

***MARION SOIL & WATER
SALEM, OREGON
CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011***

MARION SOIL & WATER CONSERVATION DISTRICT
JUNE 30, 2011

BOARD OF DIRECTORS

<u><i>Name</i></u>	<u><i>Position</i></u>	<u><i>Term Expires</i></u>
Darin Olson	Chair Zone 3	December 31, 2014
Emily Ackland	Vice Chair At Large 1	December 31, 2012
Doug Krahmer	Secretary/Treasurer Zone 1	December 31, 2012
Jayne Miller	Director Zone 4	December 31, 2012
David Keasey	Director Zone 5	December 31, 2014
Carol Storke	Director At Large 2	December 31, 2014

MAILING ADDRESS

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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
(503) 581-7788

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 (the District), as of and for the year ended June 30, 2011, 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 the aggregate remaining fund information of the Marion Soil & Water Conservation District, as of June 30, 2011, 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.

As described in the notes to the financial statements, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) (pages 3 through 8) and budgetary comparison information (page 21) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the MD&A because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary information on page 21 is the responsibility of management and was derived from and relates 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual fund financial statements and schedules 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 and schedules 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
November 22, 2011

**Marion Soil and Water Conservation District
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

As management of Marion Soil & Water Conservation District, we offer readers of Marion Soil and Water Conservation District's financial statements this narrative overview and analysis of the financial activities of Marion Soil and Water Conservation District for the fiscal year ended June 30, 2011. 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 2, 2010.

How are the 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 2010-2011:

Multiply 2009-10 Assessed Value (AV) x 1.04 = Projected 2010-11 Assessed Value (AV). *This estimate includes the 3% increase and 1% anticipated new growth.*

Projected 2010-11 (AV) = \$ 2009-2010 AV x 1.04	\$19,897,935,477
x SWCD permanent rate (.05/1000 assessed value)	993,997
Less the estimated uncollectible taxes for 2010-11 @ 15.411%	(153,184)
Total anticipated tax collections in 2010-11 budget	<u><u>\$ 840,813</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The District's budget is categorized by a General Fund, Special Revenue and Capital Projects 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); 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, 2010 was \$703,946. The increase in total carry-over was \$60,947 over the previous year's carry-over amount of \$642,299. 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 2010-11 were \$982,212, an increase of \$17,439 over the previous year's total of \$964,773. The overall increase is small with interest rates at their lowest and less income from grants due to more competition for fewer dollars. These occurrences have significantly impacted the modest increase in tax revenues.

Increases:

Increases in General Fund resources occurred in the following areas: the tax base for fiscal year 2010-11 totaled \$836,030 due to rising property values, property taxes collected for prior years totaled \$37,930, as compared to \$33,382 in the prior year, and grant funds totaled \$28,053 as compared to \$24,892.

Decreases:

Decreases in General Fund resources occurred in the following areas: interest earnings totaled \$9,578 as compared to \$12,424 in the prior year, miscellaneous income derived from refunds, rebates and bird house sales totaled \$3,321, as compared to \$8,394 in the prior year, and transfers in from other funds decreased by \$785.

Personnel Services

Additional salary increases were included in the 2010-11 Budget. Salary increases and/or bonuses are given when warranted and are based on job performance and program outcome. The gross wages though for 2010-11 of \$527,870 was a decrease of \$46,963 over the 2009-10 amount of \$574,833. The District at this time chose not to rehire another full-time employee to replace the one who separated from the District in May of 2010, but rather looked into other more affordable resources such as the Resource Assistance for Rural Environments (RARE) Program through the University of Oregon. The RARE Program, which is affiliated with the national AmeriCorps Program, was able to provide the District with a volunteer who assisted us on various projects throughout the year. Therefore, the total number of regular employees remained at eight for the year.

