

CITY OF SCANDIA, MINNESOTA

**REPORT TO MEMBERS
OF GOVERNANCE**

APRIL 8, 2014

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

Introductory Letter 1

Required Communications..... 2

Exhibit A – Summary of Recorded Audit Adjustments

Exhibit B – Certain Written Communications Between Management and Our Firm

Exhibit B-1 – Sample Management Representation Letter

April 8, 2014

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, 2013. 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.
St. Cloud, Minnesota

St. Cloud

630 Roosevelt Rd. Ste. 201
P.O. Box 1496
St. Cloud, MN 56302
320.251.0286

Little Falls

109 E. Broadway
P.O. Box 365
Little Falls, MN 56345
320.632.6311

Albany

115 6th St.
P.O. Box 268
Albany, MN 56307
320.845.2940

Maple Lake

220 Hwy. 55 North, Ste. 4
P.O. Box 385
Maple Lake, MN 55358
320.963.5414

Monticello

202 W. 3rd St.
P.O. Box 755
Monticello, MN 55362
763.295.5070

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.

Effective December 31, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position.

The City also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items that were previously reported as assets and liabilities and deferred outflows resources, deferred inflows of resources or current-period outflows and inflows.

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.

**CITY OF SCANDIA, MINNESOTA
REQUIRED COMMUNICATIONS**

Audit Adjustments

Audit adjustments proposed by us and recorded by the City are shown on the attached Exhibit A.

Uncorrected Misstatements

Uncorrected misstatements are summarized in the Sample Management Representation Letter included in Exhibit B-1.

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 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, 2013.

Certain Written Communications Between Management and Our Firm

A copy of the draft representation letter to be provided to us by management is attached as Exhibit B-1.

EXHIBIT A

**SUMMARY OF RECORDED
AUDIT ADJUSTMENTS**

Client: **3559 - City of Scandia**
 Engagement: **12-13 aud - City of Scandia**
 Period Ending: **12/31/2013**
 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 100				
To adjust for miscellaneous the accounts receivable.				
101-10425	Misc Receivables		93.00	
101-10425	Misc Receivables		4,897.00	
101-10100	Cash			4,897.00
101-41000-210	Operating Supplies			93.00
Total			4,990.00	4,990.00
Adjusting Journal Entries JE # 101				
Minor corrections to accounts payable.				
602-20200	Accounts Payable		811.00	
612-20200	Accounts Payable		341.00	
602-43210-386	Operation & Maintenance			811.00
612-43210-386	Operation & Maintenance			341.00
Total			1,152.00	1,152.00
Adjusting Journal Entries JE # 102				
To record January 2014 settlement statement.				
101-10500	Taxes Receivable-Current		32,424.00	
101-41000-31000	Washington Cty. Tax Settlement			5,925.00
101-41110-31000	Washington Cty. Tax Settlement			373.00
101-41410-31000	Washington Cty. Tax Settlement			9.00
101-41910-31000	Washington Cty. Tax Settlement			357.00
101-42100-31000	Washington Cty. Tax Settlement			2,233.00
101-42200-31000	Washington Cty. Tax Settlement			5,452.00
101-43000-31000	Washington Cty. Tax Settlement			16,621.00
101-45000-31000	Washington Cty. Tax Settlement			857.00
101-45180-31000	Washington Cty. Tax Settlement			597.00
Total			32,424.00	32,424.00
Adjusting Journal Entries JE # 103				
To adjust bond proceeds				
313-10100	Cash		560,570.00	
313-47000-304	Legal Services		9,690.00	
406-48500-39350	Certificate of Indebtedness		560,570.00	
313-47000-611	Long Term Debt Interest			260.00
313-48500-39350	NEW 2013 ACCT Certificates of Indebtedness			9,430.00
313-48500-39350	NEW 2013 ACCT Certificates of Indebtedness			560,570.00
406-10100	Cash			560,570.00
Total			1,130,830.00	1,130,830.00
Adjusting Journal Entries JE # 104				
To record transfer of bond proceeds to capital project fund				
313-48000-720	NEW 2013 ACCOUNT Operating Transfers		544,454.00	
406-10100	Cash		544,454.00	
313-10100	Cash			544,454.00
406-48500-39200	Interfund Operating Transfer			544,454.00
Total			1,088,908.00	1,088,908.00
Adjusting Journal Entries JE # 105				

