

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

MANAGEMENT AND COMPLIANCE REPORT

COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for approximately 600 public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

Year Ended December 31, 2018



Management and Compliance Report

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

TABLE OF CONTENTS

	<u>Page</u>
Communication of Significant Deficiencies and/or Material Weaknesses in Internal Control Over Financial Reporting and Other Matters	1
Independent Auditor's Report on Minnesota Legal Compliance	3
Schedule of Findings and Recommendations	4

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

Board of Managers
Coon Creek Watershed District
Ham Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the Coon Creek Watershed District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coon Creek Watershed District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2018-001, that we consider to be a significant deficiency.

The Coon Creek Watershed District's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the District's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Managers, management, and others within the Coon Creek Watershed District, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 3, 2019



JULIE BLAHA
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Coon Creek Watershed District
Ham Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and each major fund of the Coon Creek Watershed District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 3, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Coon Creek Watershed District's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the District administers no tax increment financing districts. The provisions for deposits and investments were tested in conjunction with our audit of Anoka County, Minnesota, which holds the District's cash and investments.

In connection with our audit, nothing came to our attention that caused us to believe that the Coon Creek Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Board of Managers and management of the Coon Creek Watershed District and the State Auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 3, 2019

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**COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

INTERNAL CONTROL OVER FINANCIAL REPORTING

ITEM ARISING THIS YEAR

Finding Number 2018-001

Other Postemployment Benefits (OPEB)

Criteria: Effective for the year ended December 31, 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which modifies the standards for accounting and financial reporting for OPEB. Additional footnote disclosures and a required supplementary information schedule are also required.

Condition: The District did not implement the provisions of GASB Statement 75 for 2018, as it has not had an actuarial study done to determine its OPEB liability. The District has, therefore, not reported its OPEB liability and related deferred outflows/inflows of resources, or the change to the OPEB obligation, in the governmental activities.

Context: The District's payroll is processed by Anoka County, and the County's benefits package is available to the District's employees.

Effect: Because the District has not implemented the requirements of GASB Statement 75, the financial statements may be misstated.

Cause: The District has not hired an actuary to determine its OPEB liability and annual cost necessary to meet the requirements for financial reporting under GASB Statement 75.

Recommendation: We recommend the Board of Managers determine the District's net OPEB liability and annual OPEB cost in accordance with the requirements of GASB Statement 75. This will require the District to contract with an actuarial service to determine the liability.

Client's Response: *The Board acknowledges the above comment, and will take steps to address the auditor's recommendation to determine the District's net OPEB liability and annual OPEB cost in accordance with GASB 75.*