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 2010-11 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 insurance costs unexpectedly decreased approximately 6% for fiscal year 2010-2011 yet dental continues to modestly increase approximately 3% a year. The District anticipated an increase in the subsequent year and budgeted accordingly. The District's costs for life insurance coverage increased modestly for fiscal year 2010-11, 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 and both computer and engineering services. Total funds spent for the year were \$16,927.

The budgeted amount for general contracted services remained the same this year at \$100,000. Total District general contracted spending was \$47,842. This amount included contact services with the RARE Program through the University of Oregon, monthly computer systems maintenance, an aerial flight of the Zollner Creek Watershed to look at riparian area conditions along the stream and office electrical work. The Invasive Species Program, which had a budgeted amount of \$25,000, had actual expenses of \$13,845.

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 year. Total rent paid during the 2010-11 fiscal year was \$126,070.

The District's cell phone and regular telephone expenses remained approximately the same as the previous year. Total expenses for all telephone services were \$2,219. Since the District has to install a brand new computer system, there became a need to upgrade the Wi-Fi service mid-year from the District's Internet service provider. Total for Internet service for the year was \$1,084.

Educational materials budgeted expense was reduced by \$5,000 to 35,000 for this fiscal year. This line item is 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 expense was \$19,028.

Both the Districts' flow monitoring equipment/maintenance program and the water quality testing and supplies budgets remained the same as in the previous fiscal year, together they had combined budget of \$12,000. Total combined expense for both programs was \$8,728.

The District's office supplies were again dramatically reduced this year due to the ability of the District to make purchases through state contracts. Budgets for postage, audit, dues & subscriptions, large job printing/copying, reference books, newspaper ads, field supplies, event refreshments and other miscellaneous items only increased modestly due to rising costs in materials and supplies. Total funds spent for General Fund Materials and Supplies, including the above mentioned items, was \$310,184.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Outlay

The budget for office equipment, furniture and computers was increased by \$3,000 to \$33,000. This was due to the District replacing and installing a new independent computer system/network as planned. The need stemmed from having to separate from the USDA Computer System which left the District without any type of their own system/network to use. The total amount spent for capital outlay was \$29,183.

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

- \$107,000 was transferred from the General Fund to the Special Projects Fund
- \$67,300 was transferred from the ODA Grant Fund to the General Fund

The un-appropriated 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.

	<i>For the year ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
	<hr/>	<hr/>
<i>General Fund Beginning Balance</i>	\$ 703,946	\$ 642,299
<i>Resources</i>		
Marion county taxes	873,959	850,978
Income from other agencies	28,053	24,892
Interest income	9,578	12,424
Transfers from other funds	67,300	68,085
Miscellaneous	3,321	8,394
	<hr/>	<hr/>
<i>Total Resources</i>	982,212	964,773
<i>Requirements</i>		
Personnel services	527,870	574,833
Materials and services	310,184	266,249
Capital outlay	29,183	476
Transfers to other funds	107,000	61,568
	<hr/>	<hr/>
<i>Total Requirements</i>	974,237	903,126
	<hr/>	<hr/>
<i>General Fund Ending Balance</i>	<u>\$ 711,921</u>	<u>\$ 703,946</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Special Revenue and Capital Projects Funds

As detailed in the notes to the financial statements, the District adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. Among the changes required is that Special Revenue Funds whose primary source of funding is transfers from the General Fund be reported as part of the General Fund. Therefore, the Special Projects fund will be reported as part of the General Fund. In addition, the Building Reserve and Vehicle Reserve Funds previously reported as Special Revenues Funds are now reported as Capital Projects Funds.

District Special Revenue 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 revenue funds may utilize revenues from federal, state and local grants and can receive transfers from the General Fund. Capital Projects 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 \$71,550 in which \$67,300 was transferred into the General Fund at the end of the year. This amount exceeded the original amount budgeted of \$67,300. These additional funds were awarded later in the fiscal year to the District from ODA. The remaining \$4,250 will carry over as the beginning fund balance into next year's budget.

