

**MARION SOIL AND WATER
CONSERVATION DISTRICT**

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2023

**MARION SOIL AND WATER CONSERVATION DISTRICT
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MARION SOIL AND WATER CONSERVATION DISTRICT

DISTRICT OFFICIALS

JUNE 30, 2023

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Vacant	Director – Zone 2	December 31, 2026
Dave Budeau	Sec/Treas – Zone 4	December 31, 2024
Scott Walker	Director – At Large 2	December 31, 2026
Darin Olson	Chair – Zone 3	December 31, 2026
Rochelle Koch	Director – Zone 5	December 31, 2026
Vacant	Director – Zone 1	December 31, 2024
Peggy Hart	Director – At Large 1	December 31, 2024

MAILING ADDRESS

Brenda Sanchez
408 N. 3rd Avenue
Stayton, Oregon 97383
Phone (503) 391-9927

All board members may be contacted at the District office



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marion Soil and Water Conservation District
408 N. 3rd Avenue
Stayton, Oregon 97383

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Marion Soil and Water Conservation District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Marion Soil and Water Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marion Soil and Water Conservation District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marion Soil and Water Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marion Soil and Water Conservation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basis financial statements. Management's discussion and analysis and supplemental information, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statement.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in notes to the financial statements.

Management's discussion and analysis has 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 it.

Report on Other Legal and Regulatory Requirements

In accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, we have also issued our report dated December 18, 2023, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.


JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants
West Linn, Oregon

By 
Russell T. Ries, Partner

December 18, 2023

**MARION SOIL AND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

As management of Marion Soil and Water Conservation District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2023. 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 District 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 required compliance with Oregon Local Budget Law. The District's permanent rate is \$0.05/\$1000 of assessed value (AV). As a taxing District, the District 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 May 4, 2022.

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 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.

The District's budget is categorized by a General Fund and Reserve Funds. The following is an overview of changes for each type fund.

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); additional federal/state/local grants; and other small amounts of income from various sources. Categories in the General Fund include personnel services, materials and services, capital outlay, contingency, and unappropriated 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, 2022 was \$1,613,552. The carry-over represents unexpended funds budgeted for contingency, unappropriated funds, and a cost savings from materials and services. The General Fund's total resources for the fiscal year 2022-23 were \$1,629,895, an increase of \$188,395 over the previous year's total of \$1,441,504.

There was an increase in tax revenue from \$1,309,032 for 2021-22 to \$1,379,773 for 2022-23 as the District requested a set dollar levy in 2022-23.

There was also an increase of \$75,187 in income from other agencies in General Fund resources for fiscal year 2022-23.

There was an increase in interest earned from \$10,746 in 2021-22 to \$57,040 in 2022-23.

Personnel Services

Personnel services for 2022-23 were \$712,277 which was an increase over the 2021-22 amount of \$663,279. Regular salary increases and/or bonuses are given when warranted and are based on job performance and program outcome. The changes in salary levels necessitated only slight increases to social security/Medicare, unemployment, workers' compensation, and retirement. The District had anticipated significant increases in the cost of employee benefits for life, health, and dental insurances but most of these anticipated amounts only rose slightly from the previous year. Funds for compensated absences were also included in the budget to cover wages for any employees who separate 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. These funds would allow the District to replace an employee without placing an undue burden in other areas of the budget.

Materials and Services

The total amount for materials and services for 2022-23 was \$504,611, a decrease of \$24,824 from the total amount of \$529,435 for 2021-22.

Capital Outlay

The total amount spent for office equipment, furniture and computers was \$2,820 for 2022-23.

Contingency

Budgeted contingency remained at \$195,000 in 2022-23. These funds were to be used by the District in the event of shortfalls in other General Fund budget categories. There were no shortfalls or the need to use any contingency funds in 2022-23.

Transfers

The General Fund transferred \$0 to the Building Reserve Fund during 2022-23 and received transfers in totaling \$0 from the Multi-Purpose Reserve Fund.

Unappropriated Ending Balance

The budgeted unappropriated ending balance of \$200,000 stayed the same from the previous 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.

Reserve Funds

Reserve Funds establish a way for the District to "reserve" or save funds for a future need or use.

Multi-Purpose Reserve Fund

This reserve fund was created by the District Board through the resolution process in March of 2012. The money used to establish this fund came from the abolished Building Reserve Fund by way of transfers in and out of the General Fund in FY 2012-2013. This reserve fund receives income from interest and a transfer from general fund as required by the fund. The cash ending balance for 2022-23 was \$326,143.

