

KLAMATH COUNTY DRAINAGE
SERVICE DISTRICT

ANNUAL FINANCIAL REPORT

June 30, 2010 and 2009



GREGOR PROFESSIONAL
C O R P O R A T I O N

KLAMATH COUNTY DRAINAGE SERVICE DISTRICT

June 30, 2010

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Al Switzer	County Commissioner	December 31, 2012
John Elliott	County Commissioner	December 31, 2010
Cheryl Hukill	County Commissioner	December 31, 2012

OFFICIALS

Stan Strickland	Managing Agent	Public Works Director
Michael Long	Financial Manager	County Treasurer

MAILING ADDRESS

Klamath County Drainage Service District
305 Main Street, Room 122
P.O. Box 340
Klamath Falls, Oregon 97601-0349
TEL: (541) 883-4269

KLAMATH COUNTY DRAINAGE SERVICE DISTRICT

June 30, 2010

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REPORT OF INDEPENDENT AUDITORS



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CORPORATION

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REPORT OF INDEPENDENT AUDITORS

Members of the Board
Klamath County Drainage Service District
Klamath Falls, Oregon

We have audited the accompanying financial statements of the business-type activities of the Klamath County Drainage Service District as of and for the years ended June 30, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of management of the District. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows thereof for the years then ended, and the respective budgetary comparison as of June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

GREGOR PROFESSIONAL CORPORATION
Certified Public Accountants

By 
John Gregor, President

Eugene, Oregon
October 18, 2010

MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Klamath County Drainage Service District, we offer readers of the Klamath County Drainage Service District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The District's net assets exceeded its liabilities at the close of the most recent fiscal year by \$8,365,714 (*net assets*). Of this amount, \$2,155,500 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$121,691 due to decreases of depreciation expenses and increases of drainage fee revenue.
- The District's total long-term debt is zero.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The Drainage District's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements.

Financial statements: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. The District now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the District's financial activities.

The District's basic financial statements comprise with *statement of net assets, statement of revenue, expenses and changes in fund net assets, statement of cash flows and statement revenues, expenses and changes in fund net assets - budget and actual*.

The District adopts an annual budget for all of its funds. Budgetary comparison statements for the major governmental funds have been provided for the required supplementary information. There are also individual budgetary statements for non-major governmental funds to demonstrate compliance with this budget included in this report.

The basic governmental fund financial statements can be found on pages 1-4 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Klamath County Board of Commissioners is also the Directors of the Klamath County Drainage District which provides Drainage services countywide. Intergovernmental agreements hold Klamath County harmless if named in any lawsuits.

The notes to the financial statements can be found on pages 3-7 of this report.

Financial Statement Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$8,365,714 at the close of the current fiscal year.

By far the largest portion of the District's net assets (74.23%) reflects its investments in capital assets (e.g., ditch excavation and drainage system); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Drainage District's Net Assets

	2010	2009	Increases (decreases)
ASSETS			
Cash and cash equivalents	\$ 2,162,145	\$ 2,005,610	\$ 156,535
Receivables	29,547	31,624	(2,077)
Capital assets	6,210,214	6,210,214	-
Total assets	8,401,906	8,247,448	154,458
LIABILITIES			
Accounts payable	36,192	3,425	32,767
Total liabilities	36,192	3,425	32,767
NET ASSETS			
Invested in capital assets	6,210,214	6,210,214	-
unrestricted	2,155,500	2,033,809	121,691
Total net assets	\$ 8,365,714	\$ 8,244,023	\$ 121,691

The District's net assets balance of *unrestricted net assets*, which amounts to \$2,155,500, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in all categories of net assets for the government as a whole as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Drainage District's Changes in Net Assets

	2010	2009	Increases (decreases)
OPERATING REVENUES			
Drainage Fees	\$ 214,906	\$ 164,227	\$ 50,679
Other operating revenues	2,155	2,109	46
Total assets	217,061	166,336	50,725
OPERATING EXPENSES			
Material and services	113,263	76,870	36,393
Depreciation	-	17,173	(17,173)
Total liabilities	113,263	94,043	19,220
Net operating income	103,798	72,293	31,505
NON OPERATING REVENUES (EXPENSES)			
Interest	33,893	54,447	(20,554)
Transfer to other departments	(16,000)	(16,000)	-
Net income	121,691	110,740	10,951
NET ASSETS			
Beginning	8,244,023	8,133,283	110,740
Ending	\$ 8,365,714	\$ 8,244,023	\$ 121,691

For the most part, decreases in expenses of drainage maintenance.

Budgetary Highlights

The District budgets in compliance with Oregon budget law. Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

All of the budget changes are done by resolution and or a supplemental budget as required by Oregon budget law.

