

CITY OF SCANDIA, MINNESOTA

**REPORT TO MEMBERS
OF GOVERNANCE**

MARCH 24, 2015

**CITY OF SCANDIA, MINNESOTA
TABLE OF CONTENTS**

Introductory Letter 1

Required Communications..... 2

Exhibit A – Summary of Recorded Audit Adjustments

March 24, 2015

Members of Governance
City of Scandia
Scandia, MN 55073

We are pleased to present this report related to our audit of the basic financial statements of the City of Scandia (the City) for the year ended December 31, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the members of governance and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
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CITY OF SCANDIA, MINNESOTA REQUIRED COMMUNICATIONS

Generally accepted auditing standards (AU-C260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Auditor's Responsibility under Professional Standards

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated October 22, 2013.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

Accounting Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. There are no accounting estimates that we have deemed significant to the financial statements.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Uncorrected misstatements related to a General Fund receivable that was overstated at December 31, 2013, which has a direct impact on the net change in fund balance for the year ended December 31, 2014.

Audit adjustments recorded by the Organization are shown on the attached Exhibit A.

**CITY OF SCANDIA, MINNESOTA
REQUIRED COMMUNICATIONS**

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses

We have separately communicated the material weaknesses and a significant deficiency identified during our audit of the financial statements, and this communication is included within the compliance section of the City's financial report for the year ended December 31, 2014.

Certain Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated March 24, 2015.

EXHIBIT A

**SUMMARY OF RECORDED
AUDIT ADJUSTMENTS**

Client: **City of Scandia**
 Engagement: **12-14 AUD - City of Scandia**
 Period Ending: **12/31/2014**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To tie out beginning fund balance in the general fund to the 2013 ending fund balance. Resulting from an entry posted to fund balance during 2014.			
101-24400	Fund Balance For Quinnell	403.00	
101-25300	Unreserved Fund Balance	403.00	
101-28400	Reserved for Quinnell		403.00
101-41000-36210	Interest Income		403.00
Total		806.00	806.00
Adjusting Journal Entries JE # 2			
To tie out special assessments.			
307-22200	Special Assessment Revenue	15,727.00	
602-12300	Special Assess Rec-Deferred	233.00	
307-12300	Special Assess Rec-Deferred		15,727.00
602-43210-36100	Special Assessments		233.00
Total		15,960.00	15,960.00
Adjusting Journal Entries JE # 3			
To record Business-type capital asset addition.			
602-16400	Machinery and Equipment	21,275.00	
602-43210-530	Capital Impr Other Than Bldgs		21,275.00
Total		21,275.00	21,275.00
Adjusting Journal Entries JE # 4			
To record proprietary fund depreciation.			
602-43210-420	Depreciation Expense	30,236.00	
612-43210-420	Depreciation Expense	4,876.00	
602-16310	Accumulative Depreciation		30,236.00
612-16310	Accumulative Depreciation		4,876.00
Total		35,112.00	35,112.00
Adjusting Journal Entries JE # 5			
To adjust accounts receivable.			
602-10425	Misc Receivables	896.00	
602-43210-34401	Sewer User Fees & Hookup		896.00
Total		896.00	896.00
Adjusting Journal Entries JE # 6			
To adjust driveway deposits to actual.			
101-41910-32210	Building Permits	7,045.00	
101-20202	Deposits Payble		4,945.00
101-41910-439	Refunds Issued		2,100.00
Total		7,045.00	7,045.00

