

**CITY OF CANTON
MINNESOTA**

**INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE,
ON INTERNAL CONTROL, AND ON A
MANAGEMENT ADVISORY COMMENT**

DECEMBER 31, 2019

CITY OF CANTON
TABLE OF CONTENTS
DECEMBER 31, 2019

Page

2-4	Independent Auditors' Report on Communications With Those Charged With Governance
5-8	Adjusting Journal Entries
9-11	Independent Auditors' Report on Internal Control
12	Independent Auditors' Report on a Management Advisory Comment
13	Management Advisory Comment
	Attachment - Management Representation Letter

**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE**

To the City Council
City of Canton, Minnesota

We have audited the regulatory financial statements of the City of Canton (the "City") for the year ended December 31, 2019, and have issued our report thereon dated April 1, 2020. Professional standards also require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 24, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with practices prescribed or permitted by the State of Minnesota Office of the State Auditor. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City of Canton solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material weaknesses, and material noncompliance, and other matters noted during our audit in a separate letter to you dated April 1, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance With All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Canton is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

There are no material estimates included in the financial statements.

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.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

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

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements listed on pages 5 through 8 that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Canton's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested From Management

We have requested certain written representations from management which are included in the attached management representation letter dated April 1, 2020.

Management Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Canton, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Canton's auditors.

This report is intended solely for the information and use of the City Council, and management of City of Canton, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, flowing style.

La Crosse, Wisconsin
April 1, 2020

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2019

Account	Description	Debit	Credit
<u>Adjusting Journal Entry #1</u>			
To adjust General Fund fund balance to match prior year ending.			
100-13102	Due from Water/Sewer	33,682	
100-20701	Due to Fire Department	11,071	
100-25302	Retained Earnings	12,071	
100-10102	Undeposited Funds		1,407
100-13100	Due from General		1,407
100-13102	Due from Water/Sewer		9,949
100-20700	Due to General		23,487
100-21704	Accrued Payroll Payable PERA		20,513
100-41430-202	General Government Miscellaneous Expense		61
	TOTAL	56,824	56,824
<u>Adjusting Journal Entry #2</u>			
To adjust Fire fund balance for prior year audit entry not recorded.			
205-25302	Retained Earnings	650	
205-10101	City Fire Checking #7286-897		650
	TOTAL	650	650
<u>Adjusting Journal Entry #3</u>			
To adjust Water/Sewer/Garbage beginning net position to match prior year financial statement ending net positions.			
601-11500	Accounts Receivable	793	
601-13100	Due from General Account	80	
601-20200	Accounts Payable	4,835	
601-21800	MN Sales Tax Payable	3,665	
601-23100	GO Sewer Bond	7,500	
601-26600	Unreserved Retained Earnings	15,725	
601-26600	Unreserved Retained Earnings	78,360	
601-26600	Unreserved Retained Earnings	93,254	
601-16210	Sewer Plant Accumulated Depreciation		83,080
601-20701	Due to General Fund		33,682
601-20701	Due to General Fund		59,572
601-23100	GO Sewer Bond		23,225
601-23101	Water General Obligation Note		1,285
601-23200	General Obligation Note		3,300
601-36210	Interest		68
	TOTAL	204,212	204,212
<u>Adjusting Journal Entry #4</u>			
To adjust fire checking account to match bank statement.			
205-42220-204	Miscellaneous	50	
205-10101	City Fire Checking #7286-897		50
	TOTAL	50	50
<u>Adjusting Journal Entry #5</u>			
To record fire deposits as revenue and clear accounts receivable.			
205-11500	Accounts Receivable	17,263	
205-34202	Township Income		1,182
205-34202	Township Income		15,000
205-34203	Public Service/Fire Protection		181
205-34203	Public Service/Fire Protection		350
205-34203	Public Service/Fire Protection		550
	TOTAL	17,263	17,263
<u>Adjusting Journal Entry #6</u>			
To record fire internet payments as an expense and clear accounts payable.			
205-42220-203	Other Expenses	360	
205-20200	Accounts Payable		360
	TOTAL	360	360