Client: 3559 - City of Scandia
 Engagement: 12-13 aud - City of Scandia
 Period Ending: 12/31/2013
 Trial Balance: 3000.00 - TB
 Workpaper: 0204.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
To reclass property taxes				
311-10100	Cash		2,100.00	
312-47000-31000	Washington Cty. Tax Settlement		2,100.00	
311-47000-31000	Washington Cty. Tax Settlement			2,100.00
312-10100	Cash			2,100.00
Total			4,200.00	4,200.00
Adjusting Journal Entries JE # 106				
To correct interest income allocation entry posted by client				
101-10100	Cash		619.00	
101-24400	Fund Balance For Quinnell		619.00	
101-41000-36210	Interest Income			619.00
101-41000-36210	Interest Income			619.00
Total			1,238.00	1,238.00
Adjusting Journal Entries JE # 107				
To adjust special assessment receivable to actual				
307-22200	Special Assessment Revenue		19,633.00	
602-43210-36100	Special Assessments		4,226.00	
307-12300	Special Assess Rec-Deferred			19,633.00
602-12300	Special Assess Rec-Deferred			4,226.00
Total			23,859.00	23,859.00
Adjusting Journal Entries JE # 108				
To tie out fund balance				
101-10100	Cash		2,133.00	
101-25300	Unreserved Fund Balance		292.00	
612-25300	Unreserved Fund Balance		2,133.00	
101-10700	Taxes Receivable-Delinquent			292.00
101-25300	Unreserved Fund Balance			2,133.00
612-10100	Cash			2,133.00
Total			4,558.00	4,558.00
Adjusting Journal Entries JE # 109				
To adjust for driveway permits				
101-41910-32210	Building Permits		4,995.00	
101-20202	Deposits Payble			1,250.00
101-41910-439	Refunds Issued			3,745.00
Total			4,995.00	4,995.00
Adjusting Journal Entries JE # 110				
To record unearned revenue for half rental receipts per the client.				
101-45180-34750	Facilities Rental		635.00	
101-22202	DEFERRED REVENUE			635.00
Total			635.00	635.00
Adjusting Journal Entries JE # 111				
To record prepaid health insurance.				
101-15601	Prepaid Insurance		2,962.00	
101-41000-131	Employer Paid Health			582.00

Client: 3559 - City of Scandia
 Engagement: 12-13 aud - City of Scandia
 Period Ending: 12/31/2013
 Trial Balance: 3000.00 - TB
 Workpaper: 0204.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
101-43000-131	Employer Paid Health			2,380.00
Total			2,962.00	2,962.00

Adjusting Journal Entries JE # 112 5200.05
 To record accrued year end wages payable

101-41000-101	Regular Wages & Salaries		2,338.00	
101-41000-121	PERA Coord. Employer Contribu.		144.00	
101-41000-122	FICA Employer Contribution		2,552.00	
101-41000-131	Employer Paid Health		207.00	
101-41000-134	Employer Paid Life		37.00	
101-41110-101	Regular Wages & Salaries		3,913.00	
101-41110-126	MEDICARE Employer Contribution		59.00	
101-41110-127	PERA Defined		206.00	
101-42200-101	Regular Wages & Salaries		10,532.00	
101-42200-122	FICA Employer Contribution		968.00	
101-21600	Accrued Wages & Salaries Payab			16,257.00
101-21701	Federal Withholding			368.00
101-21702	State Withholding			157.00
101-21703	FICA Tax Withholding			3,578.00
101-21704	PERA			350.00
101-21706	Accrued Medical Ins			207.00
101-21710	Suppl. Life Ins. Employee Paid			37.00
Total			20,954.00	20,954.00

Adjusting Journal Entries JE # 113
 To record receivables.

101-10425	Misc Receivables		21,847.00	
602-10425	Misc Receivables		11,960.00	
612-10425	Misc Receivables		2,101.00	
101-41000-34102	Legal Services			253.00
101-41000-35101	Fines & Forfeitures			970.00
101-41000-38050	Cable TV Franchise Rebates			763.00
101-41910-32210	Building Permits			75.00
101-41910-32210	Building Permits			318.00
101-41910-34103	Zoning and Planning			4.00
101-41910-34103	Zoning and Planning			1,852.00
101-41910-34103	Zoning and Planning			3,448.00
101-43000-31701	Gravel Taxes			11,108.00
101-43000-34106	Engineering Fees		214.00	
101-43000-34106	Engineering Fees		270.00	
101-43000-34106	Engineering Fees		330.00	
101-43000-36250	Misc. Refund			2,092.00
101-45180-34750	Facilities Rental			150.00
602-43210-34401	Sewer User Fees & Hookup			11,960.00
612-43210-34401	Sewer User Fees & Hookup			2,101.00
Total			35,908.00	35,908.00

Adjusting Journal Entries JE # 114
 To adjust inventory to actual per the client.

