



# Reporting and insights from 2024 audit:

City of Osseo

December 31, 2024

# Executive summary

March 12, 2025

To the City Council of  
City of Osseo  
Osseo, Wisconsin

We have completed our audit of the financial statements of the City of Osseo (the City) for the year ended December 31, 2024, and have issued our report thereon dated March 12, 2025. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your city's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

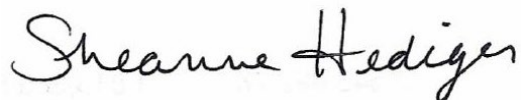
Additionally, we have included information on key risk areas the City of Osseo should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Sheanne Hediger, Principal: [sheanne.hediger@bakertilly.com](mailto:sheanne.hediger@bakertilly.com) or +1 (612) 876 4599
- Vanessa Kane, Senior Manager: [vanessa.kane@bakertilly.com](mailto:vanessa.kane@bakertilly.com) or +1 (612) 876 4791

Sincerely,

Baker Tilly US, LLP



Sheanne Hediger, CPA, Principal

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

BAKER TILLY ADVISORY GROUP, LP AND BAKER TILLY US, LLP, TRADING AS BAKER TILLY, ARE MEMBERS OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES. BAKER TILLY US, LLP IS A LICENSED CPA FIRM THAT PROVIDES ASSURANCE SERVICES TO ITS CLIENTS. BAKER TILLY ADVISORY GROUP, LP AND ITS SUBSIDIARY ENTITIES PROVIDE TAX AND CONSULTING SERVICES TO THEIR CLIENTS AND ARE NOT LICENSED CPA FIRMS.

# Responsibilities

## Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the City's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*.
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements.
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs.
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the City's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the City and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the City's current year results.

### Implementation of GASB No. 101, Compensated Absences

During the current year, the City implemented GASB Statement No.101, *Compensated Absences*. This standard was issued to update the recognition and measurement guidance for compensated absences for state & local government employers. It supersedes GASB No. 16, *Accounting for Compensated Absences*, issued in 1992, as well as earlier guidance, and addresses changes resulting from the types of leave now being offered.

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion
Improper segregation of duties	Incorporate unpredictability into audit procedures, emphasize professional skepticism, utilize audit team with industry expertise and performance of sufficient substantive procedures	Procedures identified provided sufficient evidence for our audit opinion

## Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension liabilities	Long-term debt
Capital assets including infrastructure	Net position and fund balance calculations	Financial reporting and required disclosures

## Internal control matters

We considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing 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.

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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified the following deficiencies as material weaknesses:

- **Inadequate segregation of duties**

A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the proper internal controls are not in place to achieve adequate segregation of duties. As a result, errors, irregularities or fraud could occur as part of the financial reporting process that may not be discovered by someone in your organization. Therefore, we are reporting a material weakness related to the internal control environment.

- **Missing key controls**

There are certain controls that are not currently in place related to significant transaction cycles. As a result, there is a risk that erroneous or unauthorized transactions or misstatements could occur without the knowledge of management or the governing body. Our recommendations for strengthening controls are listed below.

Controls over payroll

- Persons preparing the payroll should be independent of other personnel duties or restricted from access to the payroll account (segregation of duties).
- There should be a system to authorize and review new employees added and changes to employee rates and data in the payroll system.

#### Controls over utility billing

- The process for generating utility bills and maintaining the billing records should be independent of processing transactions in the account (segregation of duties).

#### Controls over monthly and year-end accounting

- Adjusting journal entries and supporting documentation should be reviewed and approved by an appropriate person who is not the original preparer.
- Account reconciliations prepared throughout the year should be performed by someone independent of processing transactions in the account (segregation of duties).

Since the controls listed above or other compensating controls are not currently in place, errors or irregularities could occur as part of the accounting processes that might not be discovered by management or the governing body. Therefore, the absence of these controls is considered to be a material weakness.

We recommend that a designated employee review the segregation of duties, risks, and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

- **Financial statement close process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Complete and accurate schedule of expenditures of federal awards is prepared.
- Financial reports are independently reviewed for completeness and accuracy.
- Financial reporting software is not Microsoft Access based, which is susceptible to data manipulation.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes including the schedule of expenditures of federal awards, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles or the schedule of expenditures of federal awards that is in conformance with the applicable federal requirements. In addition, material misstatements in the general ledger were identified during the financial audit.