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2019

Account	Description	Debit	Credit
<u>Adjusting Journal Entry #7</u>			
To record enterprise fund payroll in expense account.			
100-13102	Due from Water/Sewer	10,060	
601-49413-000	Administration Payroll	8,382	
601-49414-000	Maintenance Payroll	3,300	
601-49414-000	Maintenance Payroll	24,864	
100-39204	Transfers In Water, Sewer, and Garbage		10,060
601-20701	Due to General Fund		36,546
	TOTAL	46,606	46,606
<u>Adjusting Journal Entry #8</u>			
To record payment from Lolly Melander as current year revenue.			
100-20700	Due to General	23,487	
100-36290	Reimbursements		23,487
	TOTAL	23,487	23,487
<u>Adjusting Journal Entry #9</u>			
To record firefighter training reimbursement from State as revenue in Fire fund and subsequent payment to Canton Fire Association as expense.			
100-33440	Fire Department Reimbursement	4,255	
205-33400	Refund	500	
205-42240-000	Fire Department Training	3,755	
100-20701	Due to Fire Dept		4,255
205-33440	Fire Department Reimbursement		500
205-33440	Fire Department Reimbursement		3,755
	TOTAL	8,510	8,510
<u>Adjusting Journal Entry #10</u>			
To record payments from water/sewer for payroll expense as a reduction of expenditures in the general fund rather than transfer in revenue.			
100-39204	Transfers In Water, Sewer and Garbage	36,546	
100-41400-102	Summary Employee City Clerk/Treasurer Salary Wage - Sewer/Water		8,382
100-43100-102	Summary Employee Salaries Maintenance Full-time Salary Wage Sewer/Water		24,864
100-43200-102	Summary Employee Salaries Maintenance Part-time Salary P/T Wage Water/Sewer		3,300
	TOTAL	36,546	36,546
<u>Adjusting Journal Entry #11</u>			
To record payment from fire to general for March internet costs in the correct accounts.			
100-39203	Transfers In Fire Dept.	40	
205-42220-203	Other Expenses	40	
100-41430-321	General Government Telephone		40
205-42220-201	Office Supply		40
	TOTAL	80	80
<u>Adjusting Journal Entry #12</u>			
To record interest income on CDs.			
100-10110	CD #18920 General CD	522	
202-10112	Mitsun CD #14018 Mat 3/4/10	272	
204-10113	Vail CD #18853 Mat/6/2/09	75	
601-10110	CD #16665	237	
601-10111	CD #16666	237	
601-10112	CD #16667	237	
601-10113	CD #16668	237	
601-10114	CD #16669	237	
100-36210	Interest Income		522
202-36210	Interest Income		272
204-36210	Interest Income		75
601-36210	Interest		1,185
	TOTAL	2,054	2,054