101-14100	Inventory		1,410.00	
101-43000-229	Salt			1,410.00
Total			1,410.00	1,410.00

Adjusting Journal Entries JE # 115

Client: 3559 - City of Scandia
 Engagement: 12-13 aud - City of Scandia
 Period Ending: 12/31/2013
 Trial Balance: 3000.00 - TB
 Workpaper: 0204.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
To reclassify interfund activity.				
101-23000	DUE TO OTHER FUNDS		25,104.00	
612-23901	LONG-TERM LIABILITY		2,640.00	
101-20710	Due to Other Funds			25,104.00
612-43210-603	Short-Term Debt Principal			2,640.00
Total			27,744.00	27,744.00

Adjusting Journal Entries JE # 116
to correct client posted journal entry.

101-41910-312	Planning Services		14,088.00	
101-20200	Accounts Payable			14,088.00
Total			14,088.00	14,088.00

Adjusting Journal Entries JE # 117
To record accounts payable per listing provided by the client.

101-21710	Suppl. Life Ins. Employee Paid		9.00	
101-41000-134	Employer Paid Life		2.00	
101-41000-200	Office Supplies		168.00	
101-41000-203	Printed Forms & Papers		284.00	
101-41000-300	Assessor		7,906.00	
101-41000-304	Legal Services		825.00	
101-41000-304	Legal Services		1,363.00	
101-41000-321	Telephone		59.00	
101-41000-321	Telephone		189.00	
101-41000-322	Postage		200.00	
101-41000-331	Travel Expenses		23.00	
101-41000-353	Sales Tax		12.00	
101-41000-413	Equipment Rental		377.00	
101-41000-437	Cable TV Franchise		763.00	
101-41000-439	Refunds Issued		500.00	
101-41000-439	Refunds Issued		500.00	
101-41000-439	Refunds Issued		500.00	
101-41000-439	Refunds Issued		1,000.00	
101-41110-331	Travel Expenses		101.00	
101-41910-311	Contract Permit Inspections		896.00	
101-41910-311	Contract Permit Inspections		1,064.00	
101-41910-312	Planning Services		1,284.00	
101-41910-319	Other Services		15,980.00	
101-42100-318	Police Contract		60,514.00	
101-42200-210	Operating Supplies		79.00	
101-42200-210	Operating Supplies		135.00	
101-42200-210	Operating Supplies		155.00	
101-42200-212	Fuel		53.00	
101-42200-212	Fuel		306.00	
101-42200-240	Small Tools and Minor Equip		1,011.00	
101-42200-309	Software Support & Maintenance		850.00	
101-42200-309	Software Support & Maintenance		2,400.00	
101-42200-310	Medical Training		3,780.00	
101-42200-321	Telephone		150.00	
101-42200-353	Sales Tax		6.00	
101-42200-353	Sales Tax		81.00	
101-42200-384	Refuse/Garbage Disposal		64.00	
101-42200-385	Sewer Pumping & Maintenance		237.00	
101-42200-401	Building Maintenance/Repairs		60.00	
101-42200-404	Repair Machinery/Equipment		89.00	