# Other comments and recommendations

## Control recommendations

A system of internal control should be in place to achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff. As part of our review of the City's internal controls, we identified certain control deficiencies and our recommendations for strengthening controls are listed below.

### Controls over accounts payable/disbursements

- Persons processing accounts payable and those with access to the system should be separate from those ordering or receiving goods or services.

## Water Utility Financial Results

The water utility realized a change in net position of \$546,566 in 2024 compared to \$619,012 in 2023. Water utility operating revenues decreased \$25,826 over last year, or 2.1 percent. Operating expenses increased \$133,578 over last year, approximately 26.7 percent. The water utility's cash and cash equivalents balance increased by \$768,093 in 2024.

The water utility's 2024 return on rate base was 9.83%, compared to 27.18% for 2023. The return for 2024 is more than the utility's 4.9% authorized return on rate base, as expected prior to project completion. The current water rates were sufficient to cover the cash needed for operations and capital expenditures, given the water rate increase that went into effect during 2022.

## Sewer Utility Financial Results

The sewer utility realized a change in net position of (\$91,007) in 2024 compared to (\$113,896) in 2023. The change in net position includes \$3,000 of grant funded capital contributions in 2024, related to construction projects. Sewer utility operating revenues increased \$287,569 over last year, or 50.3 percent. Operating expenses increased \$90,553 over last year, approximately 13.9 percent. The sewer utility's cash and cash equivalents balance decreased \$4,592,429 during 2024, due to the spending of debt proceeds for capital utility projects.

Sewer rates were increased effective July 1, 2024. As the utility will incur significant costs to upgrade its treatment plant within the next several years to meet DNR requirements, we recommend you watch financial results annually and assess whether an additional increase to sewer rates will be needed.

## Control of Library Accounts

Currently, all financial activity of the library is being recorded within the library's separate general ledger accounting system. This serves as the only record of financial activity for the year. Using current guidelines of the Governmental Accounting Standards Board, it is clear that the library and its operations should be considered part of the City. The City's financial statements report the library's financial activity as part of the city's general fund. However, the more proper method of handling the library's financial transactions would be to bring them within the scope of the City's financial reporting system. In addition to facilitating financial reporting purposes, the involvement of City staff for processing financial transactions would serve to strengthen internal controls over library funds. This would also be consistent with Wisconsin Statute Section 62.12, which states that it is the treasurer's responsibility for keeping City funds.



In addition, state statutes will require any money received from governmental entities to be maintained in a designated account with the City. While the library board will still be responsible for approving all payments out of library funds, the City will be responsible for writing checks out of the designated account.

We recommend that all library bank accounts be maintained by the City's treasurer and that all financial activity be recorded within the City's centralized general ledger system.

## Required communications

### Qualitative aspect of accounting practices

- **Accounting policies:** Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 1, the City changed accounting policies related to financial reporting for compensated absences by adopting GASB 101, *Compensated Absences*, in 2024. We noted no transactions entered into by the City during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- **Accounting estimates:** Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's 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, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension liability/asset and related deferrals	Evaluation of information provided by the Wisconsin Retirement System	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value and/or PSC guidelines	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- **Financial statement disclosures:** The disclosures in the financial statements are neutral, consistent and clear.

## **Significant unusual transactions**

There have been no significant transactions that are outside the normal course of business for the City or that otherwise appear to be unusual due to their timing, size or nature.

## **Significant difficulties encountered during the audit**

We encountered no significant difficulties in dealing with management and completing our audit.

## **Disagreements with management**

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 that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Audit report**

There have been no departures from the auditors' standard report.

## **Audit consultations outside the engagement team**

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

## **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the financial statements. The schedule within the attachments summarizes the corrected misstatements, that, in our judgment, may not have been detected except through our auditing procedures. Some of the corrected misstatements are considered material. The internal control matters section of this report describes the effects on the financial reporting process indicated by the corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Management's 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 or accounting matters.

## **Written communications between management and Baker Tilly**

The attachments include copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

## **Fraud**

We did not identify any known or suspected fraud during our audit.

