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# VI. District Finances

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## A. Public Funds

All funds obtained by a conservation district, regardless of source, are **public funds**, whether they come from public or private sources. Directors should be advised there are statutes that address improper or unlawful use of public funds.

### **294.100 Public official expending money in excess of amount or for different purpose than provided by law unlawful; civil liability.**

- (1) It is unlawful for any public official to expend any moneys in excess of the amounts provided by law, or for any other or different purpose than provided by law.
- (2) Any public official who expends any public moneys in excess of the amounts or for any other or different purpose than authorized by law shall be civilly liable for the return of the money by suit of the district attorney of the district in which the offense is committed, or at the suit of any taxpayer of such district, if the expenditure constitutes malfeasance in office or willful or wanton neglect of duty.
- (3) On the demand in writing of 10 taxpayers of any municipal corporation with a population exceeding 100,000 inhabitants, filed with the tax supervising and conservation commission in the county in which the municipal corporation is situated, which demand sets forth that a public official has unlawfully expended public moneys in excess of the amount or for any other or different purpose than provided by law and that the expenditure constitutes malfeasance in office or willful or wanton neglect of duty, the tax supervising and conservation commission shall make an investigation of the facts as to the expenditure. If the tax supervising and conservation commission finds that public moneys have been unlawfully expended and that the expenditure constitutes malfeasance in office or willful or wanton neglect of duty, the commission shall proceed at law in the courts against the public official who has unlawfully expended the moneys for the return of the moneys unlawfully expended to the treasury of the municipal corporation. A right of action hereby is granted to the tax supervising and conservation commission for the purposes of this section.

## B. Fiscal Administration

The board has the following fiscal responsibilities:

- Create and adopt a district budget
- Manage funds consistent with fiduciary responsibility

- Maintain accurate and complete financial records and reports, including:
- District Budget
- Revenues and expenditures
- Property and assets (i.e., cash, equipment, furniture, vehicles, inventory, etc.)
- Manage cash deposits, investments, and other financial holdings
- Review monthly financial or treasurer’s report
- Report to appropriate local, state, and federal agencies and governments

## C. Budgets

### 1. Developing and Adopting Budgets

All districts are required to prepare an annual budget for district operations. A budget is a financial plan that estimates the resources and expenditures required to conduct business in the upcoming year. A properly prepared budget allows lawful appropriations, which provides the authority to spend money. Spending outside this authority is unlawful and subjects public officials to the liabilities outlined in ORS 294.100.

The preferred method of preparing a district’s budget is to follow “fund accounting” principles. Fund accounting means there are different funding sources that identify different parts of the budget (i.e., general funds, specific grant funds, tax revenues, etc.)

If a district receives property tax revenues (i.e., *ad valorem* tax), it is required by law to prepare its budget according to Oregon Local Budget Law, which requires the use of fund accounting.

**Recommendation:** Conservation districts are encouraged to adopt a budgeting procedure consistent with Oregon Local Budget Law, whether they are a taxing district or not. Each district should obtain a copy of the **Local Budgeting Manual**, provided through the Oregon Department of Revenue, Property Tax Division. This manual provides guidance on developing a budget and includes examples of budget preparation worksheets. Assistance is available from the Oregon Department of Agriculture, Oregon Department of Revenue, and the Oregon Association of Conservation Districts for guidance and training in using this process.

When developing its budget, the district should consider the following:

- Projected workload (workload analysis). The estimated time and costs required of directors, staff, and volunteers to achieve the objectives and actions identified in the Annual Work Plan.
- Anticipated resources and revenues from all sources, including:

- Beginning fund balances
- Federal and state grants
- Private and corporate sources
- Local county funding
- Tax revenues
- Fund-raising activities
- Use of savings
- Transfers from other funds
- Interest earned
- Other sources of income
- Projected expenditures including:
  - Personal services (i.e., payroll, benefits, contracting, etc.)
  - Materials and services (i.e., supplies, rent, etc.)
  - Capital outlay (i.e., equipment, vehicles, buildings, furniture, etc.)
  - Debt service
  - Transfers to other funds
- Other financial requirements:
  - Operating contingency
  - Reserve funds
  - Unappropriated ending fund balances

The budget may be prepared by the entire board, a designated budget officer or treasurer, a finance committee, a consultant, or designated staff. Once prepared and reviewed, the board adopts the district budget ***in its entirety*** by board action. By adopting the budget, the board is authorizing its representatives to conduct transactions incumbent in the budget.

