 pages of budget detail sheets. The following is an overview of changes for each fund type. See attachment A of the budget document for a complete financial summary of all the accounts.

General Fund

The purpose of the General Fund is to account for all activities for which specific funds are not required by law or needed to facilitate proper accounting of specific revenues. The primary source of revenue in the General Fund comes from the District's permanent taxing authority established from the 2000 General Election. Other significant revenue sources includes: interest from the US Bank account and the Local Government Investment Pool (LGIP); Envirothon support and grants; miscellaneous income from the District's annual meeting, bird/bat house sales, publications, refunds and rebates; federal/state/local grants; and transferred funds from the Oregon Department of Agriculture (ODA). Categories in the General Fund include personnel services, materials and services, capital outlay, debt services fund, contingency, transfers, and un-appropriated ending balance. The General Fund accounts for many of the normal expenses associated with operating the District programs and those activities not associated with a special grant restriction.

Resources

The actual cash carry-over in the General fund as of July 1, 2009 was \$642,299. The increase in total was \$31,154 over the previous year's carry-over amount of \$611,145. The carry-over represents unexpended funds budgeted for contingency, un-appropriated funds, and a cost savings from materials and services. The General Fund's total resources at the end of the fiscal year 2009-10 were \$703,946, an increase of \$61,647 over the previous year.

Increases:

Increases in General Fund resources occurred in the following areas: the tax base for fiscal year 2009-10 totaled \$883,118 due to rising property values, property taxes collected for prior years totaled \$27,557, as compared to \$33,382 in the prior year, and transfers from other funds increased.

Decreases:

Decreases in General Fund resources occurred in the following areas: interest earnings totaled \$12,424, as compared to \$35,981 in the prior year, miscellaneous income derived from refunds, rebates and bird house sales totaled \$8,394, as compared to \$13,145 in the prior year, and grant funds totaled \$24,892, significantly decreased from the prior year total of \$100,025.

Personnel Services

Additional salary increases were included in the 2009-10 budget. Salary increases and/or bonuses are given when warranted and are based on job performance and program outcome, as well as a cost of living adjustment (COLA) as part of the District's newly adopted salary plan. The gross wages for 2009-10 of \$574,833 increased \$82,157 over the 2008-09 amount of \$492,676. The wages for 2009-10 included: hiring one temporary summer employee, increasing one employee's hours from .25 to .75 FTE, and providing an overall salary increase. Additionally, one employee left in May and the District paid the employees' accumulated unpaid leave in addition to salary. The average total number of employees was eight, again due to employee turnover.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The expected changes in salary levels necessitated budget increases in social security/Medicare, unemployment, workers' compensation and retirement. Funds for compensated absences are also included in the budget to cover wages for any employees who resign or are terminated by the District. These funds cover the employees' earned vacation and any compensatory or credit time that is owed them at the time they leave. The amount budgeted for 2009-10 remained the same at \$35,000, as 50% of the employees have only been with the District for three years or less. These funds would allow the District to replace an employee without placing undue burden on other District funds.

Health and dental insurance costs expectedly increased approximately 30% for fiscal year 2009-2010. The District anticipates a similar increase in the subsequent year and will budget accordingly. The District's costs for life insurance coverage increased modestly for fiscal year 2009-10, due to a continued increase in the average age of employees.

Materials and Services

There were no increases in professional services this year. The amount budgeted remained unchanged to ensure fund availability should it be necessary for the District to retain legal services (at a minimum of \$250 an hour). Such expected services include contract review, composition and review of legal documents and services related to employment issues and related policies. Total funds spent for the year were \$8,887.

