MEMORANDUM
Comfort Lake-Forest Lake Watershed District

To: Board of Managers  Date: December 8, 2016
From: Mike Kinney
Subject: 2017 Professional Services Contracts

Background/Discussion

At the October 27th, 2016 regular meeting of the Board of Managers, the Board moved to retain the following companies for professional services for a period of two years under the terms proposed at the meeting: Smith Partners (legal services), Abdo, Eick & Meyers (audit services), Redpath & Company (accounting and payroll services), and Emmons & Olivier Resources (engineering services). The purpose of this agenda item is for the Board to authorize the Administrator to execute contract extensions and letters of understanding with these professional service providers.

Recommended Action

Proposed Motion: Manager ___________ moves to authorize the Administrator to enter into professional service agreements with the following companies for their respective services in accordance with the submitted proposal and on advice of counsel: Smith Partners (legal services), Abdo, Eick & Meyers (audit services), Redpath & Company (accounting and payroll services), and Emmons & Olivier Resources (engineering services).

Attached:

- Smith Partners Extension to Legal Services Agreement
- Abdo, Eick & Meyers Letter of Understanding
- Redpath & Company Letter of Understanding
- Emmons & Olivier Resources Extension to Engineering Services Agreement
EXTENSION to LEGAL SERVICES AGREEMENT

1.0     On November 14, 2008, the Comfort Lake-Forest Lake Watershed District entered into a Legal Services Agreement with Smith Partners, P.L.L.P. (LSA).

2.0     The term of the LSA is extended to December 31, 2018.

3.0     Attorneys will provide services for a maximum blended rate of $205 per hour in 2017, and $211 per hour in 2018.

4.0     All terms of the LSA remain in effect except as specifically altered herein.

IN WITNESS WHEREOF, the parties have caused this Extension to be executed on this ___ day of December, 2016.

By: ________________________________
    Mike Kinney, Administrator
    Comfort Lake-Forest Lake Watershed District

By: ________________________________
    Louis N. Smith
    Smith Partners, P.L.L.P.
    400 Second Avenue South
    Suite 1200
    Minneapolis MN 55401
Board of Directors  
Comfort Lake - Forest Lake Watershed District  
Forest Lake, Minnesota

We are pleased to confirm our understanding of the services we are to provide the Comfort Lake - Forest Lake Watershed District (the CLFLWD) for the year ended December 31, 2016. We will audit the financial statements of the governmental activities, each major fund and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the CLFLWD as of and for the year ended December 31, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement the CLFLWD’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 CLFLWD’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:

1) Management’s Discussion and Analysis  
2) Schedule of Funding Progress for Other Post-employment Benefits (if applicable)

We have also been engaged to report on supplementary information other than RSI that accompanies the CLFLWD’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:

1) Individual Fund Financial Statements and Schedules

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.

1) Introductory Section
Audit Objective

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 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 CLFLWD’s financial statements. Our report will be addressed to the CLFLWD Board of the CLFLWD. 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 government or to acts by management or employees acting on behalf of the government.

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 come 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 tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will 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 Control

Our audit will include obtaining an understanding of the government 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 CLFLWD’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.
Other Services

We will also prepare a general ledger trial balance for use during the audit. Our preparation of the trial balance will be limited to formatting information in the general ledger into a working trial balance. As part of the audit, we will assist with preparation of your financial statements of the CLFLWD in conformity with U.S. generally accepted accounting principles based on information provided by you. We will also enter the current year capital asset transactions into our software based on information you provide.

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 government 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 (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information. 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.

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.