Building Reserve Fund

This reserve fund was established in 2020-2021 for the purpose of purchasing land, constructing a building or purchasing and/or remodeling an existing building to house District operations and employees. This fund receives interest income. The ending cash balance for 2022-23 was \$235,696.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
General Fund Beginning Balance	\$ 1,613,552	\$ 1,367,453
Revenues		
Marion County taxes	1,379,773	1,309,032
Income from other agencies	166,133	90,946
Interest income	57,040	10,746
Miscellaneous	26,953	30,780
Total resources	<u>1,629,899</u>	<u>1,441,504</u>
Expenditures		
Personal services	712,277	663,260
Materials and services	504,611	529,435
Capital outlay	2,820	2,710
Total requirements	<u>1,219,708</u>	<u>1,195,405</u>
Net transfers in	<u>-</u>	<u>-</u>
General Fund Ending Balance	<u>\$ 2,023,743</u>	<u>\$ 1,613,552</u>
	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Reserve Funds Beginning Balance	\$ 544,837	\$ 576,726
Revenues		
Interest income	17,002	1,399
Total resources	<u>17,002</u>	<u>1,399</u>
Expenditures		
Capital outlay	<u>-</u>	<u>33,288</u>
Net transfers out	<u>-</u>	<u>-</u>
Reserve Funds Ending Balance	<u>\$ 561,839</u>	<u>\$ 544,837</u>

General Fund Budgetary Highlights

There were no supplemental budgets during the 2022-23 fiscal year.

Capital Assets

The District's investment in capital assets includes land, building, vehicles and equipment. As of June 30, 2023, the District's capital assets were \$503,502.

Additional information about capital assets can be found in the notes to the financial statements.

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, 408 N. 3rd Avenue, P.O. Box 537, Stayton, OR 97383.

**MARION SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 2,588,257
Capital assets:	
Non-depreciable	96,893
Depreciable (net of depreciation)	<u>406,609</u>
Total assets	3,091,759
LIABILITIES	
Payroll liabilities	<u>2,675</u>
NET POSITION	
Net investment in capital assets	503,502
Unrestricted	<u>2,585,582</u>
Total net position	<u>\$ 3,089,084</u>
 Total Fund Balances - Governmental Funds	 \$ 2,585,582
 The cost of capital assets purchased is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole.	
 Net capital assets	 <u>503,502</u>
 NET POSITION	 <u>\$ 3,089,084</u>

(See accompanying notes to basic financial statements)

**MARION SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

		<u>Program revenue</u>	<u>Net (Expense) Revenues and Changes in Net Position</u>
<u>Program Activities</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities			
Conservation	\$ 1,238,503	\$ 166,133	\$ (1,072,370)
General Revenues			
Property taxes			1,379,773
Miscellaneous			100,995
Total			<u>1,480,768</u>
CHANGE IN NET POSITION			408,398
NET POSITION, beginning			<u>2,680,686</u>
NET POSITION, ending			<u>\$ 3,089,084</u>
Net Changes in Fund Balances - Governmental Funds			\$ 427,193
Fixed asset additions are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which fixed asset additions exceeds depreciation.			<u>(18,795)</u>
CHANGE IN NET POSITION			<u>\$ 408,398</u>

(See accompanying notes to basic financial statements)

**MARION SOIL AND WATER CONSERVATION DISTRICT
GOVERNMENTAL FUND
BALANCE SHEET-MODIFIED CASH BASIS
JUNE 30, 2023**

		Capital Projects		
	General Fund	Building Reserve	Multi-Purpose Reserve	Total
ASSETS				
Cash and cash equivalents	\$ 2,026,418	\$ 235,696	\$ 326,143	\$ 2,588,257
LIABILITIES				
Payroll liabilities	\$ 2,675	\$	\$	\$ 2,675
FUND BALANCE				
Committed to:				
Unanticipated projects			326,143	326,143
Capital outlay		235,696		235,696
Unassigned	2,023,743			2,023,743
Total fund balance	2,023,743	235,696	326,143	2,585,582
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,026,418	\$ 235,696	\$ 326,143	\$ 2,588,257

(See accompanying notes to basic financial statements)