The district's fiscal policies and procedures should outline the manner in which district transactions are conducted, recorded, and reported (receiving revenues, paying bills, making transfers, etc.). Districts may choose to:

- Authorize a specific board member or staff person to administer financial transactions within the approved budget categories
- Retain their authority to review and approve transactions by official board actions at regular board meetings.

**RECOMMENDATION:** It is recommended that districts have a monthly prepared financial statement which identifies (1) transactions that have already have been conducted and/or (2) transactions to be approved by the board. All approvals of financial statements or payment of bills should be reflected in the district's minutes. In addition, financial statements should be attached as part of the minutes.

District boards should review the budget on a regular basis to monitor transactions and determine whether the district will stay within its budget during the fiscal year. Districts will need to revise their budgets during the year to allow for (1) receipt of new or unanticipated revenues or (2) payment of expenditures which were not anticipated in the current budget.

For districts required to operate under Oregon Local Budget Law, there is a very specific process to revise the budget. District's need to refer to the Oregon Department of Revenue for guidance on this matter.

## D. Financial Reports/Records

Districts are required to provide a variety of financial reports and records in order to satisfy statutory requirements, grant agreements, and internal management needs. Financial information can also be used when conducting district outreach activities and to show the public how the district is using its funds.

There are four basic types of financial reports that should be provided by the district:

Type	Frequency
Budget	Annually, or as revised
Treasurer's Report** <i>**Treasurer's reports include statement of receipts and expenditures and current balances of all funds (i.e., income statement, budget vs. actual, etc.).</i>	Monthly
Year-End Financial Summary (with the Annual Report)	Annually
Audit, Financial Review, or Secretary of State Report	Annually

All of these reports should be made available and accessible to the public, partners, grantors, and other interested parties. These reports can also be useful to prepare informational materials and public presentations regarding district programs.

***Special Note:*** The law requires districts to provide certain financial reports to the Secretary of State and the Department of Revenue. ORS 198.345 states:

**198.345 Effect of failure to file certain reports.**

- (1) If a special district for three consecutive years fails to file a report as required by ORS 294.555 or 297.405 to 297.555 the Secretary of State or the Department of Revenue, as the case may be, shall notify the county board of the county where the district, or the greater portion of the assessed valuation of taxable property in the district, is located.
- (2) Within 30 days after receiving the notice provided by subsection (1) of this section, the county board shall initiate proceedings to dissolve the special district as provided by ORS 198.345 to 198.365.
- (3) The county board may appoint three individuals, residents of the district, to assist in locating the assets, debts and records of the district.

## **E. Audits and Bonding Requirements**

### **1. Oregon Municipal Audits Law**

Oregon conservation districts are legal subdivisions of the state, and are subject to the **Municipal Audits Law (ORS 297.405-435 and 297.670)**.

Conservation districts are required by law to provide a fidelity or surety bond for any members of the board or its employees who are charged with possession and control of funds. Conservation district audit and fidelity/surety bonding requirements, as per the Municipal Audits Law, fall into one of three categories:

- A. *The conservation district's annual revenues plus expenditures are **less than \$150,000**;*
  - District may submit a self-prepared financial statement titled "In Lieu of Audit Report" to the Secretary of State.
  - District must provide a fidelity or surety bond for the official(s) principally responsible for conservation district finances.
  - The fidelity or surety bond must be equal to the annual revenues.
  
- B. *The conservation district's annual revenues plus expenditures are **between \$150,000 and \$500,000**:*

- District must have an **audit review** of its financial statements, done by a contracted accountant. The district may choose to have a full-blown audit instead.
  - The fidelity or surety bond can be equal to 10% of annual revenues, but not less than \$10,000.
- C. *The conservation district's annual revenues plus expenditures **exceed \$500,000**:*
- District must have a **full audit**, done by a contracted accountant.
  - No *fidelity or surety bond* is required by Municipal Audits Law, but Special Districts Law (ORS 198.220) does require a fidelity bond for any employee or director who possesses or controls district funds. The amount of the fidelity bond is determined by the district.

