Date: Thursday, May 2, 2019

Time: 8:30 a.m.

Location: Coon Creek Watershed District (CCWD) offices, Blaine

Present: Anthony Wilder – President, Board of Managers
Michael Kreun – Treasurer, Board of Managers
Tim Kelly – District Administrator, CCWD
Julie Peterson – Accountant, CCWD
Colleen Carlson – Anoka County Finance & Central Services (F&CS)
Erik Berg – Anoka County F&CS
Randy Vogt – Audit Director, Office of the State Auditor (OSA)

1. Staffing/Administration

   Returning staff: Randy Vogt, Juli Mader, Kelsey Sauer

   New staff: None

   Staff timing: Timing of the audit will be dependent upon when Anoka County Finance & Central Services can prepare the District’s financial report. We will again do the majority of our work out of the Anoka County Government Center.

2. Statements on Auditing Standards (SAS) AU-C Section 260 - The Auditor’s Communication with Those Charged with Governance

Auditing standards define “those charged with governance” and establishes communication requirements between auditors and those charged with governance. At the Coon Creek Watershed District we’ve identified those charged with governance over the financial reporting process as the members of the Board of Managers and the District Administrator. Our audit engagement letter covers the specific matters to be communicated to those charge with government, including:

A. Auditor’s responsibilities under generally accepted auditing standards:

1) Forming and expressing opinions about whether the financial statements prepared by management are presented fairly in conformity with generally accepted accounting principles.
2. **SAS AU-C Section 260 - The Auditor's Communication with Those Charged with Governance**

A. Auditor's responsibilities under generally accepted auditing standards (Continued):

2) Performing the audit in accordance with:

a. generally accepted auditing standards (issued by the American Institute of Certified Public Accountants); and

b. legal provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*.

3) Considering the District's internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of those controls.

4) Communicating significant matters related to the audit.

B. Client's responsibilities:

1) Establishing and maintaining internal controls, including evaluating and monitoring the ongoing activities; the selection and application of accounting principles; the preparation and fair presentation of the financial statements; and compliance with applicable laws, regulations, and the provisions of contracts and grant agreements.

2) Identifying government award programs, if any, and understanding and complying with the compliance requirements.

3) Identifying significant contractor relationships, if any, in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

4) Making all management decisions and performing all management functions relative to the financial statements and related notes, and accepting full responsibility for them.

5) Designating a qualified management-level individual to be responsible and accountable for overseeing our services. Tim Kelly has had this responsibility in the past.
2. **SAS AU-C Section 260 - The Auditor’s Communication with Those Charged with Governance**

   **B. Client’s responsibilities (Continued):**

   6) Making all financial records and related information available to us, and for the accuracy and completeness of that information.

   7) Designing and implementing programs and controls to prevent and detect fraud, and informing us about all known or suspected fraud affecting the District that could have a material effect on the financial statements.

   Have there been any instances of known or suspected fraud reported to management or the Board of Managers?

   8) Adjusting the financial statements to correct material misstatements.

   9) Establishing and maintaining a process for tracking the status of audit findings and recommendations.

   10) Identifying for us previous financial audits or other engagements related to the objectives of our audit as discussed in the engagement letter, and relaying to us corrective actions taken to address significant findings and recommendations identified as a result of those audits or engagements.

   11) Providing management’s views on our current findings, conclusions, and recommendations, as well as your planned corrective actions.

   12) Providing a Summary Schedule of Prior Audit Findings.

   **C. Overview of the planned scope and timing of the audit:**

   1) We will audit the basic financial statements of the Coon Creek Watershed District for the year ended December 31, 2018. Anoka County staff will again be preparing the District’s annual financial report. It is our understanding that the District received no federal funds during 2018, so a federal single audit will not be required.

   2) Pursuant to Minn. Admin. Rules 8410.0150, subpart 1.A.(2), the District’s audit report is due to the State Board and the State Auditor’s Office within 180 days after year end.
2. SAS AU-C Section 260 - The Auditor’s Communication with Those Charged with Governance (Continued)

D. All audit findings will be communicated to management as the audit progresses. We will also communicate any significant audit findings to this group at the audit exit meeting.

E. Communications about significant accounting policies, sensitive accounting estimates, significant audit adjustments, disagreements with management, difficulties encountered in performing the audit, and other significant issues arising from the audit will be communicated to those charged with governance in a separate letter at the conclusion of the audit.

3. Status of Prior Year Findings

There were no findings reported for the year ended December 31, 2017.

4. New Accounting and Auditing Pronouncements

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. The following are new statements issued by the GASB that are effective for the year ended December 31, 2018:

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Effective for calendar year 2018 financial statements, the GASB changed the standards as they apply to employers that provide postemployment benefits other than through a trust.

GASB Statement 75 changes the other postemployment benefits (OPEB) accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis. This statement changes the amount employers report as OPEB expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources—similar to the pension changes that went into effect for the year ended December 31, 2015. Additional footnote disclosures and required supplementary information schedules are also required by GASB Statement 75.
4. New Accounting and Auditing Pronouncements (Continued)

- GASB Statement No. 85, Omnibus 2017

This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements, such as: issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits in an effort to improve the usefulness of information for financial statement users.

- GASB Statement No. 86, Certain Debt Extinguishment Issues

This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. It will likely have no effect on the District’s financial statements.

5. Other Items

A. During 2018, were there any:

✓ Changes in the fund structure, including new funds or closed funds?
✓ Significant accounting issues or unusual transactions?
✓ Changes in accounting methods or application of accounting principles?
✓ New legislation having an impact on the financial statements?
✓ Related party transactions? (If so, note disclosures.)
✓ Significant legal matters or contingencies that were not settled by 12/31/2018?
✓ New debt issues?
✓ Reports from state or federal regulatory agencies?
✓ Significant or unusual capital expenditures?
✓ Federal grants?
5. **Other Items**

A. During 2018, were there any (Continued):

- Changes to the District's accounting policies or procedures?
- Noncompliance with laws, regulations, contracts, or grant agreements?
- Contracts with service organizations?

- Other items of significance we should be aware of?

B. Auditing standards require us to meet and communicate certain items to those charged with governance. Would you like us to meet with the full Board to go over what we discussed here today?

C. Questions, comments, or concerns?