## **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the City's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## **Independence**

We are not aware of any relationships between Baker Tilly and the City that, in our professional judgment, may reasonably be thought to bear on our independence.

## **Related parties**

We did not have any significant findings or issues arise during the audit in connection with the City's related parties.

## **Other matters**

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Compiled regulatory reports
- Compiled TIF financial statements
- Preparation of the schedule of expenditures of federal awards
- Preparation of the auditee section of the Data Collection Form

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

# City Council resources

Our business is to know every aspect of yours and to maintain a constant lookout for what's next. We invite you to learn about some of the trending challenges and opportunities for public sector organizations like yours and how Baker Tilly can help.

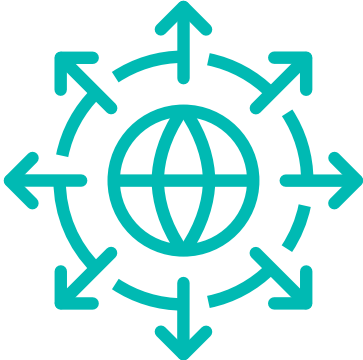
To explore more trending topics and regulatory updates, visit our resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.



### Funding evaluation and pursuit

Public sector organizations may be eligible for grants, tax credits and other financial incentives through funding opportunities such as the Inflation Reduction Act, the Clean Communities Investment Accelerator, and the Infrastructure Investment and Jobs Act.

Baker Tilly can help you navigate, understand and pursue various federal and state funding sources through grant research and tracking, advising and writing, and management and compliance services.



### Digital transformation

Digitizing public services can be a game changer for governments. Streamlining inefficient processes, providing digital access and delivery of services to meet public expectations, implementing technology to protect constituent data, leveraging information to make data-driven decisions and migrating outdated on-premises systems to the cloud are crucial to an entity's success.

Through these types of digital services, Baker Tilly can help you scale with future demand and be better positioned to rapidly respond to changing demands.

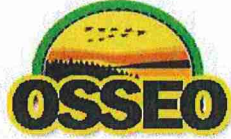


### Cybersecurity

Public sector organizations face significant challenges from cyber threats and IT regulations. It can feel like you are on the defense keeping up with the latest risks, regulations and emerging trends. To mitigate risk, you must understand your organization's unique vulnerabilities, cybersecurity processes and controls.

Baker Tilly can help enhance your cybersecurity posture and ensure compliance, with solutions in IT compliance and security and cybersecurity and data protection to safeguard your data and navigate complex risk environments.

# Management representation letter



## CITY OF OSSEO

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P O Box 308

Osseo, Wisconsin  
cityofosseo@triwest.net

Phone (715) 597-2207  
Fax (715) 597-2600

March 12, 2025

Baker Tilly US, LLP  
3410 Oakwood Mall Drive, Suite 200  
Eau Claire, WI 54701

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Osseo as of December 31, 2024 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Osseo and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.
- 6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
- 8) All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
- 9) We are not aware of any known actual, possible, 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 accounting principles generally accepted in the United States of America, or which would affect federal or state award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 15) We have no knowledge of known 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.
- 16) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

**Other**

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
- 21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 22) There are no:
  - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

- d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
- 23) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
- a) Financial statement preparation
  - b) Adjusting journal entries (including GASB 34 conversion entries, account reconciliations and depreciation schedules)
  - c) Compiled TIF financial statements
  - d) Compiled regulatory reports (State Financial Report Form C and Annual Public Service Commission Report)
  - e) Data entry of the auditee section of the data collection form
  - f) Preparation of the schedule of expenditures of federal awards

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

- 24) The City of Osseo has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) The City of Osseo has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 26) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any.
- 27) The financial statements include all fiduciary activities required by GASB No. 84.
- 28) The financial statements properly classify all funds and activities.
- 29) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 30) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 31) The City of Osseo has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

- 32) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
- 35) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 36) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 37) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 38) We have complied with the implementation of GASB No. 49 and believe that there is no liability to accrue related to pollution remediation at this time.
- 39) Tax-exempt bonds issued have retained their tax-exempt status.
- 40) We have appropriately disclosed the City of Osseo's 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 are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 42) With respect to the supplementary information, (SI):
  - a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI 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.
  - b) If the SI 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 auditor's report thereon.
- 43) We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

- 44) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 45) We have reviewed existing contracts and determined there are no items requiring accounting or reporting as leases.
- 46) We have implemented GASB Statement No. 101, *Compensated Absences*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
- 47) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.
- 48) We have reviewed existing contracts and determined there are no items requiring accounting or reporting as subscription-based information technology arrangements.
- 49) With respect to federal award programs:
  - a) We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
  - b) We acknowledge our responsibility for preparing and presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
  - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
  - d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
  - e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement relating to federal awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o) We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s) We have charged costs to federal awards in accordance with applicable cost principles.

