

**CASS SOIL AND WATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
WITH
INDEPENDENT AUDITOR'S REPORT**

**Mayer, Porter, Beinhorn & Rowe, Ltd.
Certified Public Accountants**

CASS SOIL AND WATER CONSERVATION DISTRICT

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December 31, 2006

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**CASS SOIL AND WATER CONSERVATION DISTRICT
ORGANIZATION**

December 31, 2006

	<u>Term Expires</u>
<u>SUPERVISORS</u>	
James Ballenthin	12-31-08
Harold Bruns	12-31-08
David Harder	12-31-08
Thomas Kuschel	12-31-06
Calvin Martin	12-31-06
<u>OFFICERS</u>	
CHAIRPERSON	Calvin Martin
VICE-CHAIRPERSON	Thomas Kuschel
SECRETARY	Harold Bruns
TREASURER	James Ballenthin
<u>FISCAL MANAGER</u>	
	John Sumption

Mayer, Porter, Beinhorn & Rowe, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

• Charles G. Mayer, CPA
• Keith G. Porter, CPA

• Julie A. Nelson, CPA
• Christy M. Weyer, CPA

INDEPENDENT AUDITOR'S REPORT

To the Supervisors
Cass Soil and Water Conservation District
Walker, MN 56484

We have audited the accompanying financial statements of the governmental activities and the major fund of Cass Soil and Water Conservation District (District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cass Soil and Water Conservation District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Cass Soil and Water Conservation District as of December 31, 2006, and the respective changes in financial position and the budgetary comparisons for the general fund for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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 on it.

Mayer, Porter, Beinhorn & Rowe, Ltd.

February 12, 2010

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CASS SOIL AND WATER CONSERVATION DISTRICT
Management's Discussion and Analysis
(Unaudited)

The Cass Soil and Water Conservation District's discussion and analysis provides an overview of the District's financial activities for the year ended 2006. 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 District's financial statements (beginning on page 9).

FINANCIAL HIGHLIGHTS

Total net assets at the end of the year were \$4,583. The District had no restricted net assets and \$4,583 of unrestricted net assets.

The assets of the Cass Soil and Water Conservation District in the governmental funds balance sheet exceeded its liabilities at the close of the most recent calendar year by \$4,583. This entire balance is considered unreserved, undesignated fund balance.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements, Governmental Fund Balance Sheet and Governmental Fund Revenues, Expenditures and Changes in Fund Balance (on pages 9 and 10) tell how these services were financed in the short term and what remains for future spending.

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 its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by 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 and the condition of District capital assets, 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. Appropriations from the state finance most activities.

Reporting the District's General Fund

Fund Financial Statements

The fund financial statements are shown on pages 9 and 10 and 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. 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 the adjustment column on pages 9 and 10.

THE DISTRICT AS A WHOLE

The District's combined net assets were decreased from \$ 9,380 to \$ 4,583. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

TABLE 1 - CASS SOIL AND WATER CONSERVATION DISTRICT'S NET ASSETS

	Governmental Activities	
	2006	2005
Current and other assets		
	\$ 117,951	\$ 118,439
Total assets	\$ 117,951	\$ 118,439
Other liabilities		
	113,368	109,059
Total liabilities	\$ 113,368	\$ 109,059
Net assets		
Unrestricted	4,583	9,380
Total net assets	\$ 4,583	\$ 9,380

Net assets of the District governmental activities decreased by 51 percent (\$9,380 compared to \$4,583). Unrestricted net assets - the part of net assets without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$9,380 at December 31, 2005 to \$4,583 at the end of 2006.

**TABLE 2 - CASS SOIL AND WATER CONSERVATION DISTRICT'S
CHANGES IN NET ASSETS**

	Governmental Activities	
	2006	2005
Revenues		
Program revenues:		
Charges for services	\$ 600	\$ 600
Operating grants and contributions	38,798	19,856
General revenues:		
Investment earnings	586	548
Miscellaneous	<u>2,492</u>	<u>1,293</u>
Total revenues	42,476	22,297
Expenses		
Conservation	<u>47,273</u>	<u>31,086</u>
Total expenses	47,273	31,086
Change in net assets	(4,797)	(8,789)
Net assets - beginning	9,380	18,169
Net assets - ending	\$ 4,583	\$ 9,380

The District's total revenues increased by 91 percent, or \$20,179. The decrease in net assets for 2006 of \$4,797 compares to a \$8,789 decrease in net assets in 2005. The total cost of all programs and services increased by \$16,187, or 52 percent with the addition of drought assistance and wood lot programs added this year.