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, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Abdo, Eick & Meyers, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to any Regulator or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Abdo, Eick & Meyers, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to any Regulator or its designee. The Regulator or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit on approximately March 10, 2017 and to issue our reports no later than April 30, 2017. Andrew K. Berg, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be $7,600 for the audit. You may also be billed for travel and other out-of-pocket costs such as report production, typing, postage, etc if not included in the fee listed above. You may also be billed for travel and other out-of-pocket costs such as report production, typing, postage, etc if not included in the fee listed above. The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Amounts not paid within 30 days from the invoice date will be subject to a late payment charge of 1 percent per month (12 percent per year). If for any reason the account is turned over to collections, additional fees will be added to cover collections cost. In accordance with our Firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be 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 your audit. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Except in the event of your failure to make a payment when due, in the event of a dispute related in any way to our services, our Firm and you agree to discuss the dispute and, if necessary, to promptly mediate in a good faith effort to resolve. We will agree on a mediator, but if we cannot, either of us may apply to a court having personal jurisdiction over the parties for appointment of a mediator. We will share the mediator’s fees and expenses equally, but otherwise will bear our own attorneys’ fees and mediation cost. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party’s identify for purposes of the award of attorneys’ fees. In the event you fail to make a payment for services or to reimburse for costs advanced by the Firm on your behalf, the Firm reserves the right to take all legally permissible action, including commencement of litigation in lieu of mediation, and shall have the right to collect its costs, including reasonable attorney’s fees, incurred in any such collection or litigation activities.
We appreciate the opportunity to be of service to the CLFLWD 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 electronically sign this letter.

Sincerely,

ABDO, FICK & MEYERS, LLP
Certified Public Accountants & Consultants

Andrew K. Berg, CPA
Governmental Services Partner

RESPONSE:

This letter correctly sets forth the understanding of the Comfort Lake - Forest Lake Watershed District.

By:

Title:
Proposal to Provide Accounting Services

COMFORT LAKE-FOREST LAKE WATERSHED DISTRICT

September 26, 2016

Mark C. Gibbs, CPA
Redpath and Company, Ltd.
651.426.7000
mgibbs@redpathcpas.com
www.redpathcpas.com
September 26, 2016

Mr. Mike Kinney  
Comfort Lake-Forest Lake Watershed District  
44 Lake Street South  
Suite A  
Forest Lake, MN 55025

Dear Mike:

In response to your request, we are pleased to submit a proposal to perform monthly accounting and payroll services for the Comfort Lake-Forest Lake Watershed District.

Redpath and Company, Ltd. would prepare the monthly accounting as follows:

**Monthly Accounting - $700**

- Redpath and Company, Ltd. enters invoices and receipts into Sage accounting system, generates monthly financial statements, including:
  - Administrative and Program Budget Report
  - Customized check register
  - Compilation report
  - Statement of revenue, expenditures and changes in fund balance
  - Income statement/balance sheet
  - Budget to actual comparisons for all funds

- Redpath and Company, Ltd. will provide assistance to the District Administrator for annual budget process.

**Payroll - $200**

- Redpath prepares payroll in accordance with District policies.
- Redpath prepares all payroll related reports and files on a timely basis.
- Redpath prepares payroll tax deposits.
- Redpath prepares Public Employee Retirement Association Salary Deduction Report, along with all related reports and Deferred Compensation payments in accordance with District policies.
Our understanding of the timing of the monthly reporting as well as payroll preparation is as follows:

**Monthly Reporting**

- The Watershed District Board meets on the fourth Thursday of each month.
- The District will provide Redpath and Company, Ltd. with all monthly financial and payroll information (time sheets, coded invoices, coded receipts, bank statements, etc.) at an agreed upon time by the District and Redpath and Company, Ltd. We would then return the monthly accounting packet described above at a time we both agree on.

This process allows us to maintain our independence because we will not be making any management decisions; those decisions (coding of the invoices and receipts) are made by the Administrator.

**Financial Review**

- Redpath and Company, Ltd. reviews all reports and financial information with District Administrator on an as-needed basis to allow District management to have an opportunity to become familiar with the financial information as well as use the financial information to effectively manage the District.

