

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Coon Creek Watershed District Ham Lake, Minnesota

Management and Compliance Report

Year Ended December 31, 2023

Coon Creek Watershed District Ham Lake, 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



**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 the General Fund of the Coon Creek Watershed District, as of and for the year ended December 31, 2023, 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 14, 2024.

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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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. However, as described in the accompanying Schedule of Findings and Recommendations, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 entity'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 attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2023-001 to be a material weakness.

Coon Creek Watershed District's response to the internal control finding identified in our audit is described in the Schedule of Findings and Recommendations, included in item 2023-001. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 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

October 14, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



**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 the General Fund of the Coon Creek Watershed District, as of and for the year ended December 31, 2023, 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 14, 2024.

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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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

/s/Chad Struss

Julie Blaha
State Auditor

Chad Struss, CPA
Deputy State Auditor

October 14, 2024

Coon Creek Watershed District

Ham Lake, Minnesota

Schedule of Findings and Recommendations For the Year Ended December 31, 2023

2023-001 **Prior Period Adjustment**

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: 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 of the financial statements on a timely basis. One indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of material misstatements due to error.

Condition: A prior period adjustment was identified that resulted in significant changes to the District's financial statements.

Context: The need for prior period adjustments can raise doubts as to the accuracy of the District's financial information being presented.

Effect: The January 1, 2023, fund balance of the General Fund decreased by \$172,500 to restate fund balance for intergovernmental revenue incorrectly recognized in 2022.

Cause: The grant received during 2022 was incorrectly identified as spent and recorded as intergovernmental revenue when it should have been recorded as unearned revenue.

Recommendation: We recommend the District staff implement procedures over financial reporting that include review of balances, disclosures, and supporting documentation by a qualified individual to ensure the District's financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America.

View of Responsible Official: Concur

Client Response: *Management acknowledges the finding and understands the reason the adjustment was needed. The District will work with the new contract accountant to ensure controls are in place to prevent, detect, and correct misstatements in the financial statements.*