The cost of all governmental activities this year was \$47,273 compared to \$31,086 last year. However, as shown in the Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance on page 10, the amount that our taxpayers ultimately financed for these activities through county and state general revenues was only \$7,875 because some of the cost was paid by those who directly benefited from the programs (\$600) or by other governments and organizations that subsidized certain programs with grants and contributions (\$38,798). Overall, the District's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from \$20,456 to \$39,398, principally based on cost sharing grants projects were being completed, a one-time drought assistance grant, and Initiative Foundation special grant was procured. The District paid for the remaining "public benefit" portion of governmental activities with other revenues, such as interest and miscellaneous forms of revenue.

Table 3 presents the cost of the District's only program - Conservation. Conservation includes the following activities: General Cost Share, BWSR Service Grant, and other miscellaneous grant activity. The table also shows the program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the District by this function.

TABLE 3 - CASS SOIL AND WATER CONSERVATION DISTRICT'S COSTS OF PROGRAM

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Conservation	\$ 47,273	\$ 31,086	\$ 7,875	\$ 10,630

THE DISTRICT'S FUNDS

As the District completed the year, its general fund (as presented in the balance sheet on page 9) reported a fund balance of \$4,583, which is below last year's total of \$9,380. The primary reason for the General Fund's decrease in fund balance of \$4,797 is due in large part to more district operations expenses than revenue brought in.

See Figure A for a pictorial analysis of revenues by source and Figure B for expenditures by type.

Figure A - Revenues by Source

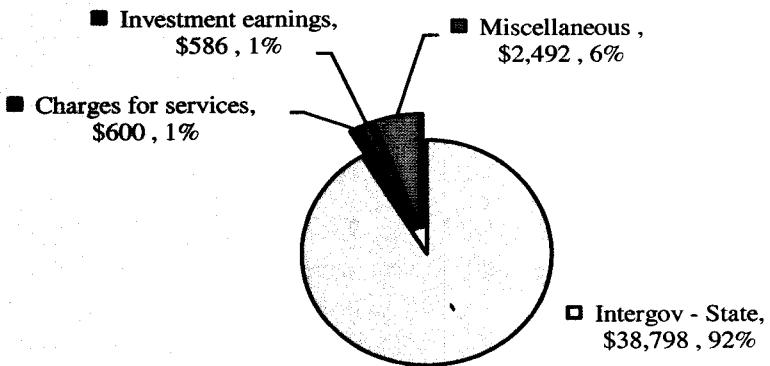
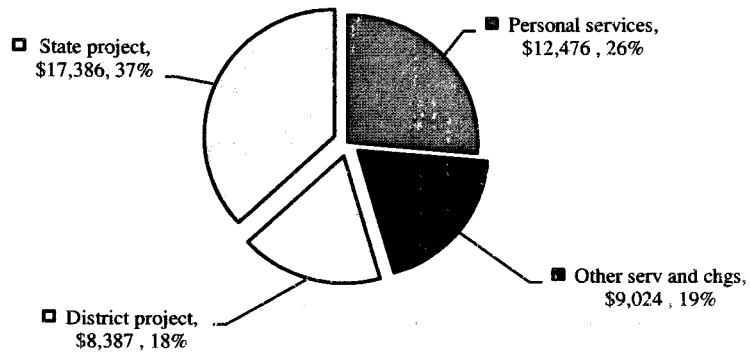


Figure B - Expenditures by Type



General Fund Budgetary Highlights

The actual expenditures were \$16,133 over the final budget amounts – a 52 percent variance from budget. The most significant over budget variance (\$12,394) occurred in the District's state project expenditures. More cost share projects were finished than expected along with a one-time drought assistance grant. Another significant over budget variance (\$4,395) occurred in the District's own project expenditures, due to a one time Engineering project with North Central MN Joint Powers.