## 2. Levels of Financial Audit Requirements

The only significant difference between an audit and audit review is in the amount of investigation the Certified Public Accountant (CPA) does. In an audit review, the CPA may not look at supporting documents, the bookkeeping system being used, or make inquiries and observations. A Secretary of State filing fee is required for both, based on the amount of the expenditure (ORS 297.485).

## 3. State Audit Review/Audit Process

When obtaining a CPA to do either an audit review or audit, the CPA must be licensed by the state Board of Accountancy. The CPA must hold a municipal audit license (be on the municipal roster) and be licensed to practice as a CPA to audit government entities. When doing an audit review or audit, the CPA fills out a summary form for Municipal Corporations provided from the Secretary of State's office. The CPA sends the summary form to the Secretary of State's office. The district is responsible to send the budget report to the Secretary of State.

Unless the Secretary of State has granted the district an extension, the following filing deadlines apply:

- Reviews and audits:  
180 days from the end of the fiscal year.
- In Lieu of Audit Report:  
90 days from the end of the fiscal year.

For more information on reviews and audits, contact:

Secretary of State, Audit's Division  
Public Service Building, Suite 500  
255 Capitol Street, NE  
Salem, OR 97310  
Phone: (503) 986-2255  
Fax: (503) 378-6767

## 4. Federal Audit Requirements

The *Single Audit Act Amendments of 1996* requires any conservation district receiving **\$300,000** or more in federal funds must have an official audit. *Public Law 104-156-July 5, 1996 § 7502(2)(A), Audit Requirements and Exemptions.* Federal agencies may have differing audit requirements associated with grant funds. Check with the granting federal agency to see if its requirements are different from that in the Single Audit Act Amendments of 1996.

## 5. Fidelity and Surety Bonding

The terms “fidelity bonding” and “surety bonding”, are used interchangeably in literature and by many bonders, and are used that way in this Guidebook.

*Fidelity bonding* is defined as the assumption of responsibility by one or more persons for fulfilling another's obligations.

- A fidelity bond indemnifies an employer for losses caused by an employee's or district official's fraudulent or dishonest act, such as:
  - stealing from the till;
  - writing unapproved checks to oneself;
  - falsifying financial records; and
  - taking publicly-owned equipment, furnishings, or supplies for personal use.
- The conservation district is responsible for the bond.
- A bond can be purchased from an independent insurance company approved as a surety insurer by the Insurance Division of the Secretary of State's Office.

Suspected losses may be investigated under the following options:

1. Secretary of State Audits Division performs or directs investigations as needed.
2. Department of Administrative Services, Risk Management Division performs investigations adequate for proof of claim on minor losses, where the Audits Division chooses not to do so.
3. Oregon Department of Justice (DOJ) advises and assists the Audits Division and the Risk Management Division as requested. DOJ takes the lead on potential losses with a criminal component, e.g., embezzlement.

**Recommendation:** If your district suspects dishonesty, contact the Audits Division, Risk Management Division, and/or the Department of Justice.

4. The District Attorney, in the respective county, is asked by the Risk Management Division to seek restitution as part of the criminal prosecution.

## **F. Sources and Mechanisms for Funding**

The first step in conservation district funding is to define the district's need for funds. The district should refer to its annual work plan and long-range business plan when determining funding needs. The district should then assess what funds are available from county appropriations, federal and state grants, local income-producing projects, individuals, corporations, businesses, foundations, and other sources.