The budgeted amount for general contracted services decreased by \$25,000 for the 2009-2010 fiscal year and those funds were allocated to another line item called grant materials and expenses in order to better track expenses related to a specific grant. It was not necessary to use this line item as anticipated since grant awards to the District decreased significantly this year. Total District general contracted spending was \$32,424. This amount included services for programs including work done under the Riparian Conservation Action Program (RCAP). RCAP budgeted funds increased \$5,000 to \$25,000; actual expenses were \$9,134. The Invasive Species Program, which had a budgeted amount of \$30,000, had actual expenses of \$24,497. Both programs were established by the District as a result of revising the District's business plan and prioritizing its natural resource concerns.

The budgeted amount for office rent remained the same at \$127,000 for the current year, due to a fixed monthly rate which will not increase for another two years. Total rent paid during the 2009-10 fiscal year was \$126,070.

The District's cell phone and regular telephone expenses were reduced with the purchase of new phones through a state contract in the previous year, saving the District over \$90 per month. Additionally, the District dropped an unused land line. Total expenses for all telephone services were \$2,169.

Educational materials expense remained the same this fiscal year at \$40,000, for educational and outreach materials and supplies, and participating in new opportunities to compliment the continued good work of the District's Educational and Outreach Committee. Total current year expenses were \$11,861.

Both the District's flow monitoring equipment/maintenance program and the water quality testing and supplies budgets increased by \$2,000 due to the costs of materials, testing, supplies and maintenance involved for these programs. Total expenses for both programs was \$9,020.

The District's organizational dues and office supplies were dramatically reduced this year due to the ability of the District to make purchases through state contracts. Budgets for postage, audit, large job printing/copying, reference books, newspaper ads, DSL internet cable access, field supplies, event refreshments and other miscellaneous items remained similar to the prior year or increased modestly due to rising costs in materials and supplies. Total funds spent for materials and supplies were \$266,249.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Outlay

The budget for office equipment, furniture and computers increased from \$10,000 in the prior year to \$30,000 in the current year in anticipation of the need to replace computer hardware, software and other related items. The need for these purchases did not materialize this year, but these expenses are now anticipated for next fiscal year as it is necessary for the District to move to its own independent computer network/system. The total amount spent for capital outlay was \$476.

Contingency

Budgeted contingency was unchanged from the prior year at \$40,000. These funds were to be used by the District in the event of shortfalls in other General Fund budget categories. These funds were not necessary in the current year.

Transfers

- \$61,568 from the General Fund to the Special Projects Fund
- \$63,085 from the ODA Grant Fund to the General Fund
- \$5,000 from the Greater Salem Watershed Council to the General Fund

The unappropriated ending balance was budgeted at \$280,000, which was unchanged from the prior year. This amount insured the continued operation of the District through the first four months of the new fiscal year or until the District began receiving property tax funds in November.

General Fund Beginning Balance	\$ 642,299
Resources	
Marion county taxes	850,978
Income from other agencies	24,892
Interest income	12,424
Transfers from other funds	68,085
Miscellaneous	8,394
	<hr/>
<i>Total Resources</i>	964,773
Requirements	
Personnel services	574,833
Materials and services	266,249
Capital outlay	476
Transfers to other funds	61,568
	<hr/>
<i>Total Requirements</i>	903,126
	<hr/>
General Fund Ending Balance	\$ 703,946
	<hr/> <hr/>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Special and Reserve Funds

District Special Funds account for District programs that usually require General Fund money (i.e. special board co-sponsored conservation projects) or need separate budgets for proper management of grants (i.e. ODA grant funds).

Special funds may utilize revenues from federal, state and local grants and can receive transfers from the General Fund. Reserve Funds establish a way for the District to "reserve" or save funds for a future need or use (i.e. to buy a building or property (Building Reserve Fund) or to purchase a vehicle (Vehicle Reserve Fund)).

ODA Grant Fund

The budget for this fund reimburses the District's General Fund for personnel and materials and services to provide technical assistance and outreach under SB1010, now known as the Agricultural Water Quality Management Plan for the Molalla, French Prairie, Pudding and North Santiam sub-basins. These funds come through the Oregon Department of Agriculture (ODA). This year the total revenue received from ODA was \$58,000. \$5,085 was carried over from last fiscal year for a total of \$63,085 which was transferred into the General Fund at the end of the year.