- t) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Sincerely,

City of Osseo

Signed: Joshua R. Pettis  
Mayor

Signed: Blyann E. Johnson  
City Clerk/Treasurer

Dated: March 12, 2025

# Accounting changes relevant to City of Osseo

## Future accounting standards update

GASB Statement Number	Description	Potentially impacts You	Effective date
102	Certain Risk Disclosures	✓	12/31/25
103	Financial Reporting Model Improvements	✓	12/31/26
104	Disclosure of Certain Capital Assets	✓	12/31/26

Further information on upcoming [GASB pronouncements](#).

## Updated reporting for certain risk disclosures

The Governmental Accounting Standards Board (GASB) issued its Statement No. 102, *Certain Risk Disclosures*, in June 2022. The objective of GASB 102 is to provide financial statement users with information about certain risks when circumstances make a government vulnerable to a heightened possibility of loss or harm. It requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

The Statement generally requires a government to disclose information about a concentration or constraint if all of the following criteria are met.

- The concentration or constraint is known to the government prior to issuing the financial statements.
- The concentration or constraint makes the government vulnerable to the risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The disclosures should include a description of the following:

- The concentration or constraint,
- Each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements, and
- Actions taken by the government to mitigate the risk prior to the issuance of the financial statements.

## Changes to the financial reporting model

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis - While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.
- Unusual or infrequent items (previously known as extraordinary and special items) - The new Statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position - The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.
- Major component unit information, and Budgetary comparison information - Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information.



# Corrected misstatements

Number	Date	Name	Account No	Debit	Credit
A01	12/31/2024	FUND BALANCE	100-00-34300-000-000	1,080.00	
A01	12/31/2024	CITY HALL MISC. REPAIRS	100-00-51600-350-000		-595.00
A01	12/31/2024	REPAIRS AND MAINTENANCE	100-00-55200-350-000		-485.00
A01	12/31/2024	FUND BALANCE	200-00-34300-000-000	400.00	
A01	12/31/2024	REPAIR & MAINTENANCE SUPPLIES	200-00-55420-350-000		-400.00
<p>To correct BOY equity for entry C02 given to BT as PY Payables, but booked as expense in 2024. - BLYANN - do not make this entry!</p>					

A02	12/31/2024	LIBRARY CD - UNITED BANK	100-00-11311-511-000	5,875.00	
A02	12/31/2024	LIBRARY CD - ALLIANCE BANK	100-00-11311-512-000	1,135.00	
A02	12/31/2024	LIBRARY MONEY MARKET	100-00-11311-513-000	92.00	
A02	12/31/2024	LIBRARY CHECKING ACCT	100-00-11311-514-000		-6,197.00
A02	12/31/2024	BT Created - Library Nelson Estate CD	100-00-11311-515-000	10,000.00	
A02	12/31/2024	LIBRARY COUNTY AID	100-00-43720-511-000		-40,640.00
A02	12/31/2024	LIBRARY DONATIONS	100-00-46410-511-000		-10,111.00
A02	12/31/2024	LIBRARY INTEREST INCOME	100-00-48110-511-000		-7,090.00
A02	12/31/2024	LIBRARY INTEREST INCOME	100-00-48110-511-000		-3,070.00
A02	12/31/2024	REIMBURSEMENTS FROM LIBRARY	100-00-49240-000-000	21,768.00	
A02	12/31/2024	LIBRARY EXPENSES	100-00-55110-135-000	26,992.00	
A02	12/31/2024	LIBRARY EXPENSES	100-00-55110-135-000	1,246.00	
<p>To record current year library activity and adjust year-end library cash to actual.</p>					