Client: **City of Scandia**
Engagement: **12-14 AUD - City of Scandia**
Period Ending: **12/31/2014**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
To adjust prepaid health insurance			
101-15601	Prepaid Insurance	4,818.00	
101-21706	Accrued Medical Ins		669.00
101-41000-131	Employer Paid Health		833.00
101-43000-131	Employer Paid Health		3,316.00
Total		<u>4,818.00</u>	<u>4,818.00</u>
Adjusting Journal Entries JE # 8			
To record unearned revenue for hall rental receipts.			
101-45000-34790	Recreation Programs	1,709.00	
101-45180-34750	Facilities Rental	935.00	
101-22202	DEFERRED REVENUE		2,644.00
Total		<u>2,644.00</u>	<u>2,644.00</u>
Adjusting Journal Entries JE # 9			
To adjust inventory to actual.			
101-43000-229	Salt	2,583.00	
101-14100	Inventory		2,583.00
Total		<u>2,583.00</u>	<u>2,583.00</u>
Adjusting Journal Entries JE # 10			
To adjust delinquent taxes.			
101-22201	Deferred Rev Delinquent Tax	10,346.00	
101-10700	Taxes Receivable-Delinquent		10,346.00
Total		<u>10,346.00</u>	<u>10,346.00</u>
Adjusting Journal Entries JE # 11			
To adjust miscellaneous receivables			
101-10425	Misc Receivables	17,376.00	
101-41000-36250	Misc. Refund		500.00
101-41910-34103	Zoning and Planning		94.00
101-41910-34103	Zoning and Planning		210.00
101-41910-34103	Zoning and Planning		559.00
101-41910-34103	Zoning and Planning		1,000.00
101-43000-31701	Gravel Taxes		14,240.00
101-43000-34106	Engineering Fees		313.00
101-43000-34106	Engineering Fees		460.00
Total		<u>17,376.00</u>	<u>17,376.00</u>

Client: **City of Scandia**
 Engagement: **12-14 AUD - City of Scandia**
 Period Ending: **12/31/2014**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 12			
To record repayment of interfund loan.			
401-10100	Cash	2,640.00	
612-23901	LONG-TERM LIABILITY	2,640.00	
401-10600	DUE FROM OTHER FUNDS		2,640.00
612-10100	Cash		2,640.00
Total		5,280.00	5,280.00

Adjusting Journal Entries JE # 13
 To reverse client posted A/P

101-20200	Accounts Payable	3,546.00	
101-20200	Accounts Payable	151,850.00	
602-20200	Accounts Payable	4,577.00	
612-20200	Accounts Payable	1,886.00	
101-41000-200	Office Supplies		13.00
101-41000-210	Operating Supplies		9.00
101-41000-210	Operating Supplies		80.00
101-41000-300	Assessor		9,880.00
101-41000-304	Legal Services		2,613.00
101-41000-313	Committee & Commission Reimbur		60.00
101-41000-317	Employee Training		15.00
101-41000-321	Telephone		64.00
101-41000-351	Legal Notices Publishing		56.00
101-41000-361	Liability/Property Ins		2,593.00
101-41000-438	Misc. Contractual		858.00
101-41000-439	Refunds Issued		2,500.00
101-41910-311	Contract Permit Inspections		3,662.00
101-41910-312	Planning Services		1,863.00
101-41910-319	Other Services		78.00
101-41910-319	Other Services		3,546.00
101-41910-438	Misc. Contractual		738.00
101-41910-439	Refunds Issued		30.00
101-42100-318	Police Contract		62,653.00
101-42200-209	Medical Supplies		523.00
101-42200-210	Operating Supplies		1,766.00
101-42200-211	Cleaning Supplies		111.00
101-42200-212	Fuel		194.00
101-42200-217	Turnout Gear & Uniforms		44.00
101-42200-240	Small Tools and Minor Equip		290.00
101-42200-309	Software Support & Maintenance		16.00
101-42200-309	Software Support & Maintenance		2,400.00
101-42200-319	Other Services		50.00
101-42200-361	Liability/Property Ins		8,647.00
101-42200-381	Utilities-Electric & Gas		1,243.00
101-42200-384	Refuse/Garbage Disposal		62.00
101-42200-401	Building Maintenance/Repairs		755.00
101-42200-404	Repair Machinery/Equipment		2,984.00
101-43000-200	Office Supplies		26.00
101-43000-210	Operating Supplies		1,103.00
101-43000-212	Fuel		1,567.00