### **1. State Funds**

The Oregon Legislature appropriates funds to the Oregon Department of Agriculture, Natural Resources Division for use by districts. The amount of appropriation varies from year to year, dependent upon the legislative priorities. As of February 2002, the funding sources available to qualified districts are:

- Administrative funds
- Technical Assistance funds
- Local Management Agency funds
- Small Grant funds
- Landowner Workshop funds

For more information, contact the Oregon Department of Agriculture at:

Oregon Department of Agriculture  
Natural Resources Division  
635 Capitol Street, NE  
Salem, OR 97301  
Phone: (503) 986-4700  
Fax: (503) 986-4730  
Website: [http://oda.state.or.us/Natural\\_Resources/nrd\\_index.htm](http://oda.state.or.us/Natural_Resources/nrd_index.htm)

Funding for conservation activities may be available from other state agencies, including, but not limited to:

Oregon Watershed Enhancement Board  
(OWEB)  
775 Summer Street, NE - Suite 360  
Salem, OR 97301-1290  
Phone: (503) 986-0718  
Fax: (503) 986-0178  
<http://www.oweb.state.or.us>

Department of Environmental Quality  
(DEQ)  
811 SW Sixth Avenue  
Portland, OR 97204-1390  
Phone: (503) 229-5696  
Toll Free: (800) 452-4011  
Fax: (503) 229-6124  
<http://www.deq.state.or.us>

Oregon Department of Fish and Wildlife  
(ODFW)  
2501 SW First Avenue  
Portland, OR 97207  
Phone: (503) 872-5263  
<http://www.dfw.state.or.us>

Oregon Department of Agriculture  
Weed Division  
635 Capitol Street, NE  
Salem, OR 97301  
Phone: (503) 986-4621  
Fax: (503) 986-4786  
<http://oda.state.or.us/Plant>

Oregon Department of Forestry  
(ODF)  
2600 State Street  
Salem, OR 97310  
Phone: (503) 945-7200  
Fax: (503) 945-7212  
<http://www.odf.state.or.us>

## **2. County Funds**

Some districts receive county funds for operations and projects. Districts should make a special effort to inform local government officials of their programs and accomplishments.

When communicating with the county, the district may choose to highlight some of the following partnership benefits:

- The district provides benefits and assistance to individual landowners in the county.
- Conservation districts can help counties with soil surveys and interpretations for planning, county assessment, structures, highways, and noxious weed control.
- Preventing erosion can reduce road drainage clean-up cost.
- Conservation investments contribute to the local economy.

- Added value of well-cared-for properties maintains the local tax base.
- Conservation district programs are cost-effective because of high volunteer inputs.
- Conservation districts leverage federal and state dollars and bring those dollars into the local economy.
- Conservation districts can serve as local sponsors for some federally-funded programs, such as the Emergency Watershed Protection program, which allow for millions of federal dollars to be used for conservation efforts related to floods or droughts.
- Cooperative agreements with assisting agencies bring state and federal assistance to the county.
- Conservation districts serve as advocates for local landowners to secure assistance.