A04	12/31/2024	BONDS PAYABLE	600-00-24200-000-000	15,000.00	
A04	12/31/2024	\$5,760,622 WSRB SERIES 2022A	600-00-24230-000-000	133,382.00	
A04	12/31/2024	\$2,945,000 G O BOND -PRINCIPAL	600-00-69500-100-000		-15,000.00
A04	12/31/2024	WSRB SERIES 2022A - PRINCIPAL	600-00-69600-200-000		-133,382.00
A04	12/31/2024	BONDS PAYABLE	800-00-24200-000-000	20,000.00	
A04	12/31/2024	\$2,945,000 G O BOND-PRINCIPAL	800-00-87200-000-000		-20,000.00
<p>To move Enterprise fund principal payments from expense to reductions of long-term liabilities.</p>					

A05	12/31/2024	TAXES RECEIVABLE	100-00-12100-000-000	20,203.00	
A05	12/31/2024	DEFERRED REVENUE - TA	100-00-26101-000-000		-20,203.00
<p>To record additional deferred revenue for special charges placed on the tax roll.</p>					

A06	12/31/2024	VESTED EMPLOYEE BENEFITS- CURR	600-00-23900-000-000		-6,665.00
A06	12/31/2024	WATER DEPT. WAGES	600-00-60000-000-000	6,665.00	
A06	12/31/2024	VESTED EMPLOYEE BENEFITS- CURR	800-00-23900-000-000		-6,665.00
A06	12/31/2024	SEWER DEPT. WAGES	800-00-82000-000-000	6,665.00	
<p>To adjust compensated absences to actual at year-end.</p>					

Number	Date	Name	Account No	Debit	Credit
A07	12/31/2024	GENERAL FUND CASH	100-00-11100-000-000	135,486.00	
A07	12/31/2024	TAXES FROM UTILITY	100-00-41311-000-000		-135,486.00
A07	12/31/2024	CASH & WORKING FUNDS	600-00-13100-000-000		-135,486.00
A07	12/31/2024	PROPERTY TAXES	600-00-40800-000-000	135,486.00	
To record current year property tax equivalent.					
A08	12/31/2024	CONSTRUCTION IN PROGRESS	800-00-39500-000-000	26,390.00	
A08	12/31/2024	CONSTRUCTION IN PROGRESS	800-00-39500-000-000	16,438.00	
A08	12/31/2024	ENGINEERING FEES	800-00-85200-400-000		-16,438.00
A08	12/31/2024	HWY 10 SEWER SYSTEM IMP/REVIEW	800-00-86000-700-000		-26,390.00
To record sewer capital asset additions and deletions.					
A09	12/31/2024	ACCUMULATED DEPRECIATION	600-00-11000-000-000		-225,022.00
A09	12/31/2024	ACCUM DEPT-CONTRIBUTED ASSETS	600-00-11000-001-001		-54,010.00
A09	12/31/2024	DEPRECIATION - WATER	600-00-40301-000-000	225,022.00	
A09	12/31/2024	DEPRECIATION EXP - CONTRIBUTED	600-00-40301-000-001	54,010.00	
A09	12/31/2024	ACCUMULATED DEPRECIATION	800-00-11000-000-000		-126,270.00
A09	12/31/2024	DEPRECIATION EXPENSE	800-00-40300-000-000	126,270.00	
To record current year depreciation expense for water utility and sewer utility.					
A10	12/31/2024	CASH & WORKING FUNDS	600-00-13100-000-000	11,454.00	
A10	12/31/2024	DEPRECIATION - WATER	600-00-40301-000-000		-4,164.00
A10	12/31/2024	DEPRECIATION EXP - CONTRIBUTED	600-00-40301-000-001		-3,534.00
A10	12/31/2024	PROPERTY TAXES	600-00-40800-000-000		-859.00
A10	12/31/2024	MISCELLANEOUS REVENUE	600-00-47400-000-000		-2,897.00
A10	12/31/2024	CASH & WORKING FUNDS	800-00-13100-000-000		-11,454.00
A10	12/31/2024	DEPRECIATION EXPENSE	800-00-40300-000-000	7,698.00	
A10	12/31/2024	TAXES	800-00-40800-000-000	859.00	
A10	12/31/2024	MISCELLANEOUS EXPENSE	800-00-85600-000-000	2,897.00	
To record joint meter allocation.					
A11	12/31/2024	UNAMORTIZED PREMIUM ON DEBT	600-00-25100-000-000	238.00	
A11	12/31/2024	\$2,945,000 G O BOND - INTEREST	600-00-69500-150-000		-238.00
A11	12/31/2024	UNAMORTIZED PREMIUM ON DEBT	800-00-25100-000-000	260.00	
A11	12/31/2024	\$2,945,000 G O BOND - INTEREST	800-00-87200-100-000		-260.00
To record amortization of the premium for water and sewer					