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 \$125,241 with no new or used vehicles purchased this fiscal year. The District anticipates purchasing another new vehicle and has it budgeted in their 2011-12 Budget.

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 which totaled \$5,000, and school or education related projects are also funded through the CLEAR grant program which totaled \$9,407.00. The LAP program expended \$62,282 in grant funding, or just over 62% 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 total of \$4,800 was made in SPG grant awards. The Native Plant and Tree Sale income this year was \$11,156 with expenses of \$6,990. The College Scholarships, including administrative fees, totaled \$1,661.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

	<i>For the year ended June 30,</i>	
	<i>2011</i>	<i>2010</i>
	<hr/>	<hr/>
<i>Special Funds Beginning Balance</i>	\$ 1,049,964	\$ 1,120,571
<i>Resources</i>		
ODA grant	71,550	58,000
Special education projects - board sponsored	118,156	9,924
	<hr/>	<hr/>
<i>Total Resources</i>	189,706	67,924
<i>Requirements</i>		
Materials and services	90,140	132,014
Transfers to other funds	67,300	6,517
	<hr/>	<hr/>
<i>Total Requirements</i>	157,440	138,531
<i>Special Funds Ending Balance</i>	<hr/> <hr/> \$ 1,082,230	<hr/> <hr/> \$ 1,049,964

MARION SOIL & WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
JUNE 30, 2011

ASSETS

Cash and investments	\$	1,794,151
Property taxes receivable		70,903
Capital assets, net of depreciation		28,803

Total Assets 1,893,857

LIABILITIES

Deferred revenue		70,903
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NET ASSETS

Investment in capital assets		28,803
Unrestricted		1,794,151

Total Net Assets \$ 1,822,954

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, 2011

	<u>Disbursements</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Conservation	\$ 957,377	\$ 11,156	\$ 99,828	\$ (846,393)
General Receipts:				
Taxes and assessments				873,959
Miscellaneous				12,675
				<u>886,634</u>
				40,241
				<u>7,192</u>
				47,433
				<u>1,775,521</u>
				<u>\$ 1,822,954</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, 2011

	<u>General</u>	<u>Capital Projects Building Reserve</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 807,318	\$ 857,342	\$ 129,491	\$ 1,794,151
Property taxes receivable	70,903	-	-	70,903
<i>Total Assets</i>	<u>\$ 878,221</u>	<u>\$ 857,342</u>	<u>\$ 129,491</u>	<u>\$ 1,865,054</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenue	\$ 70,903	\$ -	\$ -	\$ 70,903
Fund Balances				
Committed to:				
Special projects	95,397	-	4,250	99,647
Capital outlay	-	857,342	125,241	982,583
Unassigned	711,921	-	-	711,921
<i>Total Fund Balances</i>	<u>807,318</u>	<u>857,342</u>	<u>129,491</u>	<u>1,794,151</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 878,221</u>	<u>\$ 857,342</u>	<u>\$ 129,491</u>	<u>\$ 1,865,054</u>

**Reconciliation of the Statement of Assets and Liabilities (Modified Cash Basis)
to the Statement of Net Assets (Modified Cash Basis)**

Fund balances, June 30, 2011	\$ 1,794,151
Capital assets, net of depreciation	28,803
Net assets, June 30, 2011	<u>\$ 1,822,954</u>

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)
YEAR ENDED JUNE 30, 2011

	<i>General</i>	<i>Capital Projects Building Reserve</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
RECEIPTS				
Taxes and assessments	\$ 873,959	\$ -	\$ -	\$ 873,959
Intergovernmental	28,278	-	71,550	99,828
Miscellaneous	23,831	-	-	23,831
<i>Total Receipts</i>	926,068	-	71,550	997,618
DISBURSEMENTS				
Current operating:				
Personal services	527,870	-	-	527,870
Materials and services	400,324	-	-	400,324
Capital outlay	29,183	-	-	29,183
<i>Total Disbursements</i>	957,377	-	-	957,377
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,309)	-	71,550	40,241
OTHER FINANCING SOURCES (USES)				
Transfers in	174,300	-	-	174,300
Transfers out	(107,000)	-	(67,300)	(174,300)
<i>Total Other Financing Sources (Uses)</i>	67,300	-	(67,300)	-
NET CHANGE IN FUND BALANCES	35,991	-	4,250	40,241
FUND BALANCES, beginning of year	771,327	857,342	125,241	1,753,910
FUND BALANCES, end of year	\$ 807,318	\$ 857,342	\$ 129,491	\$ 1,794,151

**Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund
Balances (Modified Cash Basis) to the Statement of Activities (Modified Cash Basis)**

<i>Receipts over disbursements</i>	\$ 40,241
<i>Change in capital assets, net of depreciation</i>	7,192
<i>Change in net assets</i>	\$ 47,433

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, 2011

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 six-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, capital projects and special revenue). 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 general and major individual capital projects and 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, 2011

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.

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.

Capital Project Fund

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

The District reports the following nonmajor governmental funds:

Special Revenue Funds

Special Projects - to account for receipts and disbursements associated with special projects. For reporting purposes, the Special Projects Fund is reported as part of the General Fund.

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

Capital Project Fund

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

Fund Balance

In the year ended June 30, 2011, the District adopted GASB Statement #54 Fund Balance Reporting and Governmental Fund Types Definitions. In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications. In addition, the Special Projects Fund is reported as part of the General Fund because its primary source of funds is a transfer from the General Fund.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Board of Directors takes formal action that places specific constraints on how the resources may be used.

The Board of Directors can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the Board of Directors approves which resources should be "reserved" during the adoption of the annual budget. The District's Budget Officer uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds. In addition, certain Special Revenue Funds will be reported as part of the General Fund if their source of funds is primarily transfers from the General Fund.

The District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances. In addition, the Building Reserve and Vehicle Reserve Funds previously reported as Special Revenue Funds are now reported as Capital Projects Funds.

Definitions of Governmental Fund Types

The General Fund is used to account for all financial resources not accounted for in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenues sources" means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 modified 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, 2011. 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.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2011:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u> </u>	<u> </u>
Cash		
Cash on hand	\$ 50	\$ 50
Deposits with financial institutions	21,085	21,085
Investments		
Local Government Investment Pool	1,773,016	1,773,016
	<u> \$ 1,794,151</u>	<u> \$ 1,794,151</u>

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CASH AND INVESTMENTS (Continued)

Deposits

At year end, the book balance of the District's bank deposits (checking account) was \$21,085 and the bank balance was \$120,205. The difference is due to transactions in process. Bank deposits are secured to legal limits by federal deposit insurance. Any remaining amounts would be secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

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 unlimited insurance for the District's deposits with financial institutions for the aggregate of all non-interest bearing accounts and up to \$250,000 for the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in 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, 2011, all of the District's bank balances were secured by Federal insurance.

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, 2011, 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.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments (Continued)

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.

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, 2011 are as follows:

	<i>Balances July 1, 2010</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2011</i>
Vehicles	\$ 70,068	\$ -	\$ -	\$ 70,068
Equipment	-	21,058	-	21,058
	70,068	21,058	-	91,126
Less accumulated depreciation	(48,457)	(13,866)		(62,323)
	<u>\$ 21,611</u>	<u>\$ 7,192</u>	<u>\$ -</u>	<u>\$ 28,803</u>

TRANSFERS

	<i>Transfers in</i>	<i>Transfers out</i>
General	\$ 67,300	\$ 107,000
Special Projects	107,000	-
ODA Grant Fund	-	67,300
	<u>\$ 174,300</u>	<u>\$ 174,300</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

MARION SOIL & WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

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.

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, 2011, the District contributed \$12,561 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.