Building Reserve Fund

This fund was established in the 2001-02 Budget. The cash carryover was \$857,342. This fund was established to save money for the future purchase of land to build and/or to purchase an existing office building. The fund is financed with transfers from the General Fund. No transfer was made in the current year, as the District is currently leasing office space. These funds remain in reserve.

Vehicle Reserve Fund

This is a special fund established to accumulate money for the purchase of vehicles for District use. Cash carry-over was \$139,391, and a transfer from the General fund of \$609 resulted in an ending fund balance of \$140,000. These funds were intended to purchase up to three new vehicles while reserving \$20,000 for future use. The District purchased one new vehicle this fiscal year to replace an existing vehicle. The existing vehicle was used as a trade in at a value of \$4,000. The District spent \$14,759, net the trade in value, on the new vehicle and the remainder of funds totaling \$125,241 carried over into the next fiscal year.

Special Projects Board Co-Sponsored Conservation Projects Fund

This fund is used to manage the District's annual Native Plant and Tree Sale, the District's own grant program known as the Landowner Assistance Program (LAP), a high school/college scholarship program for students who will enter conservation or agriculture related fields and small requests from groups or entities to support conservation projects or innovative ideas through the Special Projects Grant program (SPG). Efforts such as Earth Day at the Oregon Garden, Straub Environmental Learning Center's lecture series, and school or education related projects are also funded through the CLEAR grant program. The total amount in fund expenses decreased from the prior year by \$21,000. The majority of the decrease was \$20,000 in the Landowner Assistance Program (LAP) due to the continuation of the current economic downturn. The District had many individuals who did not apply or reapply to the program or had to cancel their projects because of other financial or personal issues. This program still was able to expend \$79,771 in grant funding, or just over 75% of what had been budgeted. An additional \$5,000 was carried over from the previous year into the conservation projects/special projects grant program, leaving the amount the same as last year at \$30,000 because of another delay in a special projects grant award. A \$1,000 decrease in Native Plant and Tree Sale expense occurred due to a District decision to discontinue certain plant materials and decrease quantities of others. The remaining programs did not have any significant changes in income or expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Greater Salem and Pudding River Watershed Coordinator/Council Funds

These funds were used to manage grant funds obtained to employ or contract for Watershed Coordinators and the cost of operating the councils. To continue the support of the Greater Salem Watershed Councils, \$5,000 remained in the fund from the previous year in order to support or assist them on any project or work which may have occurred during the year. The Greater Salem Watershed Councils reorganized and no longer existed under the old name. Therefore, the funds were budgeted and transferred back into General Fund at the end of fiscal year. The Pudding River Watershed Council has had no activity through the District in three years; therefore, the fund no longer exists as part of the District's budget.

<i>Special Funds Beginning Balance</i>	\$ 1,120,571
<i>Resources</i>	
ODA grant	58,000
Special education projects - board sponsored	9,924
	<hr/>
<i>Total Resources</i>	67,924
<i>Requirements</i>	
Materials and services	132,014
Transfers to other funds	6,517
	<hr/>
<i>Total Requirements</i>	138,531
	<hr/>
<i>Special Funds Ending Balance</i>	\$ 1,049,964
	<hr/> <hr/>

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, 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 District Manager, 650 Hawthorne Avenue SE, Suite 130, Salem, Oregon 97301.

