

**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, 2020

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**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, 2020, and have issued our report thereon dated March 18, 2021. 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 December 8, 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 March 18, 2021.

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 2020. 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 March 18, 2021.

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,

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
March 18, 2021

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2020

Account	Description	Debit	Credit
Adjusting Journal Entry #1			
To move Mitson activity to special revenue funds.			
100-25302	Retained Earnings	26,263	
202-45127-001	Mitson Expense	2,204	
100-45127-001	Culture & Recreation Mitson Repair		1,329
100-45127-003	Culture & Recreation:Mitson		875
202-25302	Retained Earnings		26,263
TOTAL		28,467	28,467
Adjusting Journal Entry #2			
To move Bike Trail activity to special revenue funds.			
100-25302	Retained Earnings	5,000	
203-11900	Note Receivable	5,000	
100-23100	Promissory Note		5,000
203-25302	Retained Earnings		5,000
TOTAL		10,000	10,000
Adjusting Journal Entry #3			
To move Vail activity to special revenue funds.			
100-25302	Reained Earnings	125,366	
204-25302	Reained Earnings		125,366
TOTAL		125,366	125,366
Adjusting Journal Entry #4			
To adjust General Fund fund balance to match prior year ending.			
100-20700	Due to General	36,546	
100-21705	Accrued Payroll Payable	37,691	
100-39204	Transfers In Water, Sewer and Garbage	12,613	
100-14101	Undeposited Funds		1,407
100-20701	Due to Fire Dept		4,255
100-21704	Accrued Payroll Payable:PERA		37,691
100-25302	Retained Earnings		43,497
TOTAL		86,850	81,188
Adjusting Journal Entry #5			
To adjust Water/Sewer/Garbage beginning net position to match prior year financial statement ending net positions.			
601-11500	Accounts Receivable	871	
601-20200	Accounts Payable	4,915	
601-21800	MN Sales Tax payable	7,341	
601-26600	Unres. Retained Earnings	67,635	
601-11501	Undeposited Funds		78
601-19999	Lolly Error		489
601-20701	Due to General Fund		36,546
601-23100	GO Sewer Bond		23,406
601-37160	Water Revenue		7,630
601-49700	Transfer Out - General Checking		12,613
TOTAL		80,762	80,762
Adjusting Journal Entry #6			
To reclass net investment in capital assets for utility fund.			
601-26100	Investment in Capital Assets	372,320	
601-26600	Unres. Retained Earnings		372,320
TOTAL		372,320	372,320

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2020

Account	Description	Debit	Credit
Adjusting Journal Entry #7			
To record Water/ Sewer depreciation.			
601-49970-000	Depreciation	83,080	
601-16210	Sewer Plant Accum Depr		83,080
	TOTAL	83,080	83,080
Adjusting Journal Entry #8			
To eliminate amount in PERA payable account and record PERA expense.			
100-41400-107	Summary Employee City Clerk/Treasurer Expense PERA Contributions	4,391	
100-43100-107	Summary Employee Salaries Maintenance Full-time Expense PERA Contribution	257	
100-43100-107	Summary Employee Salaries Maintenance Full-time Expense PERA Contribution	9,170	
100-43200-107	Summary Employee Salaries Maintenance Part-time Expense PERA Contribution	2,479	
100-21704	Accrued Payroll Payable:PERA		16,297
	TOTAL	16,297	16,297
Adjusting Journal Entry #9			
To record interest income on CD's.			
100-10110	CD #18920 General CD	1,059	
100-10111	CD 18802- Liquor General	288	
100-10114	CD#44381 Parks/Rec Don Wilkens	113	
202-10113	Mitson CD #14018 Mat 3/4/10	368	
204-10114	Vail CD #18853 Mat/6/2/09	3,353	
601-10110	CD #16665	198	
601-10111	CD #16666	477	
601-10112	CD #16667	477	
601-10113	CD #16668	477	
601-10114	CD #16669	477	
100-36210	Interest Income		113
100-36210	Interest Income		288
100-36210	Interest Income		1,059
202-36210	Interest Income		368
204-36210	Interest Income		3,353
601-36210	Interest		2,106
	TOTAL	7,287	7,287
Adjusting Journal Entry #10			
To adjust Fire fund balance to match prior year ending.			
205-25302	Retained Earnings	700	
205-35001	Other Income		700
	TOTAL	700	700
Adjusting Journal Entry #11			
To record interest on water note as an expense.			
601-49990-000	Interest Expense Water	2,054	
601-23101	Water General Obligation Note		2,054
	TOTAL	2,054	2,054
Adjusting Journal Entry #12			
To record payments from water/sewer for payroll expense as a reduction of expenditures in the general fund rather than transfer in revenue.			
100-13102	Due from Water/Sewer	3,792	
100-13102	Due from Water/Sewer	10,610	
100-13102	Due from Water/Sewer	11,480	
100-13102	Due from Water/Sewer	20,863	
100-13102	Due from Water/Sewer	9,387	
100-39204	Transfers In Water, Sewer and Garbage		11,329
100-41400-102	Summary Employee City Clerk/Treasurer Salary Wage - Sewer/Water		1,970
100-41400-119	Summary Employer Tax Taxes Due		32,287
100-43100-102	Summary Employee Salaries Maintenance Full-time Salary Wage Sewer/Water		4,806
100-43200-102	Summary Employee Salaries Maintenance Part-time Salary P/T Wage Water/Sewer		5,740
	TOTAL	56,132	56,132