LEASE

The District leases its office space from the Natural Resources Conservation Service. The current lease expires on October 31, 2012. Monthly payments per the lease agreement are \$10,506. Lease expense for the year ending June 30, 2011 was \$126,070. Future minimum lease liabilities for the years ending June 30, 2012 and 2013 are \$126,070 and \$42,023, respectively.

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.

SUBSEQUENT EVENTS

The District follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through November 22, 2011, 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, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 873,813	\$ 873,813	\$ 873,959	\$ 146
Intergovernmental	20,000	20,000	28,278	8,278
Miscellaneous	17,000	17,000	12,675	(4,325)
<i>Total Receipts</i>	910,813	910,813	914,912	4,099
DISBURSEMENTS				
Personnel services	705,500	705,500	527,870	177,630
Materials and services	504,613	504,613	310,184	194,429
Capital outlay	33,000	33,000	29,183	3,817
Contingency	40,000	40,000	-	40,000
<i>Total Disbursements</i>	1,283,113	1,283,113	867,237	415,876
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(372,300)	(372,300)	47,675	419,975
OTHER FINANCING SOURCES (USES)				
Transfers in	67,300	67,300	67,300	-
Transfers out	(107,000)	(107,000)	(107,000)	-
<i>Total Other Financing Sources (Uses)</i>	(39,700)	(39,700)	(39,700)	-
NET CHANGE IN FUND BALANCE	(412,000)	(412,000)	7,975	419,975
FUND BALANCE, Beginning of year	692,000	692,000	703,946	11,946
FUND BALANCE, End of year	\$ 280,000	\$ 280,000	\$ 711,921	\$ 431,921

OTHER SUPPLEMENTARY INFORMATION

MARION SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF BUDGETARY FUNDS TO REPORTING FUNDS – GENERAL FUND
STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2011

	Budgetary Funds		Total (reported as General Fund)
	General	Special Projects	
ASSETS			
Cash and investments	\$ 711,921	\$ 95,397	\$ 807,318
Property taxes receivable	70,903	-	70,903
<i>Total Assets</i>	<u>\$ 782,824</u>	<u>\$ 95,397</u>	<u>\$ 878,221</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue	\$ 70,903	\$ -	\$ 70,903
Fund Balances			
Committed to:			
Special projects	-	95,397	95,397
Unassigned	711,921	-	711,921
<i>Total Fund Balances</i>	<u>711,921</u>	<u>95,397</u>	<u>807,318</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 782,824</u>	<u>\$ 95,397</u>	<u>\$ 878,221</u>

MARION SOIL AND WATER CONSERVATION DISTRICT
RECONCILIATION OF BUDGETARY FUNDS TO REPORTING FUNDS – GENERAL FUND
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011

	Budgetary Funds		Total (reported as General Fund)
	General	Special Projects	
RECEIPTS			
Taxes and assessments	\$ 873,959	\$ -	\$ 873,959
Intergovernmental	28,278	-	28,278
Miscellaneous	12,675	11,156	23,831
<i>Total Receipts</i>	914,912	11,156	926,068
DISBURSEMENTS			
Current operating:			
Personal services	527,870	-	527,870
Materials and services	310,184	90,140	400,324
Capital outlay	29,183	-	29,183
<i>Total Disbursements</i>	867,237	90,140	957,377
RECEIPTS OVER (UNDER) DISBURSEMENTS	47,675	(78,984)	(31,309)
OTHER FINANCING SOURCES (USES)			
Transfers in	67,300	107,000	174,300
Transfers out	(107,000)	-	(107,000)
<i>Total Other Financing Sources (Uses)</i>	(39,700)	107,000	67,300
NET CHANGE IN FUND BALANCES	7,975	28,016	35,991
FUND BALANCES, beginning of year	703,946	67,381	771,327
FUND BALANCES, end of year	\$ 711,921	\$ 95,397	\$ 807,318