Client: **3559 - City of Scandia**
 Engagement: **12-13 aud - City of Scandia**
 Period Ending: **12/31/2013**
 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
101-42200-407	Well Repair & Maintenance		90.00	
101-42200-560	Furniture and Fixtures		355.00	
101-43000-134	Employer Paid Life		5.00	
101-43000-200	Office Supplies		142.00	
101-43000-210	Operating Supplies		11.00	
101-43000-210	Operating Supplies		20.00	
101-43000-210	Operating Supplies		22.00	
101-43000-210	Operating Supplies		41.00	
101-43000-210	Operating Supplies		79.00	
101-43000-210	Operating Supplies		141.00	
101-43000-212	Fuel		4,364.00	
101-43000-221	Equipment Parts		224.00	
101-43000-229	Salt		9,781.00	
101-43000-240	Small Tools and Minor Equip		89.00	
101-43000-240	Small Tools and Minor Equip		669.00	
101-43000-302	Surveying		750.00	
101-43000-303	Engineering Fees		1,934.00	
101-43000-319	Other Services		55.00	
101-43000-319	Other Services		107.00	
101-43000-319	Other Services		117.00	
101-43000-319	Other Services		121.00	
101-43000-321	Telephone		88.00	
101-43000-321	Telephone		413.00	
101-43000-353	Sales Tax		1.00	
101-43000-353	Sales Tax		2.00	
101-43000-353	Sales Tax		5.00	
101-43000-353	Sales Tax		6.00	
101-43000-353	Sales Tax		27.00	
101-43000-353	Sales Tax		155.00	
101-43000-353	Sales Tax		672.00	
101-43000-381	Utilities-Electric & Gas		2,298.00	
101-43000-384	Refuse/Garbage Disposal		43.00	
101-43000-385	Sewer Pumping & Maintenance		193.00	
101-43000-387	Street Light Utilities		73.00	
101-43000-387	Street Light Utilities		258.00	
101-43000-401	Building Maintenance/Repairs		40.00	
101-43000-401	Building Maintenance/Repairs		136.00	
101-43000-438	Misc. Contractual		3,504.00	
101-45000-141	Unemployment Compensation		740.00	
101-45000-200	Office Supplies		4.00	
101-45000-210	Operating Supplies		5.00	
101-45000-210	Operating Supplies		202.00	
101-45000-212	Fuel		100.00	
101-45000-240	Small Tools and Minor Equip		267.00	
101-45000-319	Other Services		48.00	
101-45000-340	Advertising		150.00	
101-45000-353	Sales Tax		1.00	
101-45000-353	Sales Tax		19.00	
101-45000-353	Sales Tax		32.00	
101-45000-353	Sales Tax		33.00	
101-45000-353	Sales Tax		67.00	
101-45000-381	Utilities-Electric & Gas		17.00	
101-45000-381	Utilities-Electric & Gas		526.00	
101-45000-385	Sewer Pumping & Maintenance		125.00	
101-45000-401	Building Maintenance/Repairs		485.00	
101-45000-438	Misc. Contractual		768.00	
101-45180-210	Operating Supplies		62.00	
101-45180-210	Operating Supplies		159.00	

Client: **3559 - City of Scandia**
 Engagement: **12-13 aud - City of Scandia**
 Period Ending: **12/31/2013**
 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
101-45180-353	Sales Tax		24.00	
101-45180-353	Sales Tax		27.00	
101-45180-384	Refuse/Garbage Disposal		127.00	
101-45180-385	Sewer Pumping & Maintenance		194.00	
101-45180-401	Building Maintenance/Repairs		183.00	
101-45180-401	Building Maintenance/Repairs		395.00	
101-45180-407	Well Repair & Maintenance		90.00	
401-48000-520	Capital Improvements to Bldgs		1,100.00	
602-43210-200	Office Supplies		62.00	
602-43210-321	Telephone		215.00	
602-43210-381	Utilities-Electric & Gas		9.00	
602-43210-381	Utilities-Electric & Gas		39.00	
602-43210-386	Operation & Maintenance		1,622.00	
612-43210-200	Office Supplies		21.00	
612-43210-351	Legal Notices Publishing		56.00	
612-43210-381	Utilities-Electric & Gas		58.00	
612-43210-386	Operation & Maintenance		681.00	
101-20200	Accounts Payable			135,856.00
401-20200	Accounts Payable			1,100.00
602-20200	Accounts Payable			1,947.00
612-20200	Accounts Payable			816.00
Total			139,719.00	139,719.00

Adjusting Journal Entries JE # 118

To adjust for delinquent property taxes

101-10700	Taxes Receivable-Delinquent		9,935.00	
101-41000-31000	Washington Cty. Tax Settlement		606.00	
307-22201	Deferred Rev Delinquent Tax		15.00	
307-47000-31000	Washington Cty. Tax Settlement		44.00	
310-22201	Deferred Rev Delinquent Tax		6.00	
310-47000-31000	Washington Cty. Tax Settlement		17.00	
401-22201	Deferred Rev Delinquent Tax		2.00	
401-48000-31000	Washington Cty. Tax Settlement		5.00	
101-10500	Taxes Receivable-Current			7,205.00
101-10700	Taxes Receivable-Delinquent			606.00
101-22201	Deferred Rev Delinquent Tax			2,730.00
307-10700	Taxes Receivable-Delinquent			59.00
310-10700	Taxes Receivable-Delinquent			23.00
401-10700	Taxes Receivable-Delinquent			7.00
Total			10,630.00	10,630.00

Adjusting Journal Entries JE # 119

To zero out the balances in the 304 fund, which has been closed.