On the other hand, resources available for appropriation were \$6,676 above the final budgeted amount. The cost share grant was released from deferral due to projects being finished and the drought assistance grant was for a one-time project in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the District did not own any capital assets.

Long-Term Liabilities

The District has no long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2007 budget, state aid, county aid, and fees that will be charged for the program services. The District is expecting to again hire a summer intern and has budgeted for that additional expense as well. Other budget expenses are based on expected expenditures for the upcoming year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors 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 Cass Soil and Water Conservation District Courthouse, 1st Floor 303 Minnesota Ave W, P.O. Box 3000, Walker, MN 56484.

CASS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
December 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and investments	<u>\$ 117,951</u>	\$	<u>\$ 117,951</u>
Total assets	<u>\$ 117,951</u>		<u>\$ 117,951</u>
LIABILITIES			
Payroll taxes	\$ 973		\$ 973
Deferred revenues	<u>112,395</u>		<u>112,395</u>
Total liabilities	<u>113,368</u>		<u>113,368</u>
FUND BALANCE / NET ASSETS			
Fund balance			
Unreserved	<u>4,583</u>	<u>(4,583)</u>	<u>0</u>
Total fund balance	<u>4,583</u>	<u>(4,583)</u>	<u>0</u>
Total liabilities and fund balance	<u><u>\$ 117,951</u></u>		
Net assets			
Unrestricted	<u>4,583</u>	<u>4,583</u>	<u>4,583</u>
Total net assets	<u>4,583</u>	<u>4,583</u>	<u>4,583</u>
Total liabilities and net assets	<u><u>\$ 0</u></u>		<u><u>\$ 117,951</u></u>

See notes to financial statements.

CASS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended December 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses			
District operations			
Personal services	\$ 12,476	\$	\$ 12,476
Other services and charges	9,024		9,024
Project expenses			
District	8,387		8,387
State	<u>17,386</u>		<u>17,386</u>
Total expenditures/expenses	<u>47,273</u>		<u>47,273</u>
Program revenues			
Charges for services	600		600
Operating grants and contributions	<u>38,798</u>		<u>38,798</u>
Total program revenues	<u>39,398</u>		<u>39,398</u>
General revenues			
Investment earnings	586		586
Miscellaneous	<u>2,492</u>		<u>2,492</u>
Total general revenues	<u>3,078</u>		<u>3,078</u>
Total revenues	<u><u>42,476</u></u>		<u><u>42,476</u></u>
Net change in fund balance	(4,797)	4,797	0
Change in net assets		(4,797)	(4,797)
Fund balance/net assets			
Beginning of year	<u>9,380</u>		<u>9,380</u>
End of year	<u><u>\$ 4,583</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,583</u></u>

See notes to financial statements.

CASS SOIL AND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental				
State	\$ 33,150	\$ 33,150	\$ 38,798	\$ 5,648
Charges for services	600	600	600	
Investment earnings	550	550	586	36
Miscellaneous	1,500	1,500	2,492	992
Total revenues	35,800	35,800	42,476	6,676
EXPENDITURES				
District operations				
Current:				
Personal services	12,519	12,519	12,476	(43)
Other services and charges	9,637	9,637	9,024	(613)
Total district operations	22,156	22,156	21,500	(656)
Project expenses				
District	3,992	3,992	8,387	4,395
State	4,992	4,992	17,386	12,394
Total project expenses	8,984	8,984	25,773	16,789
Total expenditures	31,140	31,140	47,273	16,133
Net change in fund balances	4,660	4,660	(4,797)	\$ (9,457)
Fund balances - beginning	9,380	9,380	9,380	
Fund balances - ending	\$ 14,040	\$ 14,040	\$ 4,583	

See notes to financial statements.

**CASS SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006**

1. Summary of significant accounting policies

Financial reporting entity -

The District is organized under the provisions of Minnesota Statutes Chapter 103C and 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 Cass 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 Cass County because it does not retain any control over the operations of the District.

U.S. 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.

Basis of presentation -

The accompanying financial statements of the Cass Soil and Water Conservation District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2006. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local government.