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, 2011

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

MARION SOIL & WATER CONSERVATION DISTRICT
COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS)
JUNE 30, 2011

	<u>Special Revenue ODA Grant</u>	<u>Capital Projects Vehicle Reserve</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 4,250	\$ 125,241	\$ 129,491
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Committed to:			
Special projects	4,250	-	4,250
Capital outlay	-	125,241	125,241
Total Fund Balances	<u>4,250</u>	<u>125,241</u>	<u>129,491</u>
Total Liabilities and Fund Balances	<u>\$ 4,250</u>	<u>\$ 125,241</u>	<u>\$ 129,491</u>

MARION SOIL & WATER CONSERVATION DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
(MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2011

	<u>Special Revenue ODA Grant</u>	<u>Capital Projects Vehicle Reserve</u>	<u>Totals</u>
RECEIPTS			
Intergovernmental	\$ 71,550	\$ -	\$ 71,550
DISBURSEMENTS	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	71,550	-	71,550
OTHER FINANCING SOURCES (USES)			
Transfers out	(67,300)	-	(67,300)
NET CHANGE IN FUND BALANCES	4,250	-	4,250
FUND BALANCES, Beginning of year	-	125,241	125,241
FUND BALANCES, End of year	\$ 4,250	\$ 125,241	\$ 129,491

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, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 11,000	\$ 11,000	\$ 11,156	\$ 156
DISBURSEMENTS				
Materials and services	166,000	166,000	90,140	75,860
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(155,000)	(155,000)	(78,984)	76,016
OTHER FINANCING SOURCES (USES)				
Transfers in	107,000	107,000	107,000	-
NET CHANGE IN FUND BALANCE	(48,000)	(48,000)	28,016	76,016
FUND BALANCE, Beginning of year	48,000	48,000	67,381	19,381
FUND BALANCE, End of year	\$ -	\$ -	\$ 95,397	\$ 95,397

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, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 67,300	\$ 67,300	\$ 71,550	\$ 4,250
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	67,300	67,300	71,550	4,250
OTHER FINANCING SOURCES (USES)				
Transfers out	(67,300)	(67,300)	(67,300)	-
NET CHANGE IN FUND BALANCE	-	-	4,250	4,250
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ -	\$ -	\$ 4,250	\$ 4,250

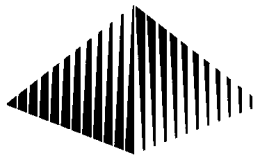
MARION SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL – VEHICLE RESERVE FUND
YEAR ENDED JUNE 30, 2011

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Capital outlay	94,000	94,000	-	94,000
Contingency	20,000	20,000	-	20,000
<i>Total Disbursements</i>	114,000	114,000	-	114,000
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(114,000)	(114,000)	-	114,000
FUND BALANCE, Beginning of year	114,000	114,000	125,241	11,241
FUND BALANCE, End of year	\$ -	\$ -	\$ 125,241	\$ 125,241

MARION SOIL & WATER CONSERVATION DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2011

<u>Tax Year</u>	<u>2010-2011 Levy</u>	<u>Uncollected Balance July 1, 2010</u>	<u>Added To Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Turnovers</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ 903,594	\$ -	\$ 116	\$ (24,622)	\$ (841,850)	\$ 37,238
2009-2010	-	36,638	-	(179)	(17,678)	18,781
2008-2009	-	16,352	-	(140)	(6,231)	9,981
2007-2008	-	7,175	-	(89)	(3,961)	3,125
2006-2007	-	2,450	-	(51)	(1,674)	725
2005-2006	-	590	-	(68)	(101)	421
2004-2005	-	364	-	(65)	(36)	263
Prior years	-	392	-	(8)	(15)	369
Total	\$ 903,594	\$ 63,961	\$ 116	\$ (25,222)	\$ (871,546)	\$ 70,903

REGULATORY SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Marion Soil and 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, 2011, and have issued our report thereon dated November 22, 2011. 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, we considered the District's internal control over financial reporting 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 opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.


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 detected and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We issued to management our separate letter on control 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
November 22, 2011