Number	Date	Name	Account No	Debit	Credit
A13	12/31/2024	ACCUMULATED DEPRECIATION	600-00-11000-000-000	129,092.00	
A13	12/31/2024	PRELIM SURVEY & INVESTIGATION	600-00-18300-000-000	26,390.00	
A13	12/31/2024	PRELIM SURVEY & INVESTIGATION	600-00-18300-000-000	16,438.00	
A13	12/31/2024	WELLS	600-00-31400-000-000	1,868.00	
A13	12/31/2024	ELECTRIC PUMPING EQUIPMENT	600-00-32500-000-000		-74,063.00
A13	12/31/2024	STRUCTURES-TREATMENT PLANT	600-00-33100-000-000		-18,018.00
A13	12/31/2024	WATER TREATMENT EQUIPMENT	600-00-33200-000-000		-37,011.00
A13	12/31/2024	METERS	600-00-34600-000-000	9,202.00	
A13	12/31/2024	WATER PLANT REPAIRS	600-00-65000-000-000		-1,868.00
A13	12/31/2024	ENGINEERING FEES	600-00-68200-400-000		-16,438.00
A13	12/31/2024	AUTO READ / METERS	600-00-69300-600-000		-9,202.00
A13	12/31/2024	HWY 10 WATERMAIN IMP/REVIEW	600-00-69400-125-000		-26,390.00
To record water utility capital asset additions and deletions.					
A14	12/31/2024	RESTRICTED NET PENSION	600-00-16500-000-000	21,786.00	
A14	12/31/2024	DEFERRED OUTFLOW - PENSION	600-00-19950-000-000	495.00	
A14	12/31/2024	DEFERRED OUTFLOW - PENSION	600-00-19950-000-000		-36,336.00
A14	12/31/2024	DEFERRED INFLOWS - PENSION	600-00-29953-000-000	19,132.00	
A14	12/31/2024	DEFERRED INFLOWS - PENSION	600-00-29953-000-000		-32.00
A14	12/31/2024	WATER DEPT - PENSION	600-00-60000-131-000		-5,045.00
A14	12/31/2024	NET PENSION ASSET	800-00-16500-000-000	20,315.00	
A14	12/31/2024	DEFERRED OUTFLOW	800-00-19950-000-000	601.00	
A14	12/31/2024	DEFERRED OUTFLOW	800-00-19950-000-000		-34,538.00
A14	12/31/2024	DEFERRED INFLOWS - PENSION	800-00-29953-000-000	18,186.00	
A14	12/31/2024	DEFERRED INFLOWS - PENSION	800-00-29953-000-000		-31.00
A14	12/31/2024	SEWER DEPT - PENSION	800-00-82000-131-000		-4,533.00
To adjust deferred outflows/inflows to actual at year-end, record pension expense, and adjust net pension asset/liability to actual at year-end.					
A15	12/31/2024	ACCRUED INTEREST	600-00-23700-000-000		-623.00
A15	12/31/2024	ACCRUED INTEREST	600-00-23700-000-000	250.00	
A15	12/31/2024	\$2,945,000 G O BOND - INTEREST	600-00-69500-150-000		-250.00
A15	12/31/2024	WSRB SERIES 2022A - INTEREST	600-00-69600-225-000	623.00	
A15	12/31/2024	ACCRUED INTEREST	800-00-23700-000-000	333.00	
A15	12/31/2024	ACCRUED INTEREST	800-00-23700-000-000		-41,265.00
A15	12/31/2024	ACCRUED INTEREST	800-00-23700-000-000		-120,086.00
A15	12/31/2024	\$2,945,000 G O BOND - INTEREST	800-00-87200-100-000		-333.00
A15	12/31/2024	\$5,125,000 SSRB 2022B INTEREST	800-00-87200-250-000	41,265.00	
A15	12/31/2024	\$8,857,000 SSRB INTEREST	800-00-87300-050-000	120,086.00	
To adjust accrued interest in water and sewer utility to actual at year-end.					

