ANNUAL AUDIT EXIT MEETING

COON CREEK WATERSHED DISTRICT
ANOKA COUNTY, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2014

CONFIDENTIAL

This draft is classified as confidential and protected nonpublic data under Minnesota law until a final audit report is published by the State Auditor’s Office. See Minn. Stat. § 6.715. As part of the audit process, the audit client may show the draft only to employees or officials as necessary to prepare client responses for the final audit report. The release of this draft to anyone else before publication of the final audit report is a violation of Minnesota law.
Date Report Released, 2015

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, 2014. 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 March 12, 2015. 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 January 30, 2015, 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 2014. 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 and the year-end liability for compensated absences.

Management’s estimate of 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. 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 [need opinion date], 2015.

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.

REBECCA OTTO  GREG HIERLINGER, CPA
STATE AUDITOR  DEPUTY STATE AUDITOR
INDEPENDENT AUDITORS’S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Managers
Coon Creek Watershed District
Blaine, 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, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated [need opinion date], 2015.

The Minnesota Legal Compliance Audit Guide for 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 District’s financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the Coon Creek Watershed District has no public debt.

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 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 those charged with governance 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.

REBECCA OTTO          GREG HIERLINGER, CPA
STATE AUDITOR          DEPUTY STATE AUDITOR

[need opinion date], 2015
The OSA recommends counties maintain unrestricted fund balances in their larger funds of approximately 35 to 50 percent of fund operating revenues, or no less than five months of operating expenditures. The following is an analysis of the District's fund balance in the General Fund based on these guidelines.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Operating revenues (Exhibit 2)</td>
<td>$2,100,098</td>
</tr>
<tr>
<td>2. Operating expenditures (Exhibit 2)</td>
<td>$1,746,249</td>
</tr>
<tr>
<td>3. Unrestricted fund balance (Exhibit 1)</td>
<td>$853,616</td>
</tr>
<tr>
<td>4. 35% of operating revenues (line 1)</td>
<td>$735,034</td>
</tr>
<tr>
<td>5. 50% of operating revenues (line 1)</td>
<td>$1,050,049</td>
</tr>
<tr>
<td>6. 5 months of operating expenditures (5/12ths of line 2)</td>
<td>$727,604</td>
</tr>
</tbody>
</table>

Using the OSA's guidelines, the amount on line 3 should be between the amounts on lines 4 and 5, or should be no less than the amount on line 6.