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2020

Account	Description	Debit	Credit
Adjusting Journal Entry #13			
To record enterprise fund payroll in expense account.			
601-39201	Transfer in - General	5,740	
601-49413-000	Administration Payroll	11,329	
601-49414-000	Maintenance Payroll	4,806	
601-49414-000	Maintenance Payroll	32,287	
601-49417-000	Payroll Expenses:Bi-weekly wages	1,970	
601-20701	Due to General Fund		11,480
601-49700	Transfer Out - General Checking		3,792
601-49700	Transfer Out - General Checking		9,387
601-49700	Transfer Out - General Checking		10,610
601-49700	Transfer Out - General Checking		20,863
	TOTAL	56,132	56,132
Adjusting Journal Entry #14			
To allocate FICA expense to appropriate functions.			
100-41400-106	Summary Employee City Clerk/Treasurer Expense FICA Contributions	4,798	
100-43100-106	Summary Employee Salaries Maintenance Full-time Expense FICA Contributions	1,420	
100-43100-106	Summary Employee Salaries Maintenance Full-time Expense FICA Contributions	10,126	
100-43200-106	Summary Employee Salaries Maintenance Part-time Expense FICA Contribution	2,708	
100-41400-119	Summary Employer Tax Taxes Due		19,052
	TOTAL	19,052	19,052
Adjusting Journal Entry #15			
To allocate payments to state and federal for taxes to appropriate functions.			
100-41400-108	Summary Employee City Clerk/Treasurer Expense Federal Tax	1,443	
100-41400-109	Summary Employee City Clerk/Treasurer Expense State Tax	845	
100-43100-108	Summary Employee Salaries Maintenance Full-time Expense Federal Tax	2,914	
100-43100-109	Summary Employee Salaries Maintenance Full-time Expense State Tax	2,685	
100-43200-108	Summary Employee Salaries Maintenance Part-time Expense Federal Tax	1,862	
100-43200-109	Summary Employee Salaries Maintenance Part-time Expense State Tax	889	
100-41400-118	Summary Employer Tax MN Withholding Taxes Due		3,154
100-41400-119	Summary Employer Tax Taxes Due		7,484
	TOTAL	10,638	10,638
Adjusting Journal Entry #16			
To record Waste Tax collected as revenue.			
601-21800	MN Sales Tax payable	1,839	
601-37320	Garbage Revenue Sales Tax Income		1,839
	TOTAL	1,839	1,839
Adjusting Journal Entry #17			
To record Sewer Bond interest expense.			
601-49980-000	Interest Expense Sewer	15,066	
601-23100	GO Sewer Bond		15,066
	TOTAL	15,066	15,066
Adjusting Journal Entry #18			
To record Fire's portion of insurance as an expense rather than a transfer.			
100-39203	Transfers In Fire Dept.	1,697	
205-42220-361	Insurance	1,697	
100-41430-361	General Government Insurance		1,697
205-20700	Due to General Acct		1,697
	TOTAL	3,394	3,394
Adjusting Journal Entry #19			
To record fire grant revenue in fire fund rather than transfer in from general.			
100-33403	Intergovernmental Revenue	527	
205-13100	Due from General	527	
100-49362-000	Transfers Out:Fire Dept		527
205-33440	Fire Department Reimbursement		527
	TOTAL	1,054	1,054

