

**SCOTT SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

December 31, 2007

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JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

44 West First Street, Waconia, MN 55387 Office: 952-442-4807 Fax: 952-442-6888

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Scott Soil and Water Conservation District
Jordan, Minnesota

I have audited the accompanying financial statements of the governmental activities and the General fund of the Scott Soil and Water Conservation District, Jordan, Minnesota as of and for the year ended December 31, 2007 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. My responsibility is to express opinions on these financial statements based on the audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General fund of the Scott Soil and Water Conservation District, Jordan, Minnesota as of December 31, 2007, and the results of operations and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information is not a required part of the basic financial statements but it is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 25, 2008 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts

and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



JAMES MAISER
Certified Public Accountant and Consultant

July 25, 2008
Waconia, Minnesota

SCOTT SOIL AND WATER CONSERVATION DISTRICT JORDAN, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Scott Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the fiscal year ended December 31, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

USING THE ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis and, the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. For governmental activities, financial statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Since some districts are single-purpose, special purpose government units, the District combines the government-wide and fund financial statements into single presentations.

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the state and local governmental funding, to assess the overall health of the District.

In the Statement of Net Assets and the Statement of Activities, the District presents Governmental activities. All of the District's basic services are reported here.

Reporting the District's General Fund

Our analysis of the District's general fund is part of this report. The fund financial statements provide detailed information about the general fund-not the District as a whole. The District presents only a general fund, which is a governmental fund. All of the District's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at

year-end that are available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

THE DISTRICT AS A WHOLE

Our analysis focuses on the net assets and changes in net assets of the District's governmental activities.

Net Assets

	Governmental Activities	
	2007	2006
Current Assets	\$1,185,941	\$722,801
Capital Assets	\$59,625	\$56,340
Total Assets	\$1,245,566	\$779,141
Liabilities,	\$534,923	\$160,952
Long term liabilities	\$52,709	\$63,982
Total Liabilities	\$587,632	\$224,934
Net Assets		
Capital Assets	\$59,625	\$56,340
Unrestricted	\$598,309	\$497,867
Total Net Assets	\$657,934	\$554,207

Net assets of the District governmental activities increased, by \$103,727. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements changed from \$497,867 at December 31, 2006 to \$598,309 at the end of this year.

Governmental Activities		
	2007	2006
Revenues		
Intergovernmental	\$828,215	\$898,024
Charges for Services	\$66,975	\$53,910
Investment earnings	\$40,251	\$23,106
Miscellaneous	\$8,629	\$9,672
Total Revenues	\$944,070	\$984,712
Expenditures		
Conservation	\$840,343	\$883,908
Total Expenditures	\$840,343	\$883,908
Increase in net assets	\$103,727	\$100,804
Net Assets January 1	\$544,207	\$453,403
Net Assets December 31	\$657,934	\$554,207

The District's total revenues decreased by \$40,642. The total cost of programs and services decreased by \$43,565.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2007, the SWCD had \$59,625 invested in a broad range of capital assets. This amount represents a net increase with the purchase of a truck for \$33,866.

CONTACTING THE DISTRICT'S FINANCIAL

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Scott Soil and Water Conservation District, 7151 West 190th Street., Suite 125, Jordan, MN 55352.

SCOTT SOIL AND WATER CONSERVATION DISTRICT
JORDAN, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2007

	General Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$ 1,074,903	\$ -	\$ 1,074,903
Accounts Receivable	107,135	-	107,135
Accrued Interest	3,903	-	3,903
Capital Assets:			
Equipment (net of accumulated depreciation)	-	59,625	59,625
Total Assets	<u>\$ 1,185,941</u>	<u>\$ 59,625</u>	<u>\$ 1,245,566</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 3,539	\$ -	\$ 3,539
Accrued Payroll	24,826	-	24,826
Deferred Revenue	490,682	-	490,682
Deposits on Sales	15,876	-	15,876
Long-term liabilities:			
Due within one year	-	21,431	21,431
Due after one year	-	31,278	31,278
Total Liabilities	<u>\$ 534,923</u>	<u>\$ 52,709</u>	<u>\$ 587,632</u>
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Unreserved			
Designated, Future Projects	\$ 56,325	\$ (56,325)	\$ -
Undesignated	594,693	(594,693)	-
Total Fund Balance	<u>\$ 651,018</u>	<u>\$ (651,018)</u>	<u>\$ -</u>
Net Assets			
Invested in capital assets		\$ 59,625	\$ 59,625
Unrestricted		598,309	598,309
Total Net Assets		<u>\$ 657,934</u>	<u>\$ 657,934</u>

Notes are an integral part of the basic financial statements.