MARION SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2010

ASSETS

Cash and investments	\$	1,753,910
Property taxes receivable		64,857
Capital assets, net of depreciation		21,611
		<hr/>
<i>Total Assets</i>		1,840,378

LIABILITIES

Deferred revenue		64,857
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NET ASSETS

Investment in capital assets		21,611
Unrestricted		1,753,910
		<hr/>
<i>Total Net Assets</i>	\$	1,775,521
		<hr/> <hr/>

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

MARION SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2010

	<u>Disbursements</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Unrestricted Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Conservation	\$ 973,572	\$ 8,384	\$ 88,788	\$ (876,400)
General Receipts:				
Taxes and assessments				850,978
Miscellaneous				16,462
<i>Total General Receipts</i>				<u>867,440</u>
Change in Fund Net Assets				(8,960)
Unrestricted Net Assets, July 1, 2009				<u>1,762,870</u>
Unrestricted Net Assets, June 30, 2010				1,753,910
Capital Assets				<u>21,611</u>
Net Assets				<u>\$ 1,775,521</u>

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

MARION SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Building Reserve</u>	<u>Special Projects</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 703,946	\$ 857,342	\$ 67,381	\$ 125,241	\$ 1,753,910
Property taxes receivable	64,857	-	-	-	64,857
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 768,803	\$ 857,342	\$ 67,381	\$ 125,241	\$ 1,818,767
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES					
Liabilities					
Deferred revenue	\$ 64,857	\$ -	\$ -	\$ -	\$ 64,857
Fund Balances					
Unreserved, reported in:					
General fund	703,946	-	-	-	703,946
Special revenue funds	-	857,342	67,381	125,241	1,049,964
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	703,946	857,342	67,381	125,241	1,753,910
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	\$ 768,803	\$ 857,342	\$ 67,381	\$ 125,241	\$ 1,818,767
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

MARION SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Building Reserve</u>	<u>Special Projects</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
RECEIPTS					
Taxes and assessments	\$ 850,978	\$ -	\$ -	\$ -	\$ 850,978
Intergovernmental	24,892	-	540	58,000	83,432
Miscellaneous	20,818	-	9,384	-	30,202
<i>Total Receipts</i>	896,688	-	9,924	58,000	964,612
DISBURSEMENTS					
Current operating:					
Personal services	574,833	-	117,255	-	692,088
Materials and services	266,249	-	-	-	266,249
Capital outlay	476	-	-	14,759	15,235
<i>Total Disbursements</i>	841,558	-	117,255	14,759	973,572
RECEIPTS OVER (UNDER) DISBURSEMENTS	55,130	-	(107,331)	43,241	(8,960)
OTHER FINANCING SOURCES (USES)					
Transfers in	68,085	-	61,568	-	129,653
Transfers out	(61,568)	-	-	(68,085)	(129,653)
<i>Total Other Financing Sources (Uses)</i>	6,517	-	61,568	(68,085)	-
NET CHANGE IN FUND BALANCES	61,647	-	(45,763)	(24,844)	(8,960)
FUND BALANCES, beginning of year	642,299	857,342	113,144	150,085	1,762,870
FUND BALANCES, End of year	\$ 703,946	\$ 857,342	\$ 67,381	\$ 125,241	\$ 1,753,910

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

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Between 1947 and 1953, Marion Soil and Water Conservation District was organized as three separate soil conservation districts under the names of Stayton, Silverton, and Mt. Angel Soil and Water Conservation Districts. The Districts were consolidated in 1971 and became Marion Soil and Water Conservation District. The District works with problems associated with flood control, weed control, improvement of fertility and other problems affecting the best use of land and water resources within Marion County. The District is governed by a seven-member board of directors elected on the Oregon general election ballot.

The accounting and reporting policies of the District conform to Oregon Local Budget Law. The District's significant accounting policies are described below.

Reporting Entity

The District, for financial reporting purposes, includes all of the funds over which District officials exercise oversight responsibility. The criterion used in making this determination is financial accountability.

There are certain governmental agencies and various service districts which provide services within the District. These agencies have independently elected governing boards and the District is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

The Statement of Activities (Modified Cash Basis) demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* 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 receipts*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the District has only governmental funds (general and special revenue). The general and major individual special revenue funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

Accounting principles generally accepted in the United States of America sets forth minimum criteria (percentage of the assets, liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds.

