



Please note the meeting date has changed from Wednesday to Monday and the meeting will be held at the Scott County Law Enforcement Center, 301 Fuller Street South, Shakopee

# LOWER MINNESOTA RIVER WATERSHED DISTRICT

## Executive Summary for Action

Lower Minnesota River Watershed District Board of Managers Meeting  
Monday, September 17, 2018

### Agenda Item

#### Item 7. A. - 2018 Financial Audit

#### Prepared By

Linda Loomis, Administrator

#### Summary

Redpath and Company has furnished a letter of engagement for conducting the 2018 financial audit of the LMRWD as required by state statute. The Board has discussed options for

#### Attachments

Cover Letter

Engagement Letter for 2018 through 2020

#### Recommended Action

Motion to authorize Administrator to execute engagement letter



July 16, 2018

Linda Loomis  
District Administrator  
Lower Minnesota River Watershed District  
6677 Olson Memorial Hwy  
Golden Valley, MN 55427

Dear Linda:

Enclosed are two copies of our engagement letter for auditing services for the years ended December 31, 2018, 2019 and 2020 for the Lower Minnesota River Watershed District.

### **Services**

The scope of services are summarized as follows:

- Audit the basic financial statements of the Lower Minnesota River Watershed District as of and for the years ended December 31, 2018, 2019 and 2020. An “in-relation-to” opinion on the supplementary information.
- Preparation, copying and binding of the Annual Financial Report.
- Preparation of Special District Reporting Form.
- State Legal Compliance Audit.
- Assistance with preparation of property tax workpapers

### **Fees**

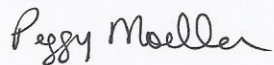
We are proposing to complete the audit services described above for an estimated basic audit fee of \$11,720 for 2018, \$12,080 for 2019 and \$12,450 for 2020. This fee is based on anticipated cooperation from District personnel, their completion of the workpapers per the client to prepare list and the 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. Assistance with preparation of property tax workpapers is optional. The fee for property tax workpaper assistance is estimated to be \$2,200 for 2018, \$2,255 for 2019 and \$2,315 for 2020.

Brown's Creek Watershed District  
September 3, 2008  
Page 2

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,

REDPATH AND COMPANY, LTD.

A handwritten signature in cursive script that reads "Peggy Moeller".

Peggy Moeller, CPA



July 16, 2018

Linda Loomis  
District Administrator  
Lower Minnesota River Watershed District  
6677 Olson Memorial Hwy  
Golden Valley, MN 55427

We are pleased to confirm our understanding of the services we are to provide the Lower Minnesota River Watershed District for the years ended December 31, 2018, 2019 and 2020. 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 Lower Minnesota River Watershed District as of and for the years ended December 31, 2018, 2019 and 2020. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as budgetary comparison schedules, to supplement the Lower Minnesota River 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 Lower Minnesota River 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

We have also been engaged to report on supplementary information other than RSI that accompanies Lower Minnesota River 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 auditor's report on the financial statements:

- Individual fund financial statements
- Supplementary financial information section

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
- Preparation of Special District Reporting Form
- Optional assistance with preparation of property tax workpapers

### **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 Lower Minnesota River Watershed District's financial statements. Our report will be addressed to the Honorable Managers of the Lower Minnesota River 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 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 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, 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.

Accordingly, we will express no such opinion. 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 Lower Minnesota River 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 Lower Minnesota River Watershed District in conformity with U.S. generally accepted accounting principles and prepare the Special District Reporting Form and property tax workpapers based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services, Special District Reporting Form and property tax workpaper preparation services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that would be construed as assuming management responsibilities.

### **Management Responsibilities**

Management is responsible for designing, implementing and maintaining effective internal controls, relevant to the preparation and fair presentation of financial statement that are free from material misstatements, whether due to fraud or error, 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.



### **Engagement 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.

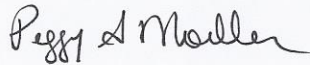
We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

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 \$11,720 for 2018, \$12,080 for 2019 and \$12,450 for 2020. Courier and confirmation fees are not included in the basic audit fee. The fee for assistance with preparation of property tax workpapers is estimated to be \$2,200 for 2018, \$2,255 for 2019 and \$2,315 for 2020. 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 Lower Minnesota River 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:ajf

**Response**

This letter correctly sets forth the understanding of the Lower Minnesota River Watershed District:

Management signature:

Governance (Board) signature:

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

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

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

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

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

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

**Nonaudit Services**

The employee(s) assigned to oversee the nonaudit services is the District Administrator unless indicated below:

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