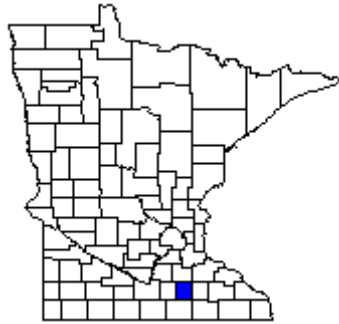


# STEELE COUNTY SOIL AND WATER CONSERVATION DISTRICT

## FINANCIAL STATEMENTS

December 31, 2007



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**JAMES MAISER  
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT**

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

## **INDEPENDENT AUDITOR'S REPORT**

Board of Supervisors  
Steele County Soil and Water Conservation District  
Owatonna, Minnesota

I have audited the accompanying financial statements of the governmental activities and the General fund of the Steele County Soil and Water Conservation District, Owatonna, 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 Steele County Soil and Water Conservation District, Owatonna, 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 29, 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 29, 2008  
Waconia, Minnesota

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Steele County SWCD's Management's Discussion and Analysis provides an overview of the SWCD's financial activities for the fiscal year ended 12/31/07. 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 Steele County SWCD's financial statements.

### USING THIS 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 Steele County SWCD as a whole and present a longer-term view of the Steele County SWCD's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the SWCD's operations in more detail than the government-wide statements by providing information about the SWCD's most significant funds. Since SWCD's are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Steele County SWCD has elected to present in this format.

### THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Steele County SWCD's finances is, "Is the SWCD, as a whole, better or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the SWCD as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting system used by the most private-sector companies. All of the 2007's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the SWCD's net assets and changes in them. You can think of the SWCD's net assets – the difference between assets and liabilities – as one way to measure the SWCD's financial health, or financial position. Over time, increases or decreases in the SWCD's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the SWCD presents Governmental activities. All of the SWCD's basic services are reported here. Appropriations from the county and state finance most activities.

### REPORTING THE STEELE COUNTY SWCD'S GENERAL FUND

#### Fund Financial Statements:

The fund financial statements provide detailed information about the general fund – not the SWCD as a whole. The SWCD presents only a general fund, which is a governmental fund. All of the Steele County SWCD'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 SWCD'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 SWCD's program. We describe the relationship (or differences)

between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements.

THE STEELE COUNTY SWCD AS A WHOLE

The SWCD’s combined net assets changed significantly from 2006 to 2007. Our analysis below focuses on the net assets and changes in net assets of the SWCD’s governmental activities.

Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2007</u>
Current and other assets	\$236,549	\$294,985
Capital assets	9,182	17,997
Total assets	<u>\$245,731</u>	<u>\$312,982</u>
Long-term debt outstanding	14,063	12,300
Other liabilities	\$142,187	\$141,016
Total liabilities	<u>\$156,250</u>	<u>\$153,316</u>
Net assets		
Total net assets	<u>\$ 89,481</u>	<u>\$159,666</u>

Net assets of the SWCD governmental activities were higher, increasing from \$89,481 to \$159,666 in 2007. 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 \$80,299 surplus at December 31, 2006 to \$141,669 at the end of this year.

- Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2007</u>
Revenues		
Program revenues:		
Charges for service	\$ 83,523	\$63,116
Federal grants	10,337	41,389
State grants and entitlements	52,257	89,296
General revenues		
County Tax Levy Allocations	117,849	132,086
Other general revenues	7,221	60,191
Total revenues	<u>\$271,187</u>	<u>\$386,078</u>
Program expenses		
Conservation	\$270,423	\$315,893
Total expenses	<u>\$270,423</u>	<u>\$315,893</u>
Increase (decrease) in net assets	<u>\$ 764</u>	<u>\$70,185</u>

The SWCD’s total revenues increased by \$114,891 in 2007. The total cost of all programs and services increased \$45,470.

There was an increase in District revenue of \$114,891 in 2007. (Note: Primarily because of the \$30,576 from the National Fish and Wildlife Foundation; from BWSR in the extra monies of \$50,000 for SE Flooding Project Repair; and from the SE JPB Board in the amount of \$11,818 from the Clean Water Legacy SE JPB Cost-Share for Small Feedlot fixes.)