Number	Date	Name	Account No	Debit	Credit
A16	12/31/2024	GENERAL FUND CASH	100-00-11100-000-000		-6,908.00
A16	12/31/2024	RECYCLING CENTER CONTRIBUTION	100-00-53640-000-000	6,908.00	
A16	12/31/2024	RECYCLING CASH	205-00-11100-000-000	6,908.00	
A16	12/31/2024	OPERATING TRANSFERS	205-00-49200-000-000		-6,908.00

To adjust transfers for current year.

A17	12/31/2024	GENERAL FUND CASH	100-00-11100-000-000	7,717.00	
A17	12/31/2024	ENGINEERING FEES	100-00-51585-000-000		-7,717.00
A17	12/31/2024	TID #4 CASH	525-00-11100-000-000		-7,717.00
A17	12/31/2024	AUDIT & ACCOUNTING	525-00-58000-200-000	7,717.00	

To move TIF #4 creation expenses out of General Fund and into TIF #4.

A18	12/31/2024	SCULPTURE TOUR PROGRAM	100-00-51300-220-000	1,000.00	
A18	12/31/2024	SCULPTURE TOUR	100-00-55350-000-000		-1,000.00

To move Sculpture Tour expense out of inactivated account.

A19	12/31/2024	TIF #2 CASH	400-00-11100-000-000		-627.00
A19	12/31/2024	EXEMPT COMPUTER STATE AID	400-00-43790-000-000	1,658.00	
A19	12/31/2024	AUDIT & ACCOUNTING	400-00-58000-200-000		-1,031.00
A19	12/31/2024	TIF #3 CASH	500-00-11100-000-000	627.00	
A19	12/31/2024	EXEMPT COMPUTER STATE AID	500-00-43790-000-000		-1,658.00
A19	12/31/2024	AUDIT & ACCOUNTING	500-00-58000-200-000	1,031.00	

To clear of activity of TIF #2 that closed in 2023.

A20	12/31/2024	DEFERRED REVENUE - ACT 11	100-00-26240-000-000	46,915.00	
A20	12/31/2024	Federal Aid	100-00-43200-000-000		-46,915.00

To recognize ARPA fund revenue for current year expenditures.

A21	12/31/2024	GENERAL FUND CASH	100-00-11100-000-000		-31,816.00
A21	12/31/2024	DUE FROM STATE	100-00-18200-000-000	47,723.00	
A21	12/31/2024	ENGINEERING FEES	100-00-51585-000-000		-15,907.00
A21	12/31/2024	CASH & WORKING FUNDS	600-00-13100-000-000	15,908.00	
A21	12/31/2024	ENGINEERING FEES	600-00-68200-400-000		-15,908.00
A21	12/31/2024	CASH & WORKING FUNDS	800-00-13100-000-000	15,908.00	
A21	12/31/2024	ENGINEERING FEES	800-00-85200-400-000		-15,908.00

To record receivable for overpayment payment to DOT for land acquisition.

Number	Date	Name	Account No	Debit	Credit
A22	12/31/2024	ACCOUNTS PAYABLE	800-00-23200-000-000		-494,029.00
A22	12/31/2024	CONSTRUCTION IN PROGRESS	800-00-39500-000-000	494,029.00	

To record retainage for WWTP project. REVERSE in 2025.

A23	12/31/2024	BT Created - Other Power Production Equipment	600-00-32200-000-000	178,406.00	
A23	12/31/2024	ELECTRIC PUMPING EQUIPMENT	600-00-32500-000-000	265,027.00	
A23	12/31/2024	LAND & LAND RIGHTS-TREATMENT	600-00-33000-000-000	121,620.00	
A23	12/31/2024	STRUCTURES-TREATMENT PLANT	600-00-33100-000-000	2,588,626.00	
A23	12/31/2024	BT Created-Structures-Treatment Plant Contributed	600-00-33100-000-001	500,000.00	
A23	12/31/2024	WATER TREATMENT EQUIPMENT	600-00-33200-000-000	1,106,897.00	
A23	12/31/2024	BT Created - Media Filtration Equipment	600-00-33300-000-000	372,912.00	
A23	12/31/2024	DISTRIBUTION MAINS	600-00-34300-000-000	32,264.00	
A23	12/31/2024	SERVICES	600-00-34500-000-000	1,784.00	
A23	12/31/2024	HYDRANTS	600-00-34800-000-000	7,305.00	
A23	12/31/2024	BT Created - Laboratory Equipment	600-00-39500-000-000	7,512.00	
A23	12/31/2024	CONST. IN PROGRESS-WATER	600-00-39501-000-000		-5,866,237.00
A23	12/31/2024	BT Created - SCADA Equipment	600-00-39701-000-000	683,884.00	