Client: **City of Scandia**
Engagement: **12-14 AUD - City of Scandia**
Period Ending: **12/31/2014**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
101-43000-221	Equipment Parts		128.00
101-43000-221	Equipment Parts		3,361.00
101-43000-224	Materials for Road Maintenance		110.00
101-43000-229	Salt		3,440.00
101-43000-240	Small Tools and Minor Equip		312.00
101-43000-303	Engineering Fees		1,782.00
101-43000-319	Other Services		168.00
101-43000-321	Telephone		170.00
101-43000-331	Travel Expenses		51.00
101-43000-361	Liability/Property Ins		11,504.00
101-43000-381	Utilities-Electric & Gas		842.00
101-43000-384	Refuse/Garbage Disposal		41.00
101-43000-387	Street Light Utilities		705.00
101-43000-401	Building Maintenance/Repairs		178.00
101-43000-405	Contractual Road Maint/Repair		2,334.00
101-43000-438	Misc. Contractual		1,440.00
101-45000-141	Unemployment Compensation		1,053.00
101-45000-210	Operating Supplies		815.00
101-45000-212	Fuel		17.00
101-45000-319	Other Services		12.00
101-45000-340	Advertising		150.00
101-45000-353	Sales Tax		7.00
101-45000-361	Liability/Property Ins		5,784.00
101-45000-381	Utilities-Electric & Gas		421.00
101-45000-385	Sewer Pumping & Maintenance		365.00
101-45000-401	Building Maintenance/Repairs		523.00
101-45000-401	Building Maintenance/Repairs		592.00
101-45000-404	Repair Machinery/Equipment		10.00
101-45000-439	Refunds Issued		118.00
101-45000-440	Events		115.00
101-45180-210	Operating Supplies		150.00
101-45180-361	Liability/Property Ins		2,720.00
101-45180-381	Utilities-Electric & Gas		1,230.00
101-45180-384	Refuse/Garbage Disposal		123.00
101-45180-385	Sewer Pumping & Maintenance		597.00
101-45180-401	Building Maintenance/Repairs		936.00
602-43210-317	Employee Training		34.00
602-43210-321	Telephone		120.00
602-43210-361	Liability/Property Ins		792.00
602-43210-381	Utilities-Electric & Gas		182.00
602-43210-404	Repair Machinery/Equipment		2,450.00
602-43210-530	Capital Impr Other Than Bldgs		999.00
612-43210-317	Employee Training		11.00
612-43210-381	Utilities-Electric & Gas		148.00
612-43210-404	Repair Machinery/Equipment		186.00
612-43210-530	Capital Impr Other Than Bldgs		1,541.00
Total		161,859.00	161,859.00

Client: **City of Scandia**
Engagement: **12-14 AUD - City of Scandia**
Period Ending: **12/31/2014**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 14			
To record accounts payable			
101-41000-151	Worker s Comp Insurance Prem	109.00	
101-41000-200	Office Supplies	13.00	
101-41000-210	Operating Supplies	80.00	
101-41000-300	Assessor	8,380.00	
101-41000-304	Legal Services	2,613.00	
101-41000-313	Committee & Commission Reimbur	60.00	
101-41000-317	Employee Training	15.00	
101-41000-321	Telephone	64.00	
101-41000-351	Legal Notices Publishing	56.00	
101-41000-361	Liability/Property Ins	234.00	
101-41000-438	Misc. Contractual	9.00	
101-41000-438	Misc. Contractual	858.00	
101-41000-439	Refunds Issued	2,500.00	
101-41910-311	Contract Permit Inspections	3,662.00	
101-41910-312	Planning Services	1,863.00	
101-41910-319	Other Services	78.00	
101-41910-438	Misc. Contractual	738.00	
101-41910-439	Refunds Issued	30.00	
101-42100-318	Police Contract	62,653.00	
101-42200-151	Worker s Comp Insurance Prem	541.00	
101-42200-209	Medical Supplies	523.00	
101-42200-210	Operating Supplies	1,766.00	
101-42200-211	Cleaning Supplies	111.00	
101-42200-212	Fuel	194.00	
101-42200-217	Turnout Gear & Uniforms	44.00	
101-42200-309	Software Support & Maintenance	2,417.00	
101-42200-319	Other Services	50.00	
101-42200-361	Liability/Property Ins	721.00	
101-42200-381	Utilities-Electric & Gas	1,243.00	
101-42200-384	Refuse/Garbage Disposal	62.00	
101-42200-401	Building Maintenance/Repairs	290.00	
101-42200-401	Building Maintenance/Repairs	755.00	
101-43000-151	Worker s Comp Insurance Prem	1,970.00	
101-43000-200	Office Supplies	26.00	
101-43000-210	Operating Supplies	1,103.00	
101-43000-212	Fuel	1,567.00	
101-43000-221	Equipment Parts	3,489.00	
101-43000-224	Materials for Road Maintenance	110.00	
101-43000-229	Salt	3,440.00	
101-43000-240	Small Tools and Minor Equip	312.00	
101-43000-303	Engineering Fees	1,782.00	
101-43000-319	Other Services	168.00	
101-43000-321	Telephone	170.00	
101-43000-331	Travel Expenses	51.00	
101-43000-361	Liability/Property Ins	959.00	
101-43000-381	Utilities-Electric & Gas	842.00	
101-43000-384	Refuse/Garbage Disposal	41.00	
101-43000-387	Street Light Utilities	705.00	
101-43000-401	Building Maintenance/Repairs	177.00	