THE STEELE COUNTY SWCD’S FUNDS

As the Steele County SWCD completed 2007, its general fund had a combined fund balance of \$153,969 which is \$59,607 above last year's total of \$94,362.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2007, the Steele County SWCD had \$17,997 invested in a broad range of capital assets, including (1999 truck, Truax drill, Ranger, trailer for Ranger, and electronic equipment.) This amount represents a net increase with the purchase of a Ranger (4 wheel) and a covered hauling trailer (including additions and deductions) of \$8,815.

National Fish and Wildlife Foundation allocated the District an additional \$30,576 (in addition to the \$52,448 from 2006) which was put into the savings account and it is in the Deferred Revenue account. Some of these monies will eventually go towards a new truck, new computers and some new furniture.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 Steele County Soil and Water Conservation District at 235 Cedardale Drive SE, Owatonna, Minnesota 55060.

OWATONNA, MINNESOTA

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

	General Fund	Adjustments	Statement of Net Assets
<b><u>Assets</u></b>			
Cash and investments	\$ 282,232	\$ -	\$ 282,232
Accounts Receivable	528	-	528
Due From Other Governments	10,200	-	10,200
Prepaid Items, Inventory	2,025	-	2,025
Capital Assets:			
Equipment (net of accumulated depreciation)	-	17,997	17,997
Total Assets	<u>\$ 294,985</u>	<u>\$ 17,997</u>	<u>\$ 312,982</u>
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable	\$ 12,561	\$ -	\$ 12,561
Accrued Payroll	4,084	-	4,084
Deferred Revenue	124,371	-	124,371
Deposits on Sales	-	-	-
Long-term liabilities:			
Due within one year	-	12,300	12,300
Due after one year	-	-	-
Total Liabilities	<u>\$ 141,016</u>	<u>\$ 12,300</u>	<u>\$ 153,316</u>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance/Net Assets			
Unreserved			
Designated, Future Projects	\$ 45,042	\$ (45,042)	\$ -
Undesignated	108,927	(108,927)	-
Total Fund Balance	<u>\$ 153,969</u>	<u>\$ (153,969)</u>	<u>\$ -</u>
Net Assets			
Invested in capital assets		\$ 17,997	\$ 17,997
Unrestricted		141,669	141,669
Total Net Assets		<u>\$ 159,666</u>	<u>\$ 159,666</u>

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
<b>Revenues</b>			
Intergovernmental	\$ 311,762	\$ -	\$ 311,762
Charges for services	63,116	-	63,116
Investment earnings	7,853	-	7,853
Miscellaneous	3,347	-	3,347
Total Revenues	<u>\$ 386,078</u>	<u>\$ -</u>	<u>\$ 386,078</u>
<b>Expenditures/Expenses</b>			
Conservation			
Current	\$ 312,221	\$ 3,672	\$ 315,893
Capital outlay	14,250	(14,250)	-
Total Expenditures/Expenses	<u>\$ 326,471</u>	<u>\$ (10,578)</u>	<u>\$ 315,893</u>
Excess of Revenues Over (Under) Expenditures/Expenses	<u>\$ 59,607</u>	<u>\$ 10,578</u>	<u>\$ 70,185</u>
Fund Balance/Net Assets January 1	<u>\$ 94,362</u>	<u>\$ (4,881)</u>	<u>\$ 89,481</u>
Fund Balance/Net Assets December 31	<u><u>\$ 153,969</u></u>	<u><u>\$ 5,697</u></u>	<u><u>\$ 159,666</u></u>