To move WTP cost out of CWIP into capital asset account.

A24	12/31/2024	Affordable Housing Checking - BT Created	208-00-11320-000-000	773.00	
A24	12/31/2024	Affordable Housing Loan Receivable - BT Created	208-00-17200-000-000	50,919.00	
A24	12/31/2024	Affordable Housing Loan Receivable - BT Created	208-00-17200-000-000		-773.00
A24	12/31/2024	Deferred Loan Revenue - BT Created	208-00-26172-000-000		-50,919.00
A24	12/31/2024	Deferred Loan Revenue - BT Created	208-00-26172-000-000	773.00	
A24	12/31/2024	AH Loan Payments Received - BT Created	208-00-48990-000-000		-937.00
A24	12/31/2024	AH Loan Administration Expense - BT Created	208-00-56501-000-000	164.00	

To record loan receivable activity for Affordable Housing loan issued in current year.

A25	12/31/2024	PRELIM SURVEY & INVESTIGATION	600-00-18300-000-000	1,450.00	
A25	12/31/2024	ACCOUNTS PAYABLE	600-00-23200-000-000		-1,450.00
A25	12/31/2024	ACCOUNTS PAYABLE	600-00-23200-000-000		-2,400.00
A25	12/31/2024	HWY 10 WATERMAIN IMP/REVIEW	600-00-69400-125-000	2,400.00	
A25	12/31/2024	ACCOUNTS PAYABLE	800-00-23200-000-000		-32,628.00
A25	12/31/2024	CONSTRUCTION IN PROGRESS	800-00-39500-000-000	32,628.00	

To record additional accounts payable. REVERSE in 2025.

A26	12/31/2024	DISTRIBUTION MAINS	600-00-34300-000-000	45,333.00	
A26	12/31/2024	SERVICES	600-00-34500-000-000	25,500.00	
A26	12/31/2024	HYDRANTS	600-00-34800-000-000	18,417.00	
A26	12/31/2024	CONTRIB IN AD OF CONSTRUCTION	600-00-42100-000-000		-89,250.00
A26	12/31/2024	CONSTRUCTION IN PROGRESS	800-00-39500-000-000		-89,250.00
A26	12/31/2024	ENGINEERING FEES	800-00-85200-400-000	89,250.00	

To record additional water mains

Number	Date	Name	Account No	Debit	Credit
A27	12/31/2024	HYDRANTS - CONTRIBUTED	600-00-34800-000-001	1,447.00	
A27	12/31/2024	HYDRANT REPAIR	600-00-65000-300-000		-1,447.00
		To record contributed asset for hydrant extension paid by customer.			
A28	12/31/2024	GENERAL FUND CASH	100-00-11100-000-000		-757,393.00
A28	12/31/2024	AFFORDABLE HOUSING LOANS	100-00-56700-000-000		-50,918.00
A28	12/31/2024	OPERATING TRANSFERS OUT	100-00-59250-000-000	808,311.00	
A28	12/31/2024	Affordable Housing Cash	208-00-11100-000-000	757,393.00	
A28	12/31/2024	OPERATING TRANSFERS IN - BT CREATED	208-00-49000-000-000		-808,311.00
A28	12/31/2024	AFFORDABLE HOUSING LOANS - BT CREATED	208-00-56700-000-000	50,918.00	
		To move Affordable Housing Loan activity out of General Fund and into a new fund.			

# Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - Identify types of potential misstatements.
  - Consider factors that affect the risks of material misstatement.
  - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).



We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards* and the Uniform Guidance, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the Uniform Guidance, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the City will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of December or January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.