October 17, 2017

Board of Managers
Coon Creek Watershed District
Blaine, Minnesota

We have audited 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, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting about planning matters on February 8, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 13, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Coon Creek Watershed District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Coon Creek Watershed District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

- the estimated useful lives and related depreciation of capital assets;
- the year-end liability for compensated absences; and
- the net pension liability, deferred outflows of resources, deferred inflows of resources, and the pension expense related to pension benefits.

Management’s estimates relating to:

- the useful lives and related depreciation of capital assets are based on past experience with replacement of worn assets and industry averages;
- the year-end liability for compensated absences is partially calculated from sick time that has either vested or is expected to vest; and
- the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pension benefits are based on information provided by the Public Employees Retirement Association (PERA). Plan totals for these amounts were determined by an actuary hired by PERA, with a valuation date as of June 30, 2016. The proportionate share by employer was calculated by PERA.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements of the governmental activities.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.
Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 27, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis and Required Supplementary Information as listed in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on it.
This information is intended solely for the use of the Board of Managers and management of the Coon Creek Watershed District and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto           /s/Greg Hierlinger

REBECCA OTTO        GREG HIERLINGER, CPA
STATE AUDITOR        DEPUTY STATE AUDITOR