

**MEETING DATE:** December 4, 2015

**TITLE:** Authorization to Hire Redpath and Company to Complete the 2015 MCWD Financial Audit

**RESOLUTION NUMBER:** 15-0XX

**PREPARED BY:** Lars Erdahl

**E-MAIL:** lerdahl@mnnehahacreek.org

**TELEPHONE:** 952-471-0590

**REVIEWED BY:**  Administrator  Counsel  Program Mgr. (Name): \_\_\_\_\_  
 Board Committee  Engineer  Other

**WORKSHOP ACTION:**

<input checked="" type="checkbox"/> Advance to Board meeting Consent Agenda	<input type="checkbox"/> Advance to Board meeting for discussion prior to action
<input type="checkbox"/> Refer to a future workshop (date): _____	<input type="checkbox"/> Refer to taskforce or committee (date): _____
<input type="checkbox"/> Return to staff for additional work	<input type="checkbox"/> No further action requested.
<input type="checkbox"/> Other (specify): _____	

**PURPOSE or ACTION REQUESTED:**

Authorization to Redpath and Company to Complete the 2015 MCWD Financial Audit

**PROJECT TIMELINE:**

The audit will start shortly after an agreement with Redpath and Company is signed and is will be completed before the end of March, 2016.

**PROJECT/PROGRAM COST:**

Fund name:	General Fund Accounting and Audit	Cost: \$25,800
	Cold Storage Accounting and Audit	Cost: \$ 5,600
	GASB 68 Compliance	Cost: \$ 500

**PAST BOARD ACTIONS:**

Annual request.

**SUMMARY:**

Minnesota Statutes Chapter 103D.355, Subdivision 1. require watershed managers to have an annual audit completed of the books and accounts of the watershed district. The annual audit may be made by a private certified public accountant or by the state auditor. Redpath and Company is a qualified firm and has completed the MWCD Audit for the past 16 years. Staff contacted the Office of the State Auditor in 2012 to discuss the merits of changing auditors from time to time. While the State Auditor did not offer an opinion, she indicated that several communities maintain the same auditor year after year because the familiarity with a community’s accounting practices and procedures can provide for a more efficient process and can make it easier to identify possible problems or fraud.

HLB Tautges Redpath’s proposal is attached.

DRAFT

**RESOLUTION**

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**RESOLUTION NUMBER:** 15 -0xx

**TITLE:** Authorization to Hire Redpath and Company to Complete the 2015 MCWD Financial Audit

WHEREAS, Minnesota Statutes Chapter 103D.355, Subdivision 1. require watershed managers to have an annual audit completed of the books and accounts of the watershed district; and

WHEREAS, the annual audit may be made by a private certified public accountant or by the state auditor; and

WHEREAS, HLB Tautges Redpath is a qualified firm and has submitted a proposal to complete the 2015 MCWD financial audit before March 31, 2016 for an estimated basic audit fee of \$31,900 (\$25,800 for the basic audit, \$5,600 for the Cold Storage audit and \$500 for GASB 68 Compliance).

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers; hereby authorizes the District Administrator to sign the attached letter of engagement with Redpath and Company for auditing services for the year ending December 31, 2015 and with the provision that the audit be completed and submitted to the MCWD Board of Managers no later than March 31, 2016.

DRAFT

Resolution Number 15-XXX was moved by Manager \_\_\_\_\_, seconded by Manager \_\_\_\_\_.  
Motion to adopt the resolution \_\_\_ ayes, \_\_\_ nays, \_\_\_ abstentions. Date: December 17, 2015.

\_\_\_\_\_  
Secretary Date: \_\_\_\_\_



October 19, 2015

Lars Erdahl  
Minnehaha Creek Watershed District  
15320 Minnetonka Boulevard  
Minnetonka, MN 55345

Dear Lars:

Enclosed are two copies of our engagement letter for auditing services for the year ending December 31, 2015 for the Minnehaha Creek Watershed District.

### **Services**

The scope of services are the same as for 2014 and are summarized as follows:

- Audit the basic financial statements of the Minnehaha Creek Watershed District as of and for the year ending December 31, 2015. An “in-relation-to” opinion on the supplementary information.
- Preparation, copying and binding of the Annual Financial Report.
- State Legal Compliance Audit.