The District reports the following major governmental funds:

General Fund

This is the District's primary operating fund. It accounts for all the financial operations of the District, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, interest earnings and state shared revenues. Primary expenditures are for general administrative costs and for conservation activities not accounted for in other funds.

Special Revenue Funds

Building Reserve - to account for receipts and disbursements associated with the building reserve.

Special Projects - to account for receipts and disbursements associated with special projects.

The District reports the following nonmajor governmental funds:

Special Revenue Funds

Vehicle Reserve - to account for receipts and disbursements associated with the vehicle reserve.

ODA Grant - to account for receipts and disbursements associated with the ODA grant.

Greater Salem Watershed Council - to account for receipts and disbursements associated with the Watershed Council. As explained in the Management's Discussion and Analysis, there has been no activity in this fund for the prior three years; therefore, it will not be budgeted or reported in subsequent years.

Measurement Focus and Basis of Accounting

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (continued)

The District's policy is to prepare its financial statements on the modified cash basis of accounting. Consequently, certain receipts and the related assets are recognized when received rather than when earned, and certain disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Also, assets that are measurable, but not yet collected are recorded on the District's statement of assets and liabilities as an asset and deferred revenue. Capital assets are recorded on the basis of cash disbursements. The District's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.445), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2010. Actual results may differ from such estimates.

Cash and Investments

The District maintains cash and investments in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of assets and liabilities as cash and investments.

Oregon Revised Statutes authorize the District to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others.

Investments are stated at cost, which approximates fair value.

Receivables and Deferred Revenues

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current year are recorded as receivable at year-end. The District began collecting taxes during the year ended June 30, 2002.

Property taxes receivable are offset by deferred revenue and, accordingly, have not been recorded as revenues.

Capital Assets

Capital assets are valued at estimated historical cost or actual historical cost. Capital assets are recorded as expenditures in the funds and items in excess of \$5,000 are capitalized on the Statement of Net Assets (Modified Cash Basis). Maintenance and repairs of capital assets are charged to expenditures as incurred and are not capitalized. Upon disposal, the Statement of Net Assets (Modified Cash Basis) is relieved of the related cost.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Compensated Absences

Accumulated unpaid compensation time is accrued as earned. Accumulated unpaid vacation pay is accrued as earned. Earned but unpaid sick pay is recorded as an expenditure when paid.

Budgets and Budgetary Accounting

The District prepares its budget on the cash basis for all funds. Disbursements of a fund may not legally exceed the annual appropriations for the major object class (personal services, materials and services, capital outlay, debt service, contingency and interfund transfers). The Board of Directors may amend the budget to expend unforeseen revenue by supplemental appropriations. All supplemental appropriations are included in the budget column of all budget comparison statements. All annual appropriations lapse at fiscal year end. The District does not use encumbrance accounting.

Use of Restricted Assets

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the District deems restricted assets to be spent first.

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2010:

	<u>Carrying Value</u>	<u>Fair Value</u>
<i>Cash</i>		
Cash on hand	\$ 50	\$ 50
Deposits with financial institutions	29,251	29,251
<i>Investments</i>		
Local Government Investment Pool	1,724,609	1,724,609
	<u>\$ 1,753,910</u>	<u>\$ 1,753,910</u>

Deposits

At June 30, 2010, the District's deposits with financial institutions had a bank balance of \$179,636. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CASH AND INVESTMENTS (Continued)

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 all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are covered by the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2010, none of the District's bank balances were exposed to custodial credit risk as the balances were under FDIC insurance limits.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2010, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair value of its investments by limiting its investments to the LGIP.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment policy limits the types of investments that may be held.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments (Continued)

The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

CAPITAL ASSETS

The changes in the capital assets for the year ended June 30, 2010 are as follows:

	<i>Balances July 1, 2009</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2010</i>
Vehicles	\$ 68,209	\$ 18,759	\$ (16,900)	\$ 70,068
Less accumulated depreciation	(61,892)	(3,465)	16,900	(48,457)
	<u>\$ 6,317</u>	<u>\$ 15,294</u>	<u>\$ -</u>	<u>\$ 21,611</u>

