

January 11, 2017

Members of Governance  
City of Foley  
Foley, MN

Attention: City Council

### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that we audit the City of Foley's (the City) governmental activities, business-type activities, each major fund and aggregate remaining fund information as of and for the years ended December 31, 2016, 2017, and 2018, which collectively comprise the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

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We will also communicate to the Governing Board (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the City of Foley and that are to be included as part of our audit are listed here:

- General Fund
- Major Debt Service Funds
- Fire Service Fund
- 2014 Capital Improvement Fund
- Non-major Capital Projects Funds
- Non-major Debt Service Funds
- Non-major Special Revenue Funds
- Water Fund
- Sewer Fund

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards identified above.

#### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
- c. 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;
- d. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- e. For report distribution; and

f. To provide us with:

- 1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
- 2) Additional information that we may request from management for the purpose of the audit; and
- 3) Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit, including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the City involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the City received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The Governing Board is responsible for informing us of its views about the risks of fraud or abuse within the City, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the City.

Our association with an official statement is a matter for which separate arrangements will be necessary. The City of Foley agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the City of Foley seeks such consent, we will be under no obligation to grant such consent or approval.

The City of Foley agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the City of Foley agrees to contact us before it includes our reports, or otherwise makes reference to us, in any public or private securities offering.

Because Schlenner Wenner & Co. will rely on the City of Foley and its management and the Governing Board to discharge the foregoing responsibilities, the City of Foley holds harmless and releases Schlenner Wenner & Co. and its partners and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the City of Foley's management that has caused, in any respect, Schlenner Wenner & Co.'s breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

### **Records and Assistance**

If circumstances arise relating to the condition of the City's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by City personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Sarah Brunn, City Administrator. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services including (a) preparation of the financial statements, all note disclosures, and supplemental schedules, (b) various year-end bookkeeping adjustments, (c) preparation of the annual state report, and (d) depreciation schedules. The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the City of Foley, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. The City of Foley has agreed that Sarah Brunn, City Administrator, possesses suitable skill, knowledge or experience and that the individual understands the non-audit services to be performed sufficiently to oversee them. Accordingly, the management of the City of Foley agrees to the following:

- a. The City of Foley has designated Sarah Brunn, City Administrator, as a senior member of management who possesses suitable skill, knowledge and experience to oversee the services;
- b. Sarah Brunn, City Administrator, will assume all management responsibilities for subject matter and scope of the non-audit services described above;
- c. The City of Foley will evaluate the adequacy and results of the services performed; and
- d. The City of Foley accepts responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with the City of Foley's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

**Other Relevant Information**

Schlenner Wenner & Co. may mention the City's name and provide a general description of the engagement in Schlenner Wenner & Co.'s client lists and marketing materials.

From time to time and depending upon the circumstances, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by Schlenner Wenner & Co. professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

In accordance with GAS, a copy of our most recent peer review report is enclosed for your information.

**Fees, Costs, and Access to Workpapers**

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work are based upon the following criteria:

- a. Anticipated cooperation from City personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. We will submit our bill for these services promptly upon rendering the report. Billings are due upon submission. Our estimated fees for the services described in this letter will approximate the following amounts each year:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2016	\$14,600
2017	\$15,185
2018	\$15,790

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the City agrees it will compensate Schlenner Wenner & Co. for any additional costs incurred as a result of the City's employment of a partner or professional employee of Schlenner Wenner & Co.

In the event we are requested or authorized by the City of Foley or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the City of Foley, the City of Foley will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of the City of Foley. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of the City of Foley audit personnel and at a location designated by our firm.

### **Claim Resolution**

The City of Foley and Schlenner Wenner & Co. agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by Schlenner Wenner & Co. or the date of this arrangement letter if no report has been issued. The City of Foley waives any claim for punitive damages. Schlenner Wenner & Co.'s liability for all claims, damages and costs of the City of Foley arising from this engagement is limited to the amount of fees paid by the City of Foley to Schlenner Wenner & Co. for the services rendered under this arrangement letter.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

### **Reporting**

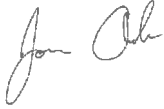
We will issue a written report upon completion of our audit of the City of Foley's financial statements. Our report will be addressed to the Governing Board of the City of Foley. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our report on the City of Foley's financial statements, we will also issue the following types of reports:

- a. Reports on internal control related to the financial statements. These reports will describe the scope of testing of internal control and the results of our tests of internal control;
- b. A report as to whether anything came to our attention in relation to the City's compliance with the provisions of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65.