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets for its governmental activities as June 30, 2010, amounts to \$6,210,214 (net of accumulated depreciation). This investment in capital assets includes ditch excavation and drainage systems.

Drainage District's Capital Assets

	Balance 7/1/2009	Increases	Decreases	Balance 6/30/2010
Ditch excavation	\$ 6,210,214	\$ -	\$ -	\$ 6,210,214
Drainage system:				
Historical cost	515,142	-	-	515,142
Less accum depreciation	(515,142)	-	-	(515,142)
	-	-	-	-
Total capital assets, net	\$ 6,210,214	\$ -	\$ -	\$ 6,210,214

Additional information on the District's capital assets can be found in notes to the financial statements.

Long-Term Debt: The District has no outstanding debt at this time.

Economic Factors and Next Year's Budgets

- The slowdown in the housing industry will affect future operating revenues.
- The State unemployment rate is increasing including the basin, along with the rest of the state.
- Inflationary trends in the region are increasing.

All of these factors were considered in preparation of the District's budgets for 2009-10 and 2009-10 fiscal years.

General Information

County Seat: Klamath Falls, Oregon E-mail: bocc@co.klamath.or.us Web: www.co.klamath.or.us
Incorporated: Oct. 17, 1882 Elevation at Klamath Falls: 4,105' Area: 6,135 sq. miles
Average Temp.: January 29.8° July 68.0° Assessed Value: \$4,083,883,233 Real Market Value: \$7,678,714,845
Annual Precipitation: 14.31" Economy: Forest products, agriculture, tourism, and recreation
College: Oregon Institute of Technology (OIT) County Population: 66,192

Requests for Information

This financial report is designed to provide a general overview of Klamath County Drainage Service District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed the Office of the Finance Director, Klamath County, 305 Main Street, Room 121, PO Box 340, Klamath Falls, Oregon 97601.

BASIC FINANCIAL STATEMENTS

KLAMATH COUNTY DRAINAGE SERVICE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,162,145	\$ 2,005,610
Receivables:		
Accounts	3,723	6,714
Drainage fees	25,824	24,910
Capital assets, net	<u>6,210,214</u>	<u>6,210,214</u>
 Total assets	 <u>8,401,906</u>	 <u>8,247,448</u>
 LIABILITIES		
Accounts payable	<u>36,192</u>	<u>3,425</u>
 Total liabilities	 <u>36,192</u>	 <u>3,425</u>
 NET ASSETS		
Invested in capital assets, net of related debt	6,210,214	6,210,214
Unrestricted	<u>2,155,500</u>	<u>2,033,809</u>
 Total net assets	 <u>\$ 8,365,714</u>	 <u>\$ 8,244,023</u>

The accompanying notes are an integral part of this statement.

KLAMATH COUNTY DRAINAGE SERVICE DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS

For the Years Ending June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Drainage fees	\$ 214,906	\$ 154,227
Other operating revenue	<u>2,155</u>	<u>2,109</u>
Total operating revenue	<u>217,061</u>	<u>166,336</u>
OPERATING EXPENSES:		
Materials and services	113,263	76,870
Depreciation	<u>-</u>	<u>17,173</u>
Total operating expenses	<u>113,263</u>	<u>94,043</u>
Net operating income	103,798	72,293
NON OPERATING REVENUES (EXPENSES):		
interest	33,893	54,447
Transfer to other departments	<u>(16,000)</u>	<u>(16,000)</u>
Net income	121,691	110,740
NET ASSETS		
Beginning of year	<u>8,244,023</u>	<u>8,133,283</u>
End of year	<u>\$ 8,365,714</u>	<u>\$ 8,244,023</u>

The accompanying notes are an integral part of this statement.

KLAMATH COUNTY DRAINAGE SERVICE DISTRICT

STATEMENT OF CASH FLOWS

For the Years Ending June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from drainage fees	\$ 217,897	\$ 164,874
Cash received from other operational activities	2,155	2,109
Cash paid for personal services	-	-
Cash paid for materials and services	<u>(80,496)</u>	<u>(86,898)</u>
Net cash provided (used) by operating activities	<u>139,556</u>	<u>80,085</u>
Cash flows from noncapital financing activities:		
Transfer to other departments	<u>(16,000)</u>	<u>(16,000)</u>
Cash flows from capital and related financing activities:	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest received	<u>32,979</u>	<u>53,882</u>
Net increase (decrease) in cash	156,535	117,967
Cash and cash equivalents		
Beginning of year	<u>2,005,610</u>	<u>1,887,643</u>
End of year	<u>\$ 2,162,145</u>	<u>\$ 2,005,610</u>
Reconciliation of net income to net cash provided by operating activities:		
Operating income	\$ 103,798	\$ 72,293
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	17,173
Changes in assets and liabilities:		
(Increase) decrease in drainage fees receivable	2,991	647
Increase (decrease) in accounts payable	<u>32,767</u>	<u>(10,028)</u>
Net cash provided (used) by operating activities	<u>\$ 139,556</u>	<u>\$ 80,085</u>

The accompanying notes are an integral part of this statement.