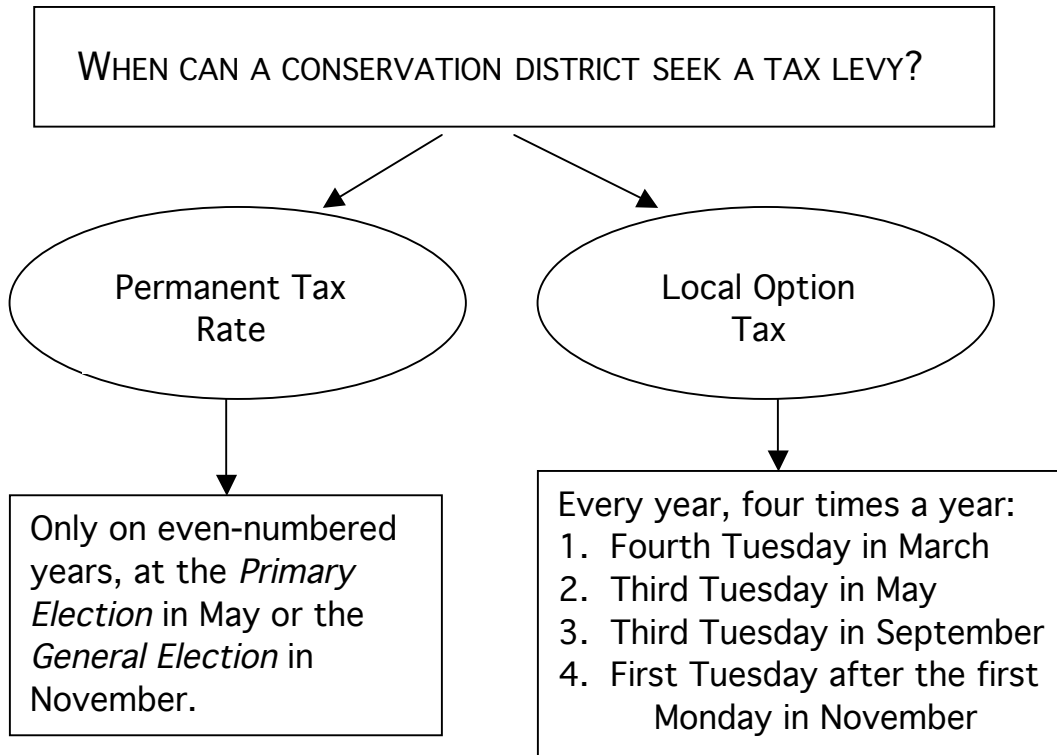
### 3. Taxing Authority

The 1983 Oregon Legislature authorized conservation districts to seek voter approval to levy an *ad valorem* property tax within the boundaries of each district (ORS 568.806-568.808). However, this is not a statewide, blanket authorization for conservation districts to levy taxes. Each district must receive voter approval, through a referendum, before taxes can be levied and collected for the district.

Through its taxing authority a conservation district may choose to seek either a **permanent tax rate** or a **local option tax**.

- A **permanent tax rate** is the amount of an *ad valorem* tax approved by the voters of a local government for an indefinite number of years.
- A **local option tax** is the amount of an *ad valorem* tax approved by the voters of a local government for a specific number of years, but more than one. The district may seek more than one local option tax.

**Note:** If a district is approved by voters for a local option tax, it disqualifies itself from ever seeking a permanent tax rate within the district.



A conservation district that receives voter approval for a tax measure in March, May, or September is eligible to begin receiving tax dollars the following November. If the district receives voter approval in November, funds will not become available to the district until the following November.

Any conservation district contemplating seeking voter approval for a tax measure should begin the planning process well in advance of the election date. Additionally, districts should consult with several different entities regarding the proper procedures for filing ballot measures. Some important contact and publication information follows:

County Board of Commissioners	Consultation
County Clerk or Elections Officer	Consultation
County Tax Assessor	Consultation
County Tax Collector	Consultation
Oregon Department of Agriculture, Natural Resources Division	Consultation
Special Districts Association of Oregon	Consultation
Secretary of State, Elections Division	Campaign Finance Manual: Political Committees
Secretary of State, Elections Division	District Elections Manual
Oregon Department of Revenue	Local Budget Law Manual
Oregon Government Standards and Practices Commission	Oregon Government Standards and Practices Laws, <i>A Guide For Public Officials</i>

NOTE: An important issue to be clarified is who will pay the election costs, win or lose? If the district has to pay for the election, where will it get the money? If the district is successful in passing its measure, revenues from tax can pay for the election. However, if the measure fails, the district must still have a plan on how to cover the election costs.

#### 4. Federal Funds

Funds for conservation projects are available from a number of federal agencies. Some possible sources for funding include:

Natural Resources Conservation Service  
USDA, NRCS  
101 SW Main Street, Suite 1300  
Portland, OR 97204  
Phone: (503) 414-3200  
Fax: (503) 414-3277  
<http://www.or.nrcs.usda.gov>

Environmental Protection Agency  
Oregon Operational Office  
811 SW 6th Avenue, 3rd Floor  
Portland, OR 97204  
Phone: (503) 326-3250  
Fax: (503) 326-3399  
<http://www.epa.gov>

Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621  
Toll Free: (800) 282-3713  
Phone: (503) 230-3000  
<http://www.bpa.gov>

USDA Forest Service  
Pacific Northwest Region  
P.O. Box 3623  
Portland, OR 97208-3623  
Phone: (503) 808-2340;  
Fax: (503) 808-2339  
<http://www.fs.fed.us>