**About Us**

Redpath and Company, Ltd. has grown by contributing to the success of its valued clients, not through mergers or acquisitions. Founded in 1971 with just three employees, the firm now employs approximately 135 staff in our White Bear Lake and St. Paul offices.

Redpath and Company, Ltd. is a full-service accounting firm. We help individuals and organizations – including businesses, local governments and not-for-profits – make decisions that create value and contribute to their financial well-being. Substantial effort of our professional staff is directed toward serving Minnesota local governments. Twenty-five staff members are assigned to governmental and not-for-profit services and devote significant time and effort in providing audit and other services to Minnesota governmental entities.

Redpath and Company, Ltd. is prepared to assist you with your monthly and quarterly accounting needs. Our objective is to make your life easier, save you time and save your staff time.
## Client References:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Contact</th>
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</thead>
<tbody>
<tr>
<td>Ramsey-Washington Metro Watershed District</td>
<td>Tina Carstens 651/792-7957</td>
</tr>
<tr>
<td>Minnehaha Creek Watershed District</td>
<td>Lars Erdahl 952/471-0590</td>
</tr>
<tr>
<td>Valley Branch Watershed District</td>
<td>Ed Marchan</td>
</tr>
<tr>
<td>South Washington Watershed District</td>
<td>Matt Moore 651/714-3729</td>
</tr>
<tr>
<td>Lower Minnesota River Watershed District</td>
<td>Linda Loomis 763/545-4659</td>
</tr>
<tr>
<td>Riley Purgatory Bluff Creek Watershed District</td>
<td>Claire Bleser 952/607-6512</td>
</tr>
<tr>
<td>Nine Mile Creek Watershed District</td>
<td>Kevin Bigalke 952/835-2078</td>
</tr>
<tr>
<td>Capitol Region Watershed District</td>
<td>Mark Doneux 651/644-8888</td>
</tr>
<tr>
<td>Middle Mississippi Watershed Management Organization</td>
<td>Doug Snyder 612/465-8780</td>
</tr>
<tr>
<td>Rice Creek Watershed District</td>
<td>Phil Belfiori 763/398-3071</td>
</tr>
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The Redpath and Company, Ltd. staff responsible for your account will be:

- **Mark C. Gibbs, CPA – Managing Partner.** Responsible for final review and signing of reports. Assists staff with complex technical issues.
- **Nancy M. Martinson – Senior Accountant.** Responsible for monthly accounting services.

Mark Gibbs, Managing Partner and member of the firm's Board of Directors, has extensive experience in audit services, as well as merger and acquisition due diligence work. Mark has worked in the audit department since 1986.

Mark has extensive audit and accounting service experience with the following watershed districts: Ramsey Washington Metro Watershed District, Rice Creek Watershed District, South Washington Watershed District, Lower Mississippi River Watershed Management Organization, Lower Minnesota River Watershed District, Valley Branch Watershed District, Minnehaha Creek Watershed District, Riley Purgatory Bluff Creed Watershed District, Nine Mile Creek Watershed District, Browns Creek Watershed District.
Nancy Martinson, Senior Accountant, has worked in our not-for-profit and government area for 16 years. She has performed monthly accounting services for the following watershed districts:
- Minnehaha Creek Watershed District
- Rice Creek Watershed District
- Ramsey-Washington Metro Area Watershed District
- South Washington Watershed District
- Lower Minnesota River Watershed District
- Mississippi Watershed Management Organization
- Capitol Region Watershed District
- Valley Branch Watershed District

Our fee estimate is to provide the above services for $900 per month. This estimate is subject to the District’s ability to provide the financial information as described in the “monthly accounting” section previously detailed in this proposal. We are also available for attendance at meetings and to assist the District with other financial consulting services on an as requested basis. These services will be provided at our standard hourly rates. We will not begin any additional work without prior authorization from the District. Nancy’s hourly rate is $144.

The cost of supplies (checks, copies, etc.) will be passed through to the Watershed District.