INTERFUND TRANSACTIONS

	<i>Transfers in</i>	<i>Transfers out</i>
General	\$ 68,085	\$ 61,568
Special Projects	61,568	-
Greater Salem Watershed Council	-	5,000
ODA Grant Fund	-	63,085
	<u>\$ 129,653</u>	<u>\$ 129,653</u>

DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. An employee may enter into an agreement with the District to defer a portion of their compensation, subject to certain limitations provided by law, by means of a payroll deduction. Contributions to the plan and earnings thereon are deferred until the employee is separated from service with the District. Regular employees who work a minimum of 17.5 hours per week and have completed their six month introductory period are eligible to participate in the plan. The District will contribute 4% of the employee's gross monthly wages.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

DEFERRED COMPENSATION PLAN (Continued)

The District also participates in a deferred compensation matching program 401(A) for regular employees who work a minimum of 17.5 hours per week. Employees are eligible to begin contributing to the program after they have completed their introductory period. For employees who choose to contribute to the program, the District will match up to 3% of the employee's gross monthly wages. The District reserves the right to modify or discontinue this benefit at any time and for any reason it deems necessary or appropriate, subject to any vested rights that have accrued. During the year ending June 30, 2010, the District contributed \$13,417 to employee deferred compensation plans.

Money accumulated under its deferred compensation plan has been deposited with Nationwide Retirement Solutions. Monies held by Nationwide are placed in various investments at the discretion of Nationwide. These investments are uninsured and unregistered securities held by Nationwide or their agents, but not in the District's name.

CONTINGENCIES

From time to time, the District is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the District's financial position.

GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) issues pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

SUBSEQUENT EVENTS

The District adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through October 21, 2010, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MARION SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 843,474	\$ 843,474	\$ 850,978	\$ 7,504
Intergovernmental	60,500	60,500	24,892	(35,608)
Miscellaneous	52,000	52,000	20,818	(31,182)
<i>Total Receipts</i>	955,974	955,974	896,688	(59,286)
DISBURSEMENTS				
Personnel services	685,500	685,500	574,833	110,667
Materials and services	553,500	553,500	266,249	287,251
Capital outlay	30,000	30,000	476	29,524
Contingency	40,000	40,000	-	40,000
<i>Total Disbursements</i>	1,309,000	1,309,000	841,558	467,442
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(353,026)	(353,026)	55,130	408,156
OTHER FINANCING SOURCES (USES)				
Transfers in	68,085	68,085	68,085	-
Transfers out	(61,568)	(61,568)	(61,568)	-
<i>Total Other Financing Sources (Uses)</i>	6,517	6,517	6,517	-
NET CHANGE IN FUND BALANCE	(346,509)	(346,509)	61,647	408,156
FUND BALANCE, Beginning of year	626,509	626,509	642,299	15,790
FUND BALANCE, End of year	\$ 280,000	\$ 280,000	\$ 703,946	\$ 423,946

MARION SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning of year	857,342	857,342	857,342	-
FUND BALANCE, End of year	\$ 857,342	\$ 857,342	\$ 857,342	\$ -

MARION SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 540	\$ 540
Miscellaneous	11,000	11,000	9,384	(1,616)
<i>Total Receipts</i>	11,000	11,000	9,924	(1,076)
DISBURSEMENTS				
Materials and services	166,000	166,000	117,255	48,745
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(155,000)	(155,000)	(107,331)	47,669
OTHER FINANCING SOURCES (USES)				
Transfers in	61,568	61,568	61,568	-
NET CHANGE IN FUND BALANCE	(93,432)	(93,432)	(45,763)	47,669
FUND BALANCE, Beginning of year	93,432	93,432	113,144	19,712
FUND BALANCE, End of year	\$ -	\$ -	\$ 67,381	\$ 67,381