KLAMATH COUNTY DRAINAGE SERVICE DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS -
BUDGET AND ACTUAL**

For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Drainage fees	\$ 155,000	\$ 155,000	\$ 214,906	\$ 59,906
Interest	25,000	25,000	33,893	8,893
Other	-	-	2,155	2,155
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>250,954</u>	<u>70,954</u>
EXPENDITURES:				
PERSONAL SERVICE	-	-	-	-
MATERIAL AND SERVICES:				
Supplies	200	200	-	200
Travel	100	100	-	100
Dues/Fees	4,000	4,000	293	3,707
Legal notice publication	500	500	356	144
Postage	100	100	-	100
Vehicle fuel	100	100	-	100
Vehicle rental	100	100	-	100
Contract services	375,000	375,000	8,897	366,103
BMP public education	5,000	5,000	4,996	4
Weed control	10,000	10,000	390	9,610
Drainage maintenance	100,000	100,000	98,331	1,669
Storm water monitoring	20,000	20,000	-	20,000
Paid to other departments	16,000	16,000	16,000	-
Insurance	65,000	65,000	-	65,000
Total materials and services	<u>596,100</u>	<u>596,100</u>	<u>129,263</u>	<u>466,837</u>
Capital outlay	125,000	125,000	-	125,000
Contingency	500,000	500,000	-	500,000
Total expenses	<u>1,221,100</u>	<u>1,221,100</u>	<u>129,263</u>	<u>1,091,837</u>
Revenues over (under) expenses	(1,041,100)	(1,041,100)	121,691	1,162,791
NET ASSETS				
Beginning of year	<u>1,848,000</u>	<u>1,848,000</u>	<u>2,033,809</u>	<u>185,809</u>
End of year	<u>\$ 806,900</u>	<u>\$ 806,900</u>	<u>2,155,500</u>	<u>\$ 1,348,600</u>
Reconciliation to GAAP Basis:				
Capital assets, net:			<u>6,210,214</u>	
End of year, GAAP Basis			<u>\$ 8,365,714</u>	

The accompanying notes are an integral part of this statement

NOTES TO THE BASIC FINANCIAL STATEMENTS

Klamath County Drainage Service District

Notes to the Financial Statements June 30, 2010 and 2009

1. Summary of Significant Accounting Policies

REPORTING ENTITY

The Klamath County Drainage Service District operates under Oregon Revised Statutes, Chapter 190.03. The power of the District is vested in a three member board. Revenues consist of assessments to property owners in the District. Principal expense is the drainage maintenance in the District.

The District is a primary government. A primary government is financially accountable for the organizations that make up its legal entity. The District has considered all organizations for which it is financially accountable. Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading. The District has no component units.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. The District follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-column look at the District's financial activities.

BASIS OF ACCOUNTING

The basic financial statements are accounted for on the flow of *economic resources measurement focus* and are prepared on the *accrual basis of accounting*, whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary fund type is used by the District to account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration.

General operating fund is used to account for the District's operations. Principal operating revenues include drainage fees. All other revenue is reported as non-operating revenues.

The District's basic financial statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989 unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements. The District has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Klamath County Drainage Service District

Notes to the Financial Statements June 30, 2010 and 2009

CASH AND CASH EQUIVALENTS

The cash recorded on the balance sheet is the balance of the deposit with the County Treasurer in the County cash and investment pool.

RECEIVABLES

Receivables consist of assessment receivable from property owners within the District boundaries that benefit from the system and interest. These are recorded on the statement of net assets in accordance with the policies enumerated in paragraph above. These receivables become a lien on the property until paid. Based on past collection experience, no allowance has been established for uncollectible drainage assessment receivable.

CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the basic financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight line method over the estimated useful live 30 years of drainage systems and 5 years of equipment.

2. Stewardship, Compliance and Accountability

BUDGETARY COMPLIANCE

The District does not levy a property tax and is not covered by the provisions of Oregon Budget Law. However, the District does assess charges to cover the expenses of the District and does prepare an annual budget under the guidelines in ORS 294.900 to 294.930. The District estimates expenses and appropriates at the level of personal services, material and services, capital outlay and operating contingency.

During the fiscal year, no expenditures were exceeded legally budgeted appropriations.

3. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2010 and 2009 were \$2,162,145 and \$2,005,610, respectively.