This letter constitutes the complete and exclusive statement of agreement between Schlenner Wenner & Co. and the City of Foley, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.



Jonathan S. Archer, CPA  
Partner

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

Confirmed on behalf of the City of Foley:

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**SYSTEM REVIEW REPORT**

October 4, 2016

To the Partners of  
Schlenner Wenner & Co.  
and the Peer Review Committee of the Minnesota Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Schlenner Wenner & Co. (the firm) in effect for the year ended June 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Schlenner Wenner & Co. in effect for the year ended June 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Schlenner Wenner & Co. has received a peer review rating of *pass*.

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*Olsen Thielen & Co., Ltd.*





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\* Revised Dates \*

## MEMORANDUM

**TO:** Honorable Mayor and Members of the City Council  
c/o Sarah Brunn, Administrator

**FROM:** Jon Halter, PE  
City Engineer

**DATE:** March 7, 2017

**RE:** 2018 Dewey Street Improvements  
Foley, Minnesota  
SEH No. FOLEY 138502 14.00

2018 seems like a long way out, but it is time to start thinking about the proposed improvements to Dewey Street that are planned for next year.

### **Project Summary:**

As discussed this past fall; improvements to Dewey Street, 2<sup>nd</sup> Avenue, and 3<sup>rd</sup> Avenue have been considered for the 2018 construction season (see attached Figures 2 and 3). Dewey Street is a County State Aid Road; and therefore, will be a joint effort between the City and Benton County. Similar to the 2016 4<sup>th</sup> Avenue North project, the rough summary of the cost share is as follows:

- Benton County will be responsible for the street and storm sewer for Dewey Street.
- City of Foley will be responsible for the sanitary sewer and water main on Dewey Street.
- City of Foley will also be responsible all of the costs associated with 2<sup>nd</sup> Avenue.

The feasibility study was completed in the fall of 2016 for this project that lays out in more detail the scope and estimated project costs, as well as the proposed cost share. That study is available for review at City Hall, and will be presented again to the Council later this spring.

### **Demonstration Project:**

Benton County has a grant available to be used on a "Demonstration Project". A demonstration project is something to be installed on a temporary basis to help the City decide if it is appropriate to be incorporated into the final design and construction of the project.

After a meeting with Benton County staff, we discussed the possibility of temporarily laying out Dewey Street with parallel parking stalls and an on-road bike lane on the south side (see attached Figure 3 for the Demonstration Project). This would be done as a temporary layout and would only be in place for a few months to get public and staff feedback on the alternative road typical section. At the conclusion of the Demonstration Project, the Council could then decide if this new road section would be incorporated into the final design.

The grant would cover most of the cost related to the demonstration project, although some City staff time may be needed to help set up some of the temporary improvements and field questions from the general public.

Engineers | Architects | Planners | Scientists

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The exact details of the Demonstration Project are still be discussed and worked out between City and County staff, but staff wanted to have a discussion with the Council before moving further on the potential Demonstration Project.



**Estimated Project Schedule:**

- April 4<sup>th</sup> – Present feasibility study to Council and set public hearing for the 2<sup>nd</sup> meeting in April.
- May 2<sup>nd</sup> – Preliminary assessment hearing and consideration to authorize final design.
- May and June 2017 – Demonstration project.
- Late April / Early May – Topo survey of the project area.
- June to November 2017 – Project design.
- December 2017 – State-Aid variance committee (if needed).
- January 2018 – Council consider approval of plans and authorization to advertise.
- February 2018 – Bid opening.
- March 2018 – Council considers award of project.
- May to October 2018 – Construction.
- November 2018 – Final public hearing.

jmh/djg/mrb

Enclosures

c: Mark Pappenfus, City of Foley (w/enclosures)

Chris Byrd, Benton County

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