U.S. Fish and Wildlife Service  
Phone: (800) 344-9453  
<http://www.fws.gov>

Bureau of Land Management  
Oregon State Office  
P.O. Box 2965  
Portland, OR 97208  
Phone: (503) 808-6002  
Fax: (503) 808-6308  
<http://www.blm.gov>

## 5. Grant Funds

Grant funds are awarded to an agency or organization on a competitive basis for a fixed period of time and usually for a specific purpose. Federal and state governments, state councils, and private and industrial foundations are all sources of grants. However, many private foundations and corporations grant funds only to entities that have an IRS 501(c)(3) **non-profit** status designation. A discussion on the eligibility of conservation districts for IRS 501(c)(3) non-profit status designation follows later in this document.

If the granting organization allows for administrative funds to be included in the grant budget, the district should seriously consider incorporating administrative costs into the proposal. Also, it is important to determine what impact additional grant funds will have on the district's budget and *audit status*. If the additional grant funds raise the district's budget to a point where an audit is required, the district will need to determine how it will cover the additional audit costs.

The state Coordinated Resource Management Planning Task Group has compiled the document, *Public Funding Sources For Landowner Assistance*. As of this printing, this document is available through:

Oregon Watershed Enhancement Board (OWEB)  
775 Summer Street, NE  
Suite 360  
Salem, OR 97301-1290  
Phone: (503) 986-0718  
Fax: (503) 986-0178  
Website: <http://www.oweb.state.or.us>

## 6. Fund-Raising

Conservation districts have the legal ability to undertake local fund-raising activities. Examples of fund-raising activities include:

- Conservation equipment rental (no-till drill)
- Retail sales (trees, plants, hats, books, posters etc.) - **Be sure what the district sells is not promoting or endorsing a specific name brand or product.**
- Silent Auction
- Special events (bake sales, golf tournaments, walk-a-thons, etc.)
- Testimonials - charge a specific amount of money for a dinner in testimony to someone
- Service fees paid for providing conservation services (i.e., soil testing, tree planting, etc.)
- Direct appeals for donations through media, mail, or telephone
- Memorials, bequests, and honorary gifts (Example: the relative of a deceased conservation-minded person establishing a scholarship fund in his/her memory)
- Membership (annual contributions from individuals, agencies, and/or organizations)
- Sponsorship for individual projects (Example: sponsorship of Envirothon participants or a workshop)
- Advertisement in district newsletter

A publication of the National Association of Conservation Districts, called *More Dollars For Your District*, is a very helpful guide in planning a fund-raising activity.

The most effective way to successfully raise funds is to develop and follow a fund-raising plan. Board members should be active in fund-raising planning and events. Staff can help, but the directors are ultimately responsible.

When budgeting staff time for fund-raising activities, the board should determine if sufficient income could be realized from the investment of that staff time.

NOTE: Standards For Charitable Solicitations, issued by the Council of Better Business Bureaus, provides a fuller understanding of the ethical aspects of many fund-raising techniques. The Standards For Charitable Solicitations can be found at: <http://www.give.org/standards/cbbstds.asp>

## 7. Tax Exempt vs. Nonprofit

Conservation districts are classified by the Internal Revenue Service (IRS) as **tax exempt** under IRS Code, Section 115. Districts do not qualify as nonprofits under IRS Code, Section 501(c)(3).

### Tax Exemption Eligibility:

IRS Code, Section 115 specifically excludes the income of municipal governments/corporations (which includes conservation districts) from its definition of gross income, therefore, making conservation districts *tax exempt*. Conservation districts are classified as municipal governments/corporations, rather than agencies of the state, for this purpose.

### Nonprofit Ineligibility:

A state or municipal instrumentality may qualify under IRS Code, Section 501(c)(3) for *nonprofit* status if it is organized as a separate entity from the governmental unit that created it and if it otherwise meets the organizational and operational tests of Section 501(c)(3). Conservation districts are political subdivisions of state government, **are not** organized as a separate entity from a governmental unit, and **do not** meet a sufficient number of the IRS Code, Section 501(c)(3) non-profit status eligibility criteria to get approved as IRS Code, Section 501(c)(3) non-profit entities.

