



## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Honorable Managers of the  
Riley Purgatory Bluff Creek Watershed District  
Chanhassen, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Riley Purgatory Bluff Creek Watershed District (the District) for the year ended December 31, 2016. Professional standards require that we provide you with the 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 November 29, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Results**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during 2016. 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 governmental activities financial statements are management's estimate of the net pension liability, the pension related deferred outflows and inflows of resources, and pension expense. Management's estimates relating to the net pension liability, pension related deferred outflows and inflows of resources, and pension expense 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 disclosure most likely to be considered sensitive is Note 9 – Defined Benefit Pension Plans.

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. However, delays in receiving information from the third party accountant resulted in delays in completing the 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 that have an effect on our opinion on the financial statements. The following material misstatements detected as a result of audit procedures were corrected by management:

- A settlement reached with CH2M Hill Engineers Inc. totaling \$50,000 and a permit litigation settlement from the league of MN Cities totaling \$8,418 were netted with expenses instead of being recorded as revenue.
- The District received an advance payment on their BWSR grant. The grant expired on December 31, 2016 with \$42,021 of unspent funds. An entry was required to record a payable back to BWSR for the remaining amount of the grant.

### **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 May 22, 2017.

### **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" in 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 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 the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the budgetary comparison schedule and 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 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 the auditing procedures applied in the audit of the basic financial statement, 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 Reports section of the audited financial statement document.

### **Restriction on Use**

This information is intended solely for the information and use of Board of Managers and management of Riley Purgatory Bluff 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

May 22, 2017