SCOTT SOIL AND WATER CONSERVATION DISTRICT
JORDAN, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 828,215	\$ -	\$ 828,215
Charges for services	66,975	-	66,975
Investment earnings	40,251	-	40,251
Miscellaneous	8,629	-	8,629
Total Revenues	<u>\$ 944,070</u>	<u>\$ -</u>	<u>\$ 944,070</u>
Expenditures/Expenses			
Conservation			
Current	\$ 821,035	\$ 19,308	\$ 840,343
Capital outlay	33,866	(33,866)	-
Total Expenditures/Expenses	<u>\$ 854,901</u>	<u>\$ (14,558)</u>	<u>\$ 840,343</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ 89,169</u>	<u>\$ 14,558</u>	<u>\$ 103,727</u>
Fund Balance/Net Assets January 1	<u>\$ 561,849</u>	<u>\$ (7,642)</u>	<u>\$ 554,207</u>
Fund Balance/Net Assets December 31	<u><u>\$ 651,018</u></u>	<u><u>\$ 6,916</u></u>	<u><u>\$ 657,934</u></u>

Notes are an integral part of the basic financial statements.

SCOTT SOIL AND WATER CONSERVATION DISTRICT
JORDAN, MINNESOTA

BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Neg)
Revenues			
Intergovernmental			
Local	\$ 440,607	\$ 516,610	\$ 76,003
County	230,337	252,445	22,108
State Grant	26,090	37,238	11,148
Federal Grant	-	21,922	21,922
Total intergovernmental	<u>\$ 697,034</u>	<u>\$ 828,215</u>	<u>\$ 131,181</u>
Charges for services	<u>\$ 36,000</u>	<u>\$ 66,975</u>	<u>\$ 30,975</u>
Miscellaneous			
Interest earnings	\$ 14,000	\$ 40,251	\$ 26,251
Other	-	8,629	8,629
Total miscellaneous	<u>\$ 14,000</u>	<u>\$ 48,880</u>	<u>\$ 34,880</u>
Total Revenues	<u>\$ 747,034</u>	<u>\$ 944,070</u>	<u>\$ 197,036</u>
Expenditures			
District operations			
Personnel services	\$ 664,534	\$ 624,336	\$ 40,198
Other services and charges	44,000	46,842	(2,842)
Supplies	3,500	2,040	1,460
Capital outlay	35,000	33,866	1,134
Total district operations	<u>\$ 747,034</u>	<u>\$ 707,084</u>	<u>\$ 39,950</u>
Project expenditures			
District	\$ -	\$ 139,113	\$ (139,113)
State	-	8,704	(8,704)
Total project expenditures	<u>\$ -</u>	<u>\$ 147,817</u>	<u>\$ (147,817)</u>
Total Expenditures	<u>\$ 747,034</u>	<u>\$ 854,901</u>	<u>\$ (107,867)</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$ -</u>	<u>\$ 89,169</u>	<u>\$ 89,169</u>
Fund Balance - January 1	<u>\$ 561,849</u>	<u>\$ 561,849</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 561,849</u></u>	<u><u>\$ 651,018</u></u>	<u><u>\$ 89,169</u></u>

Notes are an integral part of the basic financial statements.

SCOTT SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Scott Soil and Water Conservation District is organized under the provisions of Minnesota Statutes Chapter 103C. The District is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The Scott Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution and improper land use.

Each fiscal year the District develops a work plan which is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

The District is not considered a part of Scott County because, even though the County provides a significant amount of the District's revenues in the form of an appropriation, it does not retain any control over the operations of the district.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

Government-Wide Financial Statements

The government-wide financial statements (ie., the Statement of Net Assets and The Statement of Activities) report information on all of the nonfiduciary activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues is recognized when the corresponding expenditures are

SCOTT SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

incurred. The District also receives an annual appropriation from the County, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenue from sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the Cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities and Fund Equity Accounts

Assets

Investments are stated at fair value, except for non-negotiable certificates of deposits, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Capital assets are reported on a net (depreciated) basis. General capital assets are still valued at historical or estimated historical cost.

Liabilities

Long-term liabilities, such as compensated absences, are accounted for as an adjustment to Net Assets.

Equity

Reserved fund balance indicates the portion of fund equity, which has been legally segregated for specific purposes or is not appropriate for spending.

Unreserved, designated account indicates the portion of fund equity that the District has set aside for planned future expenditures.

Unreserved, undesignated fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

SCOTT SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 13 days per year. The limit on the accumulation of annual leave is 240 hours and the limit on sick leave is 520 hours. Upon termination of employment from the district, employees are paid accumulated annual leave and up to 200 hours of accrued sick leave will be converted to a Health Care Savings Plan.

Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; worker's compensation claims; and natural disasters. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust. The District retains risk for the deductible portion of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The District pays an annual premium based on its annual payroll. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 2 – Detailed Notes on All Funds and Account Groups

Capital Assets

Changes in Capital Assets, Asset Capitalization and Depreciation.