CITY OF CANTON, MINNESOTA
ADJUSTING JOURNAL ENTRIES
DECEMBER 31, 2020

Account	Description	Debit	Credit
<u>Adjusting Journal Entry #20</u>			
To record fire relief as revenue rather than due to.			
205-20701	Due to Fire Department	3,289	
205-33440	Fire Department Reimbursement		3,289
	TOTAL	<u>3,289</u>	<u>3,289</u>
<u>Adjusting Journal Entry #21</u>			
To record repayment of payroll amount mistakenly paid out of water/sewer as an expense in general fund and reduction of expense in water/sewer.			
100-41400-101	Summary Employee City Clerk/Treasurer Salary Wage -	1,522	
100-43100-101	Summary Employee Salaries Maintenance Full-time Salary Wage Public Works	1,523	
601-13100	Due from General Acct	3,045	
100-20702	Due to Water/Sewer Acct		3,045
601-49417-000	Payroll Expenses:Bi-weekly wages		3,045
	TOTAL	<u>6,090</u>	<u>6,090</u>
<u>Adjusting Journal Entry #22</u>			
To move reallocation of expenses to expense accounts rather than transfers.			
100-39204	Transfers In Water, Sewer and Garbage	34	
100-39204	Transfers In Water, Sewer and Garbage	41	
100-39204	Transfers In Water, Sewer and Garbage	2,942	
601-49430-000	Other Expenses:Miscellaneous	41	
601-49440-000	Other Expenses Insurance	2,942	
601-49450-000	Sewer Expenses:Repair & Maintenance	34	
100-36200	Miscellaneous		41
100-41430-361	General Government Insurance		2,942
100-41940-401	General Government Govt. Buildings		34
601-49700	Transfer Out - General Checking		34
601-49700	Transfer Out - General Checking		41
601-49700	Transfer Out - General Checking		2,942
	TOTAL	<u>6,034</u>	<u>6,034</u>
<u>Adjusting Journal Entry #23</u>			
To clear miscellaneous Due from accounts.			
100-13106	Due from Mitson Museum	15	
100-13109	Due from Other	1,881	
100-36200	Miscellaneous		1,896
	TOTAL	<u>1,896</u>	<u>1,896</u>
<u>Adjusting Journal Entry #24</u>			
To record payments made by general fund to other funds as expenditures.			
100-34101	Charges for Services:Rents and Dance Permits	150	
100-41670-000	General Government:Miscellaneous	15	
100-42210-001	Public Safety Fire	11,764	
601-39201	Transfer in - General	150	
100-49360-000	Transfers Out Water/Sewer Acct		150
100-49361-000	Transfers Out:General		15
100-49362-000	Transfers Out:Fire Dept		5,882
100-49362-000	Transfers Out:Fire Dept		5,882
601-37140	Water Revenue Other Charges		150
	TOTAL	<u>12,079</u>	<u>12,079</u>
<u>Adjusting Journal Entry #25</u>			
To convert to cash basis the due to/from between general and water/sewer for the June 2020 payroll that was paid from general to water/sewer.			
100-10101	General Checking #7040-045	11,480	
601-20701	Due to General Fund	11,480	
100-13102	Due from Water/Sewer		11,480
601-10101	Check Book Water/Sewer		11,480
	TOTAL	<u>22,960</u>	<u>22,960</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 31, 2020, 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:

2020-001 - 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.

2020-001 - 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 2019-001.

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.

2020-002 - 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 2019-002.

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.

2020-004 - 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 2019-004.

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
March 18, 2021

**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, 2020, and have issued our report, thereon, dated March 18, 2021.

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
March 18, 2021

MANAGEMENT ADVISORY COMMENT

CURRENT YEAR COMMENT

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 18, 2021

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, 2020, 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 18, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 8, 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 no knowledge of any 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 no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
27. We are not aware of any pending or threatened 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: Brock Berger
Title: City Clerk/Treasurer

Signed: _____

Title: _____