MARION SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2023

	General Fund	Capital Projects		Total
		Multi-Purpose Reserve	Building Reserve	
REVENUES				
Taxes and assessments	\$ 1,379,773	\$	\$	\$ 1,379,773
Intergovernmental	166,133			166,133
Miscellaneous	83,993	9,872	7,130	100,995
Total	<u>1,629,899</u>	<u>9,872</u>	<u>7,130</u>	<u>1,646,901</u>
EXPENDITURES				
Conservation	1,216,888			1,216,888
Capital outlay	2,820			2,820
Total	<u>1,219,708</u>		-	<u>1,219,708</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	410,191	9,872	7,130	427,193
OTHER FINANCING SOURCES (USES)				
Transfers in				-
Transfers out				-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	410,191	9,872	7,130	427,193
FUND BALANCE, beginning	<u>1,613,552</u>	<u>316,271</u>	<u>228,566</u>	<u>2,158,389</u>
FUND BALANCE, ending	\$ <u>2,023,743</u>	\$ <u>326,143</u>	\$ <u>235,696</u>	\$ <u>2,585,582</u>

(See accompanying notes to basic financial statements)

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – 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). 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.

As discussed further under *Measurement Focus and Basis of Accounting*, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

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 Position (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 expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* 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

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

revenues are reported instead as *general revenues*.

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 capital projects). Accounting principles generally accepted in the United States of America sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of fund category) for the determination of major funds. The general and major individual 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.

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, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The District reports all of its funds as major and are described below:

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 revenues are property taxes, interest income and grants. Primary expenditures are for general administrative costs and for conservation activities not accounted for in other funds.

Capital Project Funds

Multi-Purpose Reserve Fund – to account for any revenues and expenditures associated with unanticipated projects or purchases and/or associated with a catastrophic loss.

Building Reserve – to account for revenues and expenditures associated with the purchase and maintenance of real property.

Fund Balance

In governmental funds, the District's policy is to first apply the expenditures toward restricted fund balance, and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Restricted – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by Board of Directors. The Board of Directors can modify or rescind the commitment at any time through taking a similar formal action.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. 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 – All amounts not included in other spendable classifications. This classification is also used to report any negative fund balance amounts in other governmental funds.

Definitions of Governmental Fund Types

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

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

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position (Modified Cash Basis) and Statement of Activities (Modified Cash Basis), governmental activities are presented using the economic resource measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is applied to the modified cash basis of accounting. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include:

1. Interfund receivables and payables that are temporary borrowing and result from transactions involving cash or cash equivalents are recognized.
2. Assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, external cash pools, and marketable investments) that arise from transactions and events involving cash or cash equivalents are recognized.
3. Liabilities for cash (or cash equivalents) held on behalf of others or held in escrow are recognized.
4. Capital assets for which cash is expended for the asset and then depreciated over its useful life.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for good and services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

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 294.333), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

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

Cash and Cash Equivalents

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

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.

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Investments in the Local Government Investment Pool are stated at cost, which approximates fair value.

Property Taxes

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. The District's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Capital Assets

Capital assets (items costing more than \$5,000 and lasting more than one year) are capitalized on the Statement of Net Position (Modified Cash Basis). In the fund statements, capital assets are charged as expenditures as purchased. Capital assets are recorded at cost or estimated historical cost where records are available. Donated assets are not recorded. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized.

Depreciation is computed over the estimated useful lives of the capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

Building	50 years
Equipment and vehicles	5 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts.

Accrued Compensated Absences

Earned compensation time and vacation pay is recorded as a disbursement when paid.

Budgets and Budgetary Accounting

The District prepares its budget on the cash basis for all funds. Expenditures of a fund may not legally exceed the annual appropriations for the major object class (personnel 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.

Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Interfund Transfers

Operating Transfers In/Out to Other Funds consists of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:	\$ -	\$ -
Multi-Purpose Reserve Fund	-	-
Building Reserve	-	-

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statements of Activities.

Fund Financial Statements

Interfund activity, if any, within the governmental fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

NOTE B – CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are comprised of the following at June 30, 2023:

Cash		
Cash on hand	\$	50
Deposits with financial institutions		20,361
Investments		
Local Government Investment Pool		<u>2,567,846</u>
	\$	<u><u>2,588,257</u></u>

Deposits

At year end, the book balance of the District's bank deposits (checking account) was \$20,361 and the bank balance was \$75,864. 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.

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE B – CASH AND CASH EQUIVALENTS (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 for up to \$250,000 for the aggregate of all time and savings accounts and the aggregate of all demand deposits 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, 2023, all of the District's bank balances were covered by FDIC insurance.

Local Government Investment Pool

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 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, 2023, 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

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE B – CASH AND CASH EQUIVALENTS (Continued):

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.