We appreciate the opportunity to be of service to you and we look forward to serving the District with your monthly accounting needs.

We shall be pleased to discuss this proposal with you at any time.

Sincerely,

REDPATH AND COMPANY, LTD.

[Signature]

Mark C. Gibbs, CPA
MCG/bms
Response

This letter correctly sets forth the understanding of the Comfort Lake-Forest Lake Watershed District. If you agree to the terms of this engagement, please designate below the individual who will be overseeing our services, sign this letter and return it to us in the envelope provided. The enclosed copy is for your records.

Designated individual responsible for overseeing our services: ________________________________

Signature: ________________________________

Title: ________________________________

Date: ________________________________

Nonaudit Services

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

Employee (name and title): ________________________________

Employee (name and title): ________________________________
ATTACHMENT A - Supplemental Terms
Proposal to Provide Accounting Services, Redpath and Company, Ltd. (9-26-16)

1. Duty of Care; Indemnification

Redpath and Company, Ltd. (Redpath) will perform the services in accordance with due professional care. Redpath will indemnify, defend and hold harmless the Comfort Lake-Forest Lake Watershed District (CLFLWD), its board members, employees and agents from any and all actions, costs, damages and liabilities of any nature arising from Redpath’s negligent or otherwise wrongful act or omission, or breach of a specific contractual duty.

2. Records

Redpath will maintain all records pertaining to fees or costs incurred in connection with the services for six years from the date of completion of the Services. Redpath agrees that any authorized CLFLWD representative or the state auditor may have access to and the right to examine, audit and copy any such records during normal business hours.

3. Compliance with Equal Rights Laws

In performing the Services, Redpath will ensure that no person is excluded from full employment rights or participation in or the benefits of any program, service or activity on the ground of race, color, creed, religion, age, sex, disability, marital status, sexual orientation, public assistance status or national origin; and no person who is protected by applicable federal or state laws, rules or regulations against discrimination otherwise will be subjected to discrimination.

4. Data Practices; Confidentiality

If Redpath receives a request for data pursuant to the Data Practices Act, Minnesota Statutes chapter 13 (DPA), that may encompass data (as that term is defined in the DPA) Redpath possesses or has created as a result of this agreement, it will inform CLFLWD immediately and transmit a copy of the request. If the request is addressed to CLFLWD, Redpath will not provide any information or documents, but will direct the inquiry to CLFLWD. If the request is addressed to Redpath, Redpath will be responsible to determine whether it is legally required to respond to the request and otherwise what its legal obligations are, but will notify and consult with CLFLWD and its legal counsel before replying. Nothing in the preceding sentence supersedes Redpath’s obligations under this agreement with respect to protection of CLFLWD data, property rights in data or confidentiality. Nothing in this section constitutes a determination that Redpath is performing a governmental function within the meaning of Minnesota Statutes section 13.05, subdivision 11, or otherwise expands the applicability of the DPA beyond its scope under governing law.
EXTENSION to ENGINEERING SERVICES AGREEMENT

1.0 On December 21, 2006, the Comfort Lake-Forest Lake Watershed District entered into an Engineering Services Agreement with Emmons & Olivier Resources, Inc. (ESA). The ESA has been extended every two years and, in the December 2008 extension, was amended.

2.0 The term of the ESA is extended to December 31, 2018.

3.0 Emmons & Olivier Resources will provide services for 2017 based on the attached fee schedule which is to be adjusted annually.

4.0 All terms of the ESA, as amended, remain in effect except as specifically altered herein.

IN WITNESS WHEREOF, the parties have caused this Extension to be executed.

By: _______________________________ Date:
    Mike Kinney, Administrator
    Comfort Lake-Forest Lake Watershed District

By: _______________________________ Date:
    Brett Emmons
    Emmons & Olivier Resources, Inc.
    651 Hale Ave N
    Oakdale, MN 55128