OTHER SUPPLEMENTARY INFORMATION

MARION SOIL & WATER CONSERVATION DISTRICT
COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Greater Salem Watershed Council	Vehicle Reserve	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ -	\$ 125,241	\$ 125,241
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES			
Liabilities			
	\$ -	\$ -	\$ -
Fund Balances			
Unreserved, reported in:			
Special revenue funds	-	125,241	125,241
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ -</u>	<u>\$ 125,241</u>	<u>\$ 125,241</u>

MARION SOIL & WATER CONSERVATION DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
(CASH BASIS) -NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	<i>Greater Salem Watershed Council</i>	<i>ODA Grant</i>	<i>Vehicle Reserve</i>	<i>Totals</i>
RECEIPTS				
Intergovernmental	\$ -	\$ 58,000	\$ -	\$ 58,000
DISBURSEMENTS				
Capital outlay	-	-	14,759	14,759
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	-	58,000	(14,759)	43,241
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,000)	(63,085)	-	(68,085)
NET CHANGE IN FUND BALANCES				
	(5,000)	(5,085)	(14,759)	(24,844)
FUND BALANCES, Beginning of year				
	5,000	5,085	140,000	150,085
FUND BALANCES, End of year				
	\$ -	\$ -	\$ 125,241	\$ 125,241

MARION SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL – GREATER SALEM WATERSHED COUNCIL
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)	-	-	-	-
Transfers out	(5,000)	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE	(5,000)	(5,000)	(5,000)	-
FUND BALANCE, Beginning of year	5,000	5,000	5,000	-
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

MARION SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL – ODA GRANT FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 58,000	\$ 58,000	\$ 58,000	\$ -
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	58,000	58,000	58,000	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(63,085)	(63,085)	(63,085)	-
NET CHANGE IN FUND BALANCE	(5,085)	(5,085)	(5,085)	-
FUND BALANCE, Beginning of year	5,085	5,085	5,085	-
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

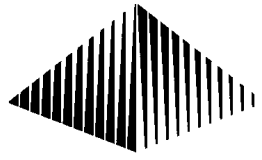
MARION SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL – VEHICLE RESERVE FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Capital outlay	120,000	120,000	14,759	105,241
NET CHANGE IN FUND BALANCE	(120,000)	(120,000)	(14,759)	105,241
FUND BALANCE, Beginning of year	140,000	140,000	140,000	-
FUND BALANCE, End of year	\$ 20,000	\$ 20,000	\$ 125,241	\$ 105,241

MARION SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2010

Tax Year	2009-2010 Levy	Uncollected Balance July 1, 2009	Adjustment & Added To Rolls	Interest, Discounts & Adjustments	Turnovers	Uncollected Balance June 30, 2010
2009-2010	\$ 883,118	\$ -	\$ 369	\$ (25,119)	\$ (821,730)	\$ 36,638
2008-2009	-	36,289	-	(789)	(19,149)	16,351
2007-2008	-	12,217	-	(283)	(4,758)	7,176
2006-2007	-	5,268	-	(229)	(2,588)	2,451
2005-2006	-	1,789	-	(237)	(962)	590
2004-2005	-	566	-	(187)	(14)	365
2003-2004	-	433	-	(175)	(4)	254
Prior years	-	1,470	-	(356)	(82)	1,032
Total	\$ 883,118	\$ 58,032	\$ 369	\$ (27,375)	\$ (849,287)	\$ 64,857

REGULATORY SECTION



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 of Directors
Marion Soil & Water Conservation District
Salem, Oregon

We have audited the basic financial statements of Marion Soil & Water Conservation District (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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).**
- **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).**
- **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

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate fund information of Marion Soil and Water Conservation District (the District) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinions 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.


Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

This report is intended solely for the information and use of the board of directors and management of Marion Soil and Water Conservation 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: 
Charles A. Swank, A Shareholder
October 21, 2010