304-25500	DESIGNATED FOR DEBT SERVICE		135,042.00	
304-25300	Unreserved Fund Balance			135,042.00
Total			135,042.00	135,042.00

Adjusting Journal Entries JE # 120

To record depreciation expense in the proprietary funds.

602-43210-420	Depreciation Expense		30,000.00	
612-43210-420	Depreciation Expense		4,877.00	
602-16310	Accumulative Depreciation			30,000.00
612-16310	Accumulative Depreciation			4,877.00
Total			34,877.00	34,877.00

Client: 3559 - City of Scandia
 Engagement: 12-13 aud - City of Scandia
 Period Ending: 12/31/2013
 Trial Balance: 3000.00 - TB
 Workpaper: 0204.00 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 121				
To record the revenue from the state paid directly to the City's Firefighter Retirement Plan.				
101-42200-324	State of MN-Fire Relief		24,720.00	
101-42200-33420	Fire Relief from Ins. Prem.			24,720.00
Total			24,720.00	24,720.00
Adjusting Journal Entries JE # 122				
Per Colleen - to record an additional payable at 12/31/13.				
101-42200-310	Medical Training		7,200.00	
101-20200	Accounts Payable			7,200.00
Total			7,200.00	7,200.00
Adjusting Journal Entries JE # 123				
Per the client - to record a refund the City received in 2014 from BCBS for 2013 premiums paid. The City changed health insurance providers				
101-10425	Misc Receivables		4,897.00	
101-41000-131	Employer Paid Health			1,041.00
101-43000-131	Employer Paid Health			3,856.00
Total			4,897.00	4,897.00

EXHIBIT B

**CERTAIN WRITTEN COMMUNICATIONS
BETWEEN MANAGEMENT
AND OUR FIRM**

Such communications include:

Exhibit B-1 Sample Management Representation Letter

EXHIBIT B-1

**CERTAIN WRITTEN COMMUNICATIONS
BETWEEN MANAGEMENT
AND OUR FIRM**

Sample Management Representation Letter

**CITY OF SCANDIA
SCANDIA, MINNESOTA**

April 8, 2014

Schlenner Wenner & Co.
St. Cloud, MN 56302

This representation letter is provided in connection with your audit of the basic financial statements of the City of Scandia, Minnesota, as of and for the year ended December 31, 2013 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm to the best of our knowledge and belief, as of April 8, 2014:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated October 22, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with US. GAAP.
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. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related party transactions and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation, claims and assessments, have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
8. We are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No. 10 and we have not consulted a lawyer concerning litigation claims or assessments.
9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statement.

10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and OMB Circular No. A-133, because we have not received, expended, or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
11. We believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the opinion units of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in 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.

GENERAL FUND DESCRIPTION	ASSETS O/(U)	LIABILITIES O/(U)	NET POSITION O/(U)	REVENUE/EXPENSE- O/(U) BASED ON TYPE		CHANGE IN NET POSITION O/(U)
				REVENUE O/(U)	EXPENSE O/(U)	
<u>CURRENT YEAR MISSTATEMENTS:</u>						
Accounts receivable overstated	\$ 4,897	\$ -	\$ 4,897	\$ -	\$ (4,897)	\$ 4,897
<u>EFFECT OF PRIOR YEAR REVERSING MISSTATEMENTS:</u>						
Reversed - Prior year payroll accruals overstated				-	2,603	(2,603)
Nonreversed opening Net Position Misstatements	-	-	-	-	-	-
Current year effect	\$ 4,897	\$ -	\$ 4,897	\$ -	\$ (2,294)	\$ 2,294

Information Provided

12. 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 such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
- Management,
 - Employees who have significant roles in the internal control, or

- Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
 17. We are aware of no instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
 18. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
 19. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.
 20. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Entity's ability to record, process, summarize, and report financial data.
 21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 22. With respect to the supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
 23. With respect to the budgetary comparison information presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

25. We are responsible for:

- a. Compliance with the laws, regulations, and provisions of contracts and other agreements applicable to the City of Scandia
- b. Establishing and maintaining effective internal control over financial reporting.

26. We have identified and disclosed to you:

- c. All laws, regulations, and provisions of contracts and other agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
- d. Violations (and possible violations) of laws, regulations, and provisions of contracts and other agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.

27. We have implemented a process to track the status of audit findings and recommendations.

28. We have provided you with our views on your reported findings, conclusions, and recommendations.

29. Colleen Firkus, Treasurer, who has sufficient skills, knowledge, and experience; has supervised, reviewed, and approved, and we take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.

Colleen Firkus, Treasurer

Kristina Handt, City Administrator