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2019

Account	Description	Debit	Credit
<u>Adjusting Journal Entry #13</u>			
To record January 2020 sewer bond payment because it was electronically deducted from the bank in December 2019. This was recorded in QB but as a 1/1/20 transaction.			
601-23100	GO Sewer Bond	8,000	
601-49980-000	Interest Expense Sewer	15,406	
601-10101	Check Book Water/Sewer		23,406
	TOTAL	23,406	23,406
<u>Adjusting Journal Entry #14</u>			
To record interest on water note as an expense.			
601-49990-000	Interest Expense Water	2,399	
601-23101	Water General Obligation Note		1,114
601-23101	Water General Obligation Note		1,285
	TOTAL	2,399	2,399
<u>Adjusting Journal Entry #15</u>			
To clear accounts payable account.			
601-20200	Accounts Payable	80	
601-37160	Water Revenue		80
	TOTAL	80	80
<u>Adjusting Journal Entry #16</u>			
To record Waste Tax collected as revenue.			
601-21800	MN Sales Tax payable	3,676	
601-37320	Garbage Revenue Sales Tax Income		3,676
	TOTAL	3,676	3,676
<u>Adjusting Journal Entry #17</u>			
To record eliminate the due to and donation revenue recorded when Bike Trail CD funds were donated to the community association for welcome sign.			
100-36210	Interest Income	4	
100-36230	Donations Day Off	6,210	
100-20700	Due to General		6,214
	TOTAL	6,214	6,214
<u>Adjusting Journal Entry #18</u>			
To record Water/Sewer depreciation.			
601-49970-000	Depreciation	83,080	
601-16210	Sewer Plant Accum Depr		83,080
	TOTAL	83,080	83,080
<u>Adjusting Journal Entry #19</u>			
To eliminate amount in PERA payable account and record PERA expense.			
100-41400-107	Summary Employee City Clerk/Treasurer Expense PERA Contributions	4,315	
100-43100-107	Summary Employee Salaries Maintenance Full-time Expense PERA Contribution	486	
100-43100-107	Summary Employee Salaries Maintenance Full-time Expense PERA Contribution	9,616	
100-43200-107	Summary Employee Salaries Maintenance Part-time Expense PERA Contribution	2,761	
100-21704	Accrued Payroll Payable PERA		17,178
	TOTAL	17,178	17,178
<u>Adjusting Journal Entry #20</u>			
To record utility revenue electronically deposited into general checking as revenue in enterprise fund rather than a transfer.			
100-36201	Miscellaneous Fillmore County Highway Dept	1,355	
601-39201	Transfer in - General	402	
100-49360-000	Transfers Out Water/Sewer Acct		1,355
601-37150	Water Delivery System		402
	TOTAL	1,757	1,757

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2019

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<u>Adjusting Journal Entry #21</u>			
To adjust general and water/sewer for 2018 payroll that was determined not to be related to water/sewer.			
100-41430-202	General Government Misc Expense	9,379	
601-20701	Due to General Fund	9,379	
100-13102	Due from Water/Sewer		9,379
601-37160	Water Revenue		9,379
	TOTAL	<u>18,758</u>	<u>18,758</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the City Council
City of Canton, Minnesota

In planning and performing our audit of the regulatory financial statements of City of Canton (the "City"), as of and for the year ended December 30, 2019, in accordance with practices prescribed or permitted by the State of Minnesota Office of the State Auditor, we considered City of Canton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in City of Canton's internal control to be material weaknesses:

2019-001 - Management's Responsibility for Preparation of Financial Statements

Program: City-wide

Criteria: Adequate internal controls necessitate personnel to have knowledge and training which would enable them to prepare financial statements (and footnotes) in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor.

Condition: The training and knowledge of your personnel limits your ability to prepare regulatory basis financial statements.

Questioned Costs: Not applicable.

2019-001 - Management's Responsibility for Preparation of Financial Statements - Continued

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare regulatory basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Systematic problem.

Prior Year Finding: This was prior year finding 2018-001.

Recommendation: Obtain adequate training or hire a certified public accountant (CPA) to prepare regulatory basis financial statements.

City's Response: Due to the complexities involved with preparing regulatory basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2019-002 - Segregation of Duties

Program: City-wide

Criteria: Separation of accounting duties is necessary for adequate internal control.

Condition: Separation of accounting duties for adjusting journal entries, cash receipts, cash disbursements, and payroll is currently limited to obtain an adequate internal control system.

Questioned Costs: Not applicable.

Context: The number of personnel limits the separation of accounting duties.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Systematic problem.

Prior Year Finding: This was prior year finding 2018-002.

Recommendation: Management should monitor the accounting internal controls or hire additional personnel to be able to properly separate accounting duties.

City's Response: This weakness is impractical to entirely correct due to the limited resources and personnel available to our City. We will continue to use other controls, where practical, to compensate for this limitation.

2019-004 - Material Audit Adjustments

Program: City-wide

Criteria: Generally accepted accounting principles.

Condition: Material audit adjustments were required to prevent the City's financial statements from being materially misstated.

Questioned Costs: Not applicable.

Context: Internal controls did not identify that adjustments should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Systematic problem.

Prior Year Finding: This was prior year finding 2018-004.