Client: **City of Scandia**
Engagement: **12-14 AUD - City of Scandia**
Period Ending: **12/31/2014**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
101-43000-405	Contractual Road Maint/Repair	2,334.00	
101-43000-438	Misc. Contractual	1,400.00	
101-45000-141	Unemployment Compensation	1,053.00	
101-45000-151	Worker s Comp Insurance Prem	1.00	
101-45000-151	Worker s Comp Insurance Prem	94.00	
101-45000-210	Operating Supplies	815.00	
101-45000-212	Fuel	17.00	
101-45000-319	Other Services	12.00	
101-45000-340	Advertising	150.00	
101-45000-353	Sales Tax	7.00	
101-45000-361	Liability/Property Ins	482.00	
101-45000-381	Utilities-Electric & Gas	421.00	
101-45000-385	Sewer Pumping & Maintenance	365.00	
101-45000-401	Building Maintenance/Repairs	1,115.00	
101-45000-404	Repair Machinery/Equipment	10.00	
101-45000-439	Refunds Issued	118.00	
101-45000-440	Events	115.00	
101-45180-361	Liability/Property Ins	150.00	
101-45180-361	Liability/Property Ins	227.00	
101-45180-381	Utilities-Electric & Gas	1,230.00	
101-45180-384	Refuse/Garbage Disposal	119.00	
101-45180-385	Sewer Pumping & Maintenance	597.00	
101-45180-401	Building Maintenance/Repairs	936.00	
602-43210-151	Liability/Property Insurance	121.00	
602-43210-317	Employee Training	34.00	
602-43210-321	Telephone	120.00	
602-43210-361	Liability/Property Ins	66.00	
602-43210-381	Utilities-Electric & Gas	182.00	
602-43210-404	Repair Machinery/Equipment	999.00	
602-43210-404	Repair Machinery/Equipment	2,450.00	
612-43210-151	Property/Liability Insurance	40.00	
612-43210-317	Employee Training	11.00	
612-43210-361	Liability/Property Ins	16.00	
612-43210-381	Utilities-Electric & Gas	148.00	
612-43210-404	Repair Machinery/Equipment	1,541.00	
101-20200	Accounts Payable		121,412.00
602-20200	Accounts Payable		3,972.00
612-20200	Accounts Payable		1,756.00
Total		127,140.00	127,140.00

Adjusting Journal Entries JE # 15

To adjust payroll accruals to actual.

101-21600	Accrued Wages & Salaries Payab	2,096.00	
101-41000-101	Regular Wages & Salaries		733.00
101-43000-101	Regular Wages & Salaries		1,153.00
101-45000-101	Regular Wages & Salaries		210.00
Total		2,096.00	2,096.00

Client: **City of Scandia**
 Engagement: **12-14 AUD - City of Scandia**
 Period Ending: **12/31/2014**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 16			
To record due to, due from related to negative cash.			
101-10600	DUE FROM OTHER FUNDS	2,300.00	
612-10100	Cash	2,300.00	
101-10100	Cash		2,300.00
612-23000	DUE TO OTHER FUNDS		2,300.00
Total		<u>4,600.00</u>	<u>4,600.00</u>
Adjusting Journal Entries JE # 17			
To close 310 fund.			
307-10100	Cash	19,321.00	
310-47000-720	Operating Transfers	19,321.00	
307-47000-39203	Transfers from Other Funds		19,321.00
310-10100	Cash		19,321.00
Total		<u>38,642.00</u>	<u>38,642.00</u>