Klamath County Drainage Service District

**Notes to the Financial Statements
June 30, 2010 and 2009**

DEPOSITS

Deposits with financial institutions are comprised of cash with Klamath County Treasurer. The County maintains a cash and investment pool that is available for use by all funds including small special districts. Oregon Statutes authorize the County to invest in obligations of the U.S. Government and its agencies, the State Local Government investment Pool, certificates of deposit, savings and money market accounts, bankers' acceptances, commercial paper and repurchase agreements. Audit report of Klamath County may be obtained by writing to the Klamath County Treasurer, PO Box 340, Klamath Falls, Oregon, 97601.

INVESTMENTS

Interest rate risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposures to fair value losses arising from increasing interest rates.

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance 7/1/2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2010</u>
Not being depreciated:				
Ditch excavation	\$ 6,210,214	\$ -	\$ -	\$ 6,210,214
Being depreciated:				
Drainage system	515,142	-	-	515,142
Less accum depreciation	<u>515,142</u>	<u>-</u>	<u>-</u>	<u>515,142</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 6,210,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,210,214</u>

5. Contingent Liabilities

Management is not aware of any other contingent liabilities that would require disclosure under FASB Accounting Standards Codification 450-20, which include among other things: notes or accounts receivable which have been discounted; pending suits, proceedings, hearings, or negotiations possibly involving retroactive judgments or claims; taxes in dispute; endorsements or guarantees; and options given.

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District participates in the Special District Association of Oregon. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

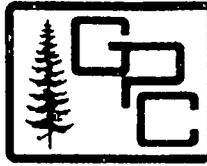
Klamath County Drainage Service District

Notes to the Financial Statements June 30, 2010 and 2009

7. Inter-governmental Agreement

The District made an inter-governmental agreement with Klamath County in September 1992. Commissioners of the Klamath County serve as board of directors of the District. The agreement authorized by ORS 190.010 continues services provided by the County to the District in exchange for the continued payment of administrative fees by the District. Under the terms of agreement, the annual fees will be established yearly during the budget process, and the County Finance Director and/or Treasurer have the authority to manage and invest the District's funds in the market. The County provides services for office supplies, maintenance, computer and hardware support, and administrative and legal services. The Klamath County Treasurer will provide budget services for the District. The agreement is a perpetual agreement.

*COMMENTS OF INDEPENDENTS AUDITORS AS REQUIRED
BY THE STATE OF OREGON MINIMUM STANDARDS FOR AUDIT
OF OREGON MUNICIPAL CORPORATIONS*



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COMMENTS OF INDEPENDENT AUDITORS
REQUIRED BY MINIMUM STANDARDS FOR
AUDITS OF OREGON MUNICIPAL CORPORATIONS

Board of Directors
Klamath County Drainage Service District
Klamath Falls, Oregon

We have audited the basic financial statements of Klamath County Drainage Service District as of and for the year ended June 30, 2010, and have issued our report thereon dated October 18, 2010.

Pursuant to the provisions of Oregon Revised Statutes (ORS) 297.465, Oregon Administrative Rules (OAR) 162-10-050 through 162-10-320 incorporates the *Minimum Standards for Audits of Oregon Municipal Corporations*. These standards have been approved by the Oregon Board of Accountancy, and have been adopted by the Secretary of State as Administrative Rules under the provisions of ORS Chapter 183.

The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as the following:

Internal Control

Communication on the District's internal control over financial reporting was issued under separate cover.

Adequacy of Collateral Securing Depository Balances

Based on our testing, the District complied with legal requirements related to the amount and adequacy of collateral pledged by depositories to secure funds of the District.

Budget Compliance

The District has complied with Local Budget Laws in the preparation, adoption and execution for the current fiscal year, and preparation and adoption for the next succeeding year. All procedures were found in compliance with statutory requirements.

Insurance and Fidelity Bonds

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2010. We ascertained that such policies did appear to be in force, and do comply with legal requirements relating to insurance and fidelity bond coverage. We are not experts in insurance to comment on the adequacy of the insurance policies.

Investments

Our review of investment pertaining to the investments of public funds indicated that the District was in compliance with ORS 294, during the year ended June 30, 2010.

Schedule of Accountability of Independently Elected Officials

To our knowledge no independently elected official was accountable for collecting or receiving cash.

Accounting Records

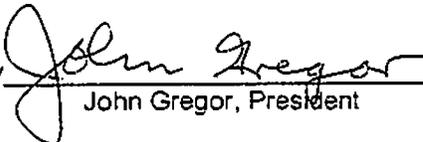
The accounting records were generally adequate for the audit.

Compliance with following is not applicable to the District.

- Indebtedness
- Use of State Highway Funds
- Public Contracting
- Programs Funded from Outside Sources

This report is intended solely for the information of the board of directors, management, and the Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these specified parties.

GREGOR PROFESSIONAL CORPORATION
Certified Public Accountants

By 
John Gregor, President

Eugene, Oregon
October 18, 2010