NOTE C – CAPITAL ASSETS:

The changes in the capital assets for the year ended June 30, 2023 was as follows:

<u>Description</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
Non-depreciable:				
Land	\$ 96,893	\$ -	\$ -	\$ 96,893
Depreciable:				
Building	420,858	-	-	420,858
Vehicles	82,364	-	-	82,364
Less accumulated depreciation				
Building	(13,085)	(8,417)	-	(21,502)
Vehicles	<u>(64,733)</u>	<u>(10,378)</u>	<u>-</u>	<u>(75,111)</u>
Depreciable assets, net	<u>425,404</u>	<u>(18,795)</u>	<u>-</u>	<u>406,609</u>
Total capital assets, net	<u>\$ 522,297</u>	<u>\$ (18,795)</u>	<u>\$ -</u>	<u>\$ 503,502</u>

NOTE D – 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. During the year ending June 30, 2023, the District contributed \$12,296 to this compensation plan.

**MARION SOIL AND WATER CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE D – 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, 2023, the District contributed \$11,720 to this compensation plan.

Money accumulated under its deferred compensation plans 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.

NOTE E – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through December 18, 2023, 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.

MARION SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS- BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes and assessments	\$ 1,356,383	\$ 1,356,383	\$ 1,379,773	\$ 23,390
Intergovernmental	283,762	283,762	166,133	(117,629)
Surplus property	2,000	2,000		(2,000)
Interest income	10,000	10,000	57,040	47,040
Miscellaneous	79,800	79,800	26,953	(52,847)
Total	<u>1,731,945</u>	<u>1,731,945</u>	<u>1,629,899</u>	<u>(102,046)</u>
EXPENDITURES				
Personnel services	1,109,471	1,109,471	712,277	397,194
Materials and services	1,590,210	1,590,210	504,611	1,085,599
Capital outlay	165,000	165,000	2,820	162,180
Contingency	195,000	195,000		195,000
Total	<u>3,059,681</u>	<u>3,059,681</u>	<u>1,219,708</u>	<u>1,839,973</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(1,327,736)	(1,327,736)	410,191	1,737,927
OTHER FINANCING USES				
Transfers in				-
Transfers out				-
NET CHANGE IN FUND BALANCE				
	(1,327,736)	(1,327,736)	410,191	1,737,927
FUND BALANCE, beginning				
	<u>1,527,736</u>	<u>1,527,736</u>	<u>1,613,552</u>	<u>85,816</u>
FUND BALANCE, ending				
	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 2,023,743</u>	<u>\$ 1,823,743</u>

**MARION SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS- BUDGET AND ACTUAL - MULTIPURPOSE RESERVE FUND
YEAR ENDED JUNE 30, 2023**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Interest income	\$	\$	\$ 9,872	\$ 9,872
EXPENDITURES				
Materials and services	316,271	316,271	-	316,271
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(316,271)	(316,271)	9,872	326,143
OTHER FINANCING SOURCES				
Transfers out				0
NET CHANGE IN FUND BALANCE	(316,271)	(316,271)	9,872	326,143
FUND BALANCE , beginning	316,271	316,271	316,271	-
FUND BALANCE, ending	\$ -	\$ -	\$ 326,143	\$ 326,143

**MARION SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS- BUDGET AND ACTUAL - BUILDING RESERVE FUND
YEAR ENDED JUNE 30, 2023**

	Budget Amounts		Actual	Variance
	Original	Final		
REVENUES				
Interest income	\$ 2,500	\$ 2,500	\$ 7,130	\$ 4,630
EXPENDITURES				
Capital outlay	264,807	264,807		264,807
REVENUES OVER (UNDER) EXPENDITURES	(262,307)	(262,307)	7,130	269,437
OTHER FINANCING SOURCES				
Transfers in				-
NET CHANGE IN FUND BALANCE	(262,307)	(262,307)	7,130	269,437
FUND BALANCE , beginning	262,307	262,307	228,566	(33,741)
FUND BALANCE, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,696</u>	<u>\$ 235,696</u>

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**



**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

We have audited the basic financial statements of the Marion Soil and Water Conservation District, as of and for the year ended June 30, 2023, and have issued our report thereon dated December 18, 2023. 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 Marion Soil and Water Conservation 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).**

In connection with our testing nothing came to our attention that caused us to believe the Marion Soil and Water Conservation 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 Marion Soil and Water Conservation 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 Marion Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion Soil and Water Conservation 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 detect 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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.

Jarrard, Seibert, Pollard & Company, LLC
JARRARD, SEIBERT, POLLARD & COMPANY, LLC
Certified Public Accountants
West Linn, Oregon

By *Russell T. Ries*
Russell T. Ries, Partner

December 18, 2023