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Neg)
<b>Revenues</b>				
Intergovernmental				
Local, Fish and Wildlife Foundation	\$ -	\$ 83,024	\$ 48,991	\$ (34,033)
County	134,212	129,215	132,086	2,871
State Grant	45,066	153,082	89,296	(63,786)
Federal	13,200	26,980	41,389	14,409
Total intergovernmental	<u>\$ 192,478</u>	<u>\$ 392,301</u>	<u>\$ 311,762</u>	<u>\$ (80,539)</u>
Charges for services	<u>\$ 54,230</u>	<u>\$ 60,750</u>	<u>\$ 63,116</u>	<u>\$ 2,366</u>
Miscellaneous				
Interest earnings	\$ 2,000	\$ 7,788	\$ 7,853	\$ 65
Other	5,112	2,241	3,347	1,106
Total miscellaneous	<u>\$ 7,112</u>	<u>\$ 10,029</u>	<u>\$ 11,200</u>	<u>\$ 1,171</u>
Total Revenues	<u>\$ 253,820</u>	<u>\$ 463,080</u>	<u>\$ 386,078</u>	<u>\$ (77,002)</u>
<b>Expenditures</b>				
District operations				
Personnel services	\$ 168,493	\$ 167,518	\$ 163,583	\$ 3,935
Other services and charges	31,677	60,200	39,990	20,210
Supplies	1,650	2,900	2,732	168
Capital outlay	1,000	49,000	14,250	34,750
Total district operations	<u>\$ 202,820</u>	<u>\$ 279,618</u>	<u>\$ 220,555</u>	<u>\$ 59,063</u>
Project expenditures				
District	\$ 36,700	\$ 61,783	\$ 45,187	\$ 16,596
State	14,300	121,679	60,729	60,950
Total project expenditures	<u>\$ 51,000</u>	<u>\$ 183,462</u>	<u>\$ 105,916</u>	<u>\$ 77,546</u>
Total Expenditures	<u>\$ 253,820</u>	<u>\$ 463,080</u>	<u>\$ 326,471</u>	<u>\$ 136,609</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,607</u>	<u>\$ 59,607</u>
Fund Balance - January 1	<u>\$ 94,362</u>	<u>\$ 94,362</u>	<u>\$ 94,362</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 94,362</u></u>	<u><u>\$ 94,362</u></u>	<u><u>\$ 153,969</u></u>	<u><u>\$ 59,607</u></u>

**NOTES TO FINANCIAL STATEMENTS**

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Steele County 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 Steele County 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 Steele 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 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 its 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 appropriable 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.

## **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 0 to 208 hours per year. 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 480 hours. Upon termination of employment from the district, employees are paid accumulated annual leave and up to 80 hours of accrued sick leave.

## **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	\$44,929	\$14,250	\$ 0	\$59,179
Less: Accumulated Depreciation	<u>35,747</u>	5,435	0	<u>41,182</u>
Net Capital Assets	<u>\$ 9,182</u>			<u>\$17,997</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 \$5,435.

### **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 \$19,645; BWSR Feedlot Cost Share, \$11,818; BWSR Web Site, \$698; County WCA Funds, \$8,177; Fish and Wildlife Foundation Grant, \$34,033; Flood Project Repair Grant, \$50,000 Total, \$124,371.

### **Long-Term Liabilities - Compensated Absences Payable**

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

Balance January 1, 2007	\$14,063
Net Change in Compensated Absences	<u>(1,763)</u>
Balance December 31, 2007	<u>\$12,300</u>

## **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 \$282,232, of which \$263,235 were cash deposits and \$18,997 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 \$8,002, \$7,063, and \$6,586 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 lease office space on a yearly basis. Under the lease agreement, total costs for 2007 were \$9,359.

## **Note 5– Reconciliation of Fund Balance to Net Assets**

Governmental Fund Balance, January 1	\$94,362
Plus: Excess of Revenue Over Expenditures	<u>59,607</u>
Governmental Fund Balance, December 31	<u>\$153,969</u>
Adjustments from Fund Balance to Net Assets:	
Add: Capital Assets, net of depreciation	\$17,997
Less: Long Term Liabilities	<u>(\$12,300)</u>
Net Assets	<u>\$159,666</u>

**Note 6 – Reconciliation of Change in Fund Balance to Change in Net Assets**

Change in fund balance	\$59,607
Purchase of capital assets	14,250
The cost of capital assets are allocated over the capital asset's useful lives at the government-wide level.	(5,435)
In the statement of activities certain operating expenses including compensated absences are measured by the amounts earned.	<u>1,763</u>
Net change in net assets	<u>\$70,185</u>

**Note 7 – Due From Other Governments**

Due from NRCS for Services Provided.

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**JAMES MAISER  
CERTIFIED PUBLIC ACCOUNTANT & CONSULTANT**

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**REPORT ON LEGAL COMPLIANCE**

Board of Supervisors  
Steele County Soil and Water Conservation District  
Owatonna, Minnesota

I have audited the accompanying financial statements of the governmental activities, and the General fund of the Steele County Soil and Water Conservation District, Owatonna, 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 29, 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 29, 2008  
Waconia, Minnesota

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**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  
Steele County Soil and Water Conservation District  
Owatonna, Minnesota

I have audited the financial statements of the governmental activities, and the General fund of the Steele County Soil and Water Conservation District as of and for the year ended December 31, 2007, and have issued my report thereon dated July 29, 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 Steele County Soil and Water Conservation District, Owatonna, 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 Steele County 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 29, 2008  
Waconia, Minnesota