	Beginning	Addition	Deletion	Ending
Equipment	\$136,929	\$33,866	\$11,451	\$159,344
Less: Accumulated Depreciation	<u>80,589</u>	23,710	4,580	<u>99,719</u>
Net Capital Assets	<u>\$56,340</u>			<u>\$59,625</u>

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Depreciation is computed on the straight-line method. The useful lives of property, plant and equipment for the purpose of computing depreciation are Machinery and equipment 5 to 10 years. Current year depreciation is \$23,710.

Deferred Revenue

Deferred revenue represents unearned advances from the Minnesota Board of Water and Soil Resources (BWSR) for administrative service grants and for the cost-share program. Revenues will be recognized when the related program expenditures are recorded. Deferred revenue for the year ended December 31, 2007, consists of the following: BWSR Cost Share Programs \$62,530; Scott Watershed Management Organization, \$290,415; Halling Engineering, \$1,140; Clean Water Legacy Grant, \$111,400; Escrow Funds; \$25,197; Total, \$490,682.

Long-Term Liabilities - Compensated Absences Payable

Changes in long-term liabilities for the period ended December 31, 2007 are:

Balance January 1, 2007	\$63,982
Net Change in Compensated Absences	<u>(11,273)</u>
Balance December 31, 2007	<u>\$52,709</u>

SCOTT SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

Deposits

Minn. Statutes 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statute 118A.03 requires that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

At December 31, 2007, the District's deposits totaled \$1,074,903, of which \$397,720 were cash deposits and \$677,183 was invested in bank certificate of deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2007, the District's deposits were not exposed to custodial credit risk.

Note 3 - Defined Benefit Pension Plans – Statewide

Plan Description - Public Employees Retirement Association

The district contributes to a cost-sharing multiple-employer defined pension plan administered by the Public Employee Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minn. Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 5.75% of their annual covered salary. The District is required to contribute 6.25% of annual covered payroll. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006 and 2005 were \$28,108, \$25,983, and \$22,149 respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4 – Operating Leases

The District office space is provided by Scott County.

SCOTT SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

Note 5 - Stewardship, Compliance, and Accountability

Excess of expenditures over budget - The general fund had expenditures in excess of budget for the year as follows: Expenditures \$854,901; Budget \$747,034; Excess \$107,867.

Note 6- Reconciliation of Fund Balance to Net Assets

Governmental Fund Balance, January 1	\$561,849
Plus: Excess of Revenue Over Expenditures	
Governmental Fund Balance, December 31	<u>\$89,169</u>
Adjustments from Fund Balance to Net Assets:	
Add: Capital Assets, net of depreciation	\$59,625
Less: Long Term Liabilities	<u>(\$52,709)</u>
Net Assets	<u>\$657,934</u>

Note 7 – Reconciliation of Change in Fund Balance to Change in Net Assets

Change in fund balance	\$89,169
Purchase of capital assets	33,866
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level.	(23,710)
Capital assets net of depreciation disposed of during the year	(6,871)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	<u>11,273</u>
Net change in net assets	<u>\$103,727</u>

JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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REPORT ON LEGAL COMPLIANCE

Board of Supervisors
Scott Soil and Water Conservation District
Jordan, Minnesota

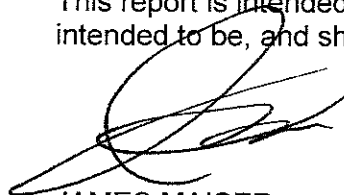
I have audited the accompanying financial statements of the governmental activities, and the General fund of the Scott Soil and Water Conservation District, Jordan, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements and have issued my report thereon dated July 25, 2008.

My audit was made in accordance with auditing standards generally accepted in the United States of America and provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as I considered necessary in the circumstances.

The Legal Compliance Audit Guide for Local Government covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. My study included all of the listed categories except public indebtedness. The public indebtedness category was not tested because the District is not allowed to issue debt.

The results of my test indicate that for the items tested, the District complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the District and is not intended to be, and should not be, used by anyone other than these specified parties.



JAMES MAISER
Certified Public Accountant and Consultant

July 25, 2008
Waconia, Minnesota

JAMES MAISER
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Supervisors
Scott Soil and Water Conservation District
Jordan, Minnesota

I have audited the financial statements of the governmental activities, and the General fund of the Scott Soil and Water Conservation District as of and for the year ended December 31, 2007, and have issued my report thereon dated July 25, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In planning and performing my audit of the financial statements of the governmental activities, and the General fund of the Scott Soil and Water Conservation District, Jordan, Minnesota as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Internal Control

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

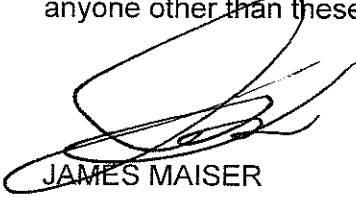
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott Soil and Water Conservation District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and others within the organization and the Board of Supervisors, and is not intended to be and should not be used by anyone other than these specified parties.



JAMES MAISER
Certified Public Accountant and Consultant

July 25, 2008
Waconia, Minnesota