

**NOBLES SOIL AND WATER
CONSERVATION DISTRICT**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2007**

NOBLES SOIL AND WATER CONSERVATION DISTRICT

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NOBLES SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF BOARD MEMBERS AND OFFICIALS

DECEMBER 31, 2007

		<u>Term Expires</u>
Lynn Darling	Chairman	12-31-08
Paul Langseth	Vice Chairman	12-31-08
Vern Suedkamp	Secretary	12-31-10
Jim Knips	Treasurer	12-31-10
Rick Nelsen	Public Relations	12-31-10
Jane Steffl	Administrative Coordinator	Indefinite
Ed Lenz	Technical Coordinator	Indefinite
Mary Kretz	Education Coordinator	Indefinite

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INDEPENDENT AUDITORS' REPORT

Nobles Soil & Water Conservation District
1567 McMillan Street Suite 3
Worthington, MN 56187

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, 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 basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Minnesota Legal Compliance Audit Guide for Local Governments, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute 6.65. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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 we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2008 on our consideration of the Nobles Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of the 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Richard W. Holmberg, Ltd.
Certified Public Accountant

October 15, 2008

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nobles Soil and Water Conservation District was organized under provisions of Minnesota Stat. Ch. 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 Nobles Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture's 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 financial reporting policies of the District conform to generally accepted accounting principles.

A. Financial Reporting Entity

In conformance with standards established by the Governmental Accounting Standards Board, the District includes all funds that are controlled by or dependent on the District Board. Control by and dependence on the District were determined on the basis of budget adoption, taxing authority, obligation of the District to finance any deficits that may occur, and any significant subsidy provided by the District.

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

B. Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all governmental activities, which normally are supported by taxes and intergovernmental revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classify as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the corporation.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

The fund financial statements of the District include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

C. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budget

The District adopts an estimated revenue and expense budget for the General Fund. Comparisons of estimated revenues and budgeted expenses to actual are presented in the financial statements in accordance with generally accepted accounting principles.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

E. Cash Equivalents

Nobles Soil and Water Conservation District recognizes as cash currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

Nobles Soil and Water Conservation District recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

G. Assets, Liabilities, and Equity Accounts

1. Assets

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

Due from Other Governments includes amounts for shared projects and grants.

Beginning with this statement year, capital assets are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. Capital assets are still valued at historical or estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years
Buildings and Improvements	15 – 30 years
Vehicles	5 years

The Nobles Soil and Water Conservation District has set the capitalization threshold at \$500.

2. Liabilities

Current liabilities include Accounts Payable, Accrued Payroll and Related Taxes, Sales Tax Payable, Deposits on Sale, Compensated Absences, and Deferred Revenue.

3. Equity

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

3. Equity

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- d. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- e. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- f. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

H. Revenues and Expenses

1. Revenues

a. Intergovernmental

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue 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 it applies. In that case, revenue recognition is then deferred until the appropriate period. The District does not directly levy taxes of any type and thus has no revenues from non-exchange transactions that required to be reported under GASB Statement No. 33.

b. Other Revenue

Investment income (reported as Miscellaneous Revenue) and revenue from the sale of trees (reported as Charges for Services) are recognized when earned, since they are measurable and available. Other revenues generally are recognized when they are received in cash because they usually are not measurable until then.

2. Expenses

a. Project Expenses

Project expenses represent costs that are funded from Federal, State, or district revenues. State project expenses consist of grants to participants for the Cost-Share Program other state-authorized projects. District project expenses are costs of materials and supplies in the sale of trees, tree planting, and other District projects.

b. 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 12 days per year. The limit on the accumulation of annual leave is 192 hours and the limit on sick leave is 500 hours. Upon termination from the District, employees are paid accrued vacation leave.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Capital Assets

Changes in Capital Assets:

	<u>Buildings</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>Totals</u>
Primary Government				
Balance, December 31, 2006	\$ 12,975.00	\$ 37,718.00	\$ 42,878.00	\$ 93,571.00
Increases	-	16,137.20	27,653.73	43,790.93
Decreases	-	(22,280.00)	(21,702.00)	(43,982.00)
Balance, December 31, 2007	<u>12,975.00</u>	<u>31,575.20</u>	<u>48,829.73</u>	<u>93,379.93</u>
Accumulated Depreciation				
Balance, December 31, 2006	10,380.00	29,892.54	34,407.60	74,680.14
Increases	2,595.00	2,557.23	7,000.57	12,152.80
Decreases	-	(20,162.80)	(21,702.00)	(41,864.80)
Balance, December 31, 2007	<u>12,975.00</u>	<u>12,286.97</u>	<u>19,706.17</u>	<u>44,968.14</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 19,288.23</u>	<u>\$ 29,123.56</u>	<u>\$ 48,411.79</u>

B. Deferred Revenue

Deferred revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR) and Nobles County for various programs. Revenues will be recognized when the related program expenditures are recorded. Deferred revenue for the year ended December 31, 2007, consists of the following:

Regular/Special State Cost-Share	<u>\$ 86,556.14</u>
Total	<u>\$ 86,556.14</u>

C. Compensated Absences

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

Balance - January 1, 2007	\$ 7,304.10
Net change in compensated absences	<u>(1,283.49)</u>
Balance - December 31, 2007	<u>\$ 6,020.61</u>

There were no compensated absences payable to terminated employees as of December 31, 2007. Therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

D. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorizes the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2007, District's deposits totaled \$287,877.67 of which \$160,377.67 was cash deposits and \$127,500.00 was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. All deposits are in category 1, low risk type investments.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2007.

<u>Covered Deposits</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Insured or collateralized with securities held by the District or its agents in the District's name	<u>\$ 287,877.67</u>	<u>\$ 317,778.85</u>

Investments

The board may also invest idle funds as authorized by Minnesota Statutes as follow: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Agency rated "A" or better; bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The board does not have any investments policies that would further limit investment choices.

The Board does not carry any investments on its financial statements as of December 31, 2007.

III. PENSION PLANS

Plan Description

All full-time and certain part-time employees of the Nobles Soil and Water Conservation District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basis Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

**NOBLES SOIL AND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate 2.7 percent of average salary for Basis Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained by writing to PERA, 514 St. Peter Street #200, St. Paul, Minnesota 55102 or by calling (651) 296-7460 or 1-800-652-9026.

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 plan equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.75%, respectively, of their annual covered salary. The Nobles Soil and Water Conservation District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members 6.25% for Coordinated Plan PERF members. The District's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$4,913.42, \$6,516.20 and \$5,714.00, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

IV. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, employee health, and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities, errors and omissions and workers' compensation are insured through Minnesota Counties Insurance Trust. The District retains risk for the deductible portions 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. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

V. OPERATING LEASE

The District leases office space on a yearly basis. Under the current agreement, total costs for 2007 were \$8,176.00. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.

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

Nobles Soil and Water Conservation District
1567 McMillan Street Suite 3
Worthington, MN 56187

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Nobles Soil and Water Conservation District, as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements basic financial statements and have issued our report dated October 15, 2008. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nobles Soil and Water Conservation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nobles Soil and Water Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nobles Soil and Water Conservation District's internal control over financial reporting.

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 Nobles Soil and Water Conservation District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a remote likelihood that a misstatement of the Nobles Soil and Water Conservation District's financial statements that is more than inconsequential will not be prevented or detected by the Nobles Soil and Water Conservation District'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 Nobles Soil and Water Conservation District's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies or material weaknesses. We did not identify as deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nobles Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Richard W. Holmberg, Ltd.
Certified Public Accountant

October 15, 2008

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Nobles Soil and Water Conservation District
1567 McMillan Street Suite 3
Worthington, MN 56187

We have audited the general purpose financial statements of the Nobles Soil and Water Conservation District, as of and for the year ended December 31, 2007 and have issued our report thereon dated October 15, 2008.

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

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Nobles Soil and Water Conservation District complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit and the procedures referred to above, nothing came to our attention to indicate that the Nobles Soil and Water Conservation District had not complied with such legal provisions.

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

Richard W. Holmberg, Ltd.
Certified Public Accountant

October 15, 2008