



COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Managers
Minnehaha Creek Watershed District
Minnetonka, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Minnehaha Creek Watershed District (MCWD) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 27, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MCWD are described in Note 1 to the financial statements. Effective January 1, 2022, MCWD adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. However, MCWD currently has no material leases that fall within the scope of GASB Statement No. 87 and therefore, implementation of the standard had no effect on the financial statements. We noted no transactions entered into by MCWD 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 are estimates used to calculate the net pension liability, the pension related deferred outflows and inflows of resources, and pension expense. These estimates are based on actuarial studies. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Determining sensitivity is subjective, however, we believe the disclosures most likely to be considered sensitive are Note 6 – Long Term Debt and Note 7 – Defined Benefit Pension Plans.

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

Difficulties Encountered in Performing the Audit

We encountered no 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. There were no uncorrected misstatements identified during the audit. The misstatements described in the Schedule of Findings and Responses as item 2022-1 were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 April 19, 2023.

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 MCWD'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 Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MCWD's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Amount Owed to City of Minneapolis

MCWD has a payable recorded to the City of Minneapolis in the amount of \$1,006,382. The amount relates to work completed by the City in 2003. MCWD has been withholding payment until a final agreement is reached. We recommend management continue to work to resolve this matter.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedule, and the schedules of pension information, 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 the RSI.

We were engaged to report on the Schedule of Revenues and Expenditures by Program/Project, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves

We were not engaged to report on the introductory and other information sections, which accompany the financial statements but are not RSI. Such information has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reports

Various reports on compliance and internal controls are contained in the Other Required Reports section of the audited financial statement document.

Restriction on Use

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

Redpath and Company, Ltd.
REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 19, 2023