Although conservation districts are currently not eligible to qualify for IRS Code, Section 501(c)(3) nonprofit status, they can partner with other entities that have this eligibility, such as the Oregon Association of Conservation Districts Foundation, or foundations formed through the USDA Resource Conservation and Development (RC&D) programs in the state. Billions of dollars in grant funds are available from several thousand philanthropic private foundations and corporations.

## 8. Tax Deductibility for Donations/Contributions

Conservation districts have the authority under ORS 568.550(5), "to obtain options upon and to acquire by purchase, exchange, lease, gift, grant, bequest or devise any property, real or personal or rights or interests therein; to maintain, administer and improve any properties acquired; to receive income from such properties and to expend such income in carrying out the purposes and provisions of ORS 568.210 to 568.808 and 568.900 to 568.933; or to sell, lease or otherwise dispose of any of its property or interests therein in furtherance of the purposes and provisions of ORS 568.210 to 568.808 and 568.900 to 568.933."

IRS Code, Section 170(c)(1): Contributions or gifts to a state or any of its political subdivisions, i.e., conservation districts, are "charitable" contributions for tax purposes, and are, therefore, **tax deductible**. (see IRS Publication 526: Charitable Contributions)

Donor Substantiation Requirements:

- No deduction will be allowed under Section 170 of the Internal Revenue Code for any charitable contribution of \$250 or more unless the donor has contemporaneous written substantiation from the charity (e.g., the conservation district).
- The substantiation must be "contemporaneous", meaning the conservation district must provide the donor with the written substantiation no later than the date the donor actually files a return for the tax year. *There is no prescribed format, however, a sample format is included below for your use.*
- Taxpayers who make contributions of \$250 or more can no longer rely solely on a canceled check for cash contributions.
- If the conservation district has provided goods or services to the donor, in exchange for making the contribution, the contemporaneous written acknowledgement must include a good faith estimate of the value of such goods and services.

The responsibility for obtaining the substantiation lies with the donor, who must request it from the conservation district. However, the conservation district should inform the donor of this requirement, as a courtesy.

SAMPLE Written Substantiation for Contribution to Conservation District

**ACKNOWLEDGMENT OF RECEIPT OF CHARITABLE CONTRIBUTION**

TO: \_\_\_\_\_ SOIL AND WATER CONSERVATION DISTRICT (SWCD)

DATE: \_\_\_\_\_

RECEIVED FROM: \_\_\_\_\_

DESCRIPTION:	Item No. 1: _____	Value\$ _____
	Item No. 2: _____	Value\$ _____
	TOTAL VALUE OF CONTRIBUTION	\$ _____

*(Contributions of volunteer time and services are not deductible)*

If applicable, estimate of value of all goods and/or services provided by \_\_\_\_\_ SWCD to the contributor **in exchange** for this contribution \$ \_\_\_\_\_  
*(Example: the fair market value of an item being purchased from \_\_\_\_\_ SWCD)*

**Technical assistance to landowners is provided free of charge by \_\_\_\_\_ SWCD. Any financial or in-kind contribution made by a landowner who receives technical assistance is considered a voluntary donation, not a fee.**

NET VALUE OF CONTRIBUTION \$ \_\_\_\_\_  
*(Examples: the price of a book minus the fair market value; the price of a banquet ticket minus the actual cost of food and set-up)*

RECEIVED BY \_\_\_\_\_  
**SWCD Representative**

**This acknowledgment is only valid if signed by a representative of \_\_\_\_\_ SWCD.**

\_\_\_\_\_ SWCD is a political subdivision of state government and a "qualified" tax-exempt organization. IRS Code: Section 170(c)(1) states: Contributions or gifts to a state or any of its political subdivisions are "charitable" contributions for tax purposes and may, therefore, be tax deductible. Contributors must meet IRS personal qualifications and limitations, thus the \_\_\_\_\_ cannot guarantee the contribution(s) listed on receipt are deductible. (See IRS Publication 526: Charitable Contributions)