Recommendation: Improve the City's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

Management's Response: The City will incorporate financial reporting internal controls to detect material adjustments, prevent materially misstated financial statements and increase the accuracy of the interim financial reports used by management.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
April 1, 2020

**INDEPENDENT AUDITORS' REPORT ON
A MANAGEMENT ADVISORY COMMENT**

To the City Council
City of Canton, Minnesota

We have audited the financial statements of City of Canton as of and for the year ended December 31, 2019, and have issued our report, thereon, dated _____, 2020.

A matter involving internal control and operations of the City, which came to our attention during the audit, is reported on the following page as a management advisory comment.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the organization's personnel during the course of our work. In particular, we would like to note the considerable assistance and cooperation provided to us by Brock Bergey.

We shall be pleased to discuss the matter referred to in this letter. Should you desire assistance in implementing the following suggestion, we would welcome the opportunity to assist you.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
April 1, 2020

MANAGEMENT ADVISORY COMMENT

CURRENT YEAR COMMENT

Accounting System

During the audit we noted the City uses a basic accounting software that is not specifically designed for municipalities. Accounting systems designed for municipalities allow for integrated utility billing, payroll allocations to multiple funds, pooled cash, budget input and other advantages that could benefit the City's accounting processes.

Chart of Accounts

During the audit we noted the City does not use account numbers in its general ledger. The State of Minnesota has a standard system of accounts that corresponds to the State Financial Report Form. For our audit purposes, we assigned each general ledger account an account number. We recommend the City consider using account numbers in the general ledger. This would make daily accounting and monthly reporting easier.

Separation of Fund Activity

The City's financial statements report five governmental funds and one combined enterprise fund. Four of the five governmental funds (General, Mitson, Trail, and Vail) are all accounted for one general ledger. The City should consider separating the other governmental funds from the General Fund's general ledger for more accurate reporting and budgeting.

Budget Spreadsheet

The City's budget excel spreadsheet appeared to have inconsistent formulas in the Payroll Expense section. We recommend reviewing those formulas for accuracy.

Payroll Accounting

The City currently accounts for employee payroll withholdings as contra-expenditures in the income statement and when those withholdings are paid to the respective government agencies, that amount is also recorded as an expenditure in a separate general ledger account. This can create confusion when analyzing payroll expense accounts. We recommend the City record payroll withholdings in a payroll liability account and subsequent reduce the liability when payment is made to the government agencies. The benefit of this is the only expense shown on the income statement will be the employees' wages and the City's portion of employee taxes/PERA.

Township Fire Contracts

During the audit we noted the payments received from various Townships for fire services were inconsistent year to year. It appears the current year and prior year amounts owed by one Township were all paid in the current year. We recommend the City implement signed agreements with Townships that receive fire services.

CITY OF CANTON

March 30, 2020

Hawkins Ash CPAs, LLP
500 South Second Street, Suite 200
La Crosse, WI 54601

This representation letter is provided in connection with your audit of the financial statements of the City of Canton, Minnesota as of December 31, 2019, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position and results of operations of the various opinion units of City of Canton in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 30, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 24, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the financial reporting provisions of the State of Minnesota's Office of the State Auditor.
10. All events subsequent to the date of the financial statements and for which the financial reporting provisions of the State of Minnesota's Office of the State Auditor requires adjustment or disclosure have been adjusted or disclosed.
11. We have recorded all audit adjustments including those that are immaterial.
12. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (FASB Accounting Standards Codification (ASC) 450, Contingencies), and we have not consulted a lawyer concerning litigation, claims, or assessments.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All funds and activities are properly classified.
15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
17. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
18. All interfund and intra-entity transactions and balances have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. With respect to nonattest services including preparation of financial statements and preparation of the State of Minnesota Financial Report we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

21. We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
24. We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
25. We have disclosed to you all information that we are aware of in relation to fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
26. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
27. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
28. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
29. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
30. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
31. We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.
32. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
33. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
34. There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).

35. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
36. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Hawkins Ash CPAs, LLP

Signed: Bruce Berger
Title: City Clerk / Treasurer

Signed: _____

Title: _____