### **Fees**

We are proposing to complete the services described above for an estimated basic audit fee of \$31,400. The total fee of \$31,400 is broken down as \$25,800 for the regular audit, \$5,600 for the cold storage portion of the audit. We are also proposing assistance with the implementation of GASB 68 (Pensions) for an additional fee of \$500. These fees are based on anticipated cooperation from District personnel, their completion of the workpapers per the client to prepare list and the assumption that unexpected circumstances will not be encountered. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate.

Upon the approval of this agreement by your Board and execution, please return one copy to our office and retain the other copy for your files. If you have any questions, please don't hesitate to call.

Sincerely,

A handwritten signature in black ink that reads "Peggy Moeller".

REDPATH AND COMPANY, LTD.

Peggy Moeller, CPA



October 19, 2015

Lars Erdahl  
Minnehaha Creek Watershed District  
15320 Minnetonka Boulevard  
Minnetonka, MN 55345

We are pleased to confirm our understanding of the services we are to provide the Minnehaha Creek Watershed District for the year ended December 31, 2015. The scope of services includes the following:

- We will audit the financial statements of the governmental activities, and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Minnehaha Creek Watershed District as of and for the year ended December 31, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as budgetary comparison schedules and Pension related RSI (GASB 68), to supplement the Minnehaha Creek Watershed District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Minnehaha Creek Watershed District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:
  - Budgetary Comparison Schedule(s)
  - Pension related RSI (GASB 68)

We have also been engaged to report on supplementary information other than RSI that accompanies Minnehaha Creek Watershed District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditors report on the financial statements:

- Individual fund financial statements
- Schedule of revenues and expenditures by program/project

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

- Introductory section
- Other information section
- Preparation, copying and binding of the Annual Financial Report.
- State of Minnesota Legal Compliance Audit

### **Other Services**

As part of this engagement, we will also provide the following nonaudit services if requested:

- Assistance with implementation of GASB 68 (Accounting and Financial Reporting for Pensions).

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, and the minimum procedures for auditors as prescribed by MS 6.65, and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Minnehaha Creek Watershed District's financial statements. Our report will be addressed to the

Honorable Managers of the Minnehaha Creek Watershed District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit, or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

### **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### **Audit Procedures – Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Minnehaha Creek Watershed District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

The Minnesota Legal Compliance Audit Guide for Local Government requires that we test whether the auditee has complied with certain provisions of Minnesota Statutes. Our audit will include such test of the accounting records and other procedures as we consider necessary in the circumstances.

### **Other Services**

We will also assist in preparing the financial statements of Minnehaha Creek Watershed District in conformity with U.S. generally accepted accounting principles based on information provided by you.

### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of



any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reason for the changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements.

**Audit Administration, Fees and Other**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

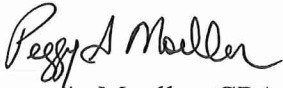
We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

Unless additional work is requested, or circumstances require additional work, we agree that our estimated basic audit fee for these services, including expenses (such as report reproduction, postage, etc.), will be \$31,400. The total fee of \$31,400 is broken down as \$25,800 for the regular audit, and \$5,600 for the cold storage portion of the audit. We also agree that the basic fee for assistance with GASB 68 implementation (if requested) will be \$500. Courier and confirmation fees are not included in the basic audit fee. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 120 days or more overdue and may not resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel, accurate and timely completion of workpapers per the client to prepare list by your personnel, and the assumption that unexpected circumstances will not be encountered during the audit. Additional audit procedures may be required for certain accounting issues or events, new contractual agreements, new accounting and auditing standards, such as legal requirements for new bond issues, new funds, new capital projects, if there is an indication of misappropriation or misuse of public funds, or difficulties encountered due to lack of accounting records, incomplete records, inaccurate records or turnover in the District's staff. If significant additional time is necessary due to a change in scopes of services or delays in receiving audit information requests, we will discuss it with you and arrive at a new fee estimate.

We appreciate the opportunity to be of service to the Minnehaha Creek Watershed District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

REDPATH AND COMPANY, LTD.



Peggy A. Moeller, CPA

PAM:aer

**Response**

This letter correctly sets forth the understanding of the Minnehaha Creek Watershed District:

Management:

Governance (Board):

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Nonaudit Services**

The employee(s) assigned to oversee the nonaudit services is as follows:

Employee (name and title): \_\_\_\_\_

We request the optional assistance with the implementation of GASB 68 (Pensions):

Yes

No