Basic financial statement presentation -

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all 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 or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available.

Measurement focus and basis of accounting -

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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 related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenues must meet both the measurable and available criteria to be recognized. "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. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. If the District also receives an annual appropriation from the County, it 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 are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measureable until then.

2. Expenditures are generally recorded when a liability is incurred. Expenditures also include the acquisition of fixed assets. 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.

Description of funds -

The District reports the following major governmental fund:

General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

Budget -

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 U.S. generally accepted accounting principles. Amendments to the original budget require board approval. No amendments were adopted during the year. Appropriations lapse at year-end. The District does not use encumbrance accounting.

Cash and cash equivalents

The only cash accounts the District has are a checking and a savings account.

Capital assets

The District did not own any capital assets as of December 31, 2006.

Net assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 12, 2010, the date the financial statements were available to be issued.

2. Cash and investments

Deposits -

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the Supervisors.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety 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.

Deposit balances at December 31, 2006 are as follows:

	<u>Carrying amount</u>	<u>Bank balance</u>
Total bank deposits (checking and savings)	\$ 117,951	\$ 123,747

The District's deposits in banks at December 31, 2006 were not entirely covered by federal depository insurance, or by pledged collateral held by the bank's agent in the District's name in amounts equal to at least 110% of the amount in excess of the federal depository insurance, as required by Minnesota Statutes.

3. Deferred revenue

Deferred revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and Cass County for various programs. Revenues will be recognized when the related program expenditures are recorded. Deferred revenue for the year ended December 31, 2006 consists of:

BWSR State Service Grants	\$ 86,166
Regular State Cost Share Funds	21,053
Drought Assistance	4,241
Wood Lot	935
Total deferred revenue	<u>\$ 112,395</u>

4. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through Minnesota Counties Insurance Trust. The District is covered for errors and omissions through Minnesota Counties Insurance Trust.

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 reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The District's workers compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience, workers compensation rates and salaries for the year are known. The final premium adjustment was recorded in the year the adjustment was made.

5. Expenditures in excess of appropriations

The general fund incurred expenditures in excess of appropriations. Expenditures totaled \$47,273, while appropriations totaled \$31,140 - a variance of \$16,133. District project expenses were higher than budgeted because of more cost share projects being finished and a one-time drought assistance grant. Related revenues for these projects are likewise in excess of budget.

ADDITIONAL REPORTS AND SCHEDULES

Mayer, Porter, Beinhorn & Rowe, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

• Charles G. Mayer, CPA
• Keith G. Porter, CPA

• Julie A. Nelson, CPA
• Christy M. Weyer, CPA

AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Supervisors
Cass Soil and Water Conservation District
Walker, MN 56484

We have audited the financial statements of the governmental activities and each major fund of Cass Soil and Water Conservation District as of and for the year ended December 31, 2006 and have issued our report thereon dated February 12, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because the District is not allowed to issue debt.

The results of our tests indicate that for the items tested, Cass Soil and Water Conservation District complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings.

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

Mayer, Porter, Beinhorn & Rowe, Ltd.

February 12, 2010

CASS SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF FINDINGS ON MINNESOTA LEGAL COMPLIANCE
December 31, 2006

<u>Program</u>	<u>Finding/Noncompliance</u>
CURRENT YEAR	
Minnesota Legal Compliance Audit Guide	
Depositories of Public Funds	Collateral was not pledged for the District's deposits that were consistently in excess of the FDIC limit of \$100,000 at the end of the banking day.
Claims and Disbursements	The District did not have a signed declaration as required by Minnesota Statute §471.38 and §471.391.

**CASS SOIL AND WATER CONSERVATION DISTRICT
RESPONSE TO FINDINGS ON MINNESOTA LEGAL COMPLIANCE**
December 31, 2006

<u>Program</u>	<u>Response</u>
CURRENT YEAR	
Minnesota Legal Compliance Audit Guide	
Depositories of Public Funds	Management will monitor their bank balances monthly and require collateral or use additional depositories.
Claims and Disbursements	The District will obtain a stamp with the appropriate declaration and stamp the back of their checks.