

CITY OF PAYNESVILLE, MINNESOTA

**REPORT TO THE MEMBERS
OF GOVERNANCE**

MAY 17, 2017

**CITY OF PAYNESVILLE, MINNESOTA
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May 17, 2017

Members of Governance
City of Paynesville, Minnesota

We are pleased to present this report related to our audit of the basic financial statements of the City of Paynesville (the City) as of and for the year ended December 31, 2016. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**CITY OF PAYNESVILLE, MINNESOTA
REQUIRED COMMUNICATIONS**

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

Auditor's Responsibility under Professional Standards

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated December 2, 2016.

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

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

Accounting Practices

Preferability of Accounting Policies and Practices

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

Significant or Unusual Transactions

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

Alternative Treatments Discussed with Management

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

Management's Judgments and Accounting Estimates

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

Corrected and Uncorrected Misstatements

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

Uncorrected misstatements relate to known and projected inaccuracies in the City's recorded underwriter discounts, construction period interest, and general fund accounts payable based on the results of sampling procedures completed during the audit.

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

**CITY OF PAYNESVILLE, MINNESOTA
REQUIRED COMMUNICATIONS**

Disagreements with Management

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

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters other than as related to the prior year audit.

Significant Issues Discussed with Management

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

Difficulties Encountered in Performing the Audit

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

Letter Communicating Material Weaknesses and a Significant Deficiency

We have separately communicated the material weaknesses and significant deficiency identified during our audit of the financial statements, and this communication is included within the compliance section of the City's financial report for the year ended December 31, 2016.

Certain Written Communications Between Management and Our Firm

We have requested certain representations from management that are included in the management representation letter dated May 17, 2017.

EXHIBIT A

**SUMMARY OF RECORDED
AUDIT ADJUSTMENTS**

Client: **1308 - City of Paynesville**
 Engagement: **12-16 AUD - City of Paynesville**
 Period Ending: **12/31/2016**
 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust fund balances so that they agree to the ending balances per the 2015 financial statements.				
110-1-1641	ACCUMULATED DEPRECIATION		51.00	
115-1-1623	SEWER & WATER SYSTEM IMPROVEME		232,229.00	
115-3-3590	UNRESERVED FUND BALANCE		64,427.00	
115-3-3590	UNRESERVED FUND BALANCE		461,580.00	
455-3-3590	UNRESERVED FUND BALANCE		667.00	
523-1-1650	CONSTRUCTION IN PROGRESS		374,375.00	
570-1-1650	CONSTRUCTION IN PROGRESS		3,920,504.00	
110-3-3590	UNRESERVED FUND BALANCE			51.00
115-1-1641	ACCUMULATED DEPRECIATION			461,580.00
115-3-3511	PRIOR PERIOD ADJUSTMENT			64,427.00
115-3-3590	UNRESERVED FUND BALANCE			232,229.00
455-5-4887-2900	CONTRACTUAL SERVICES			667.00
523-3-3590	UNRESERVED FUND BALANCE			374,375.00
570-3-3590	UNRESERVED FUND BALANCE			3,920,504.00
Total			5,053,833.00	5,053,833.00
Adjusting Journal Entries JE # 2				
To reallocate PFA disbursement to Fund 524				
523-4-2015-9680	BOND PROCEEDS		237,406.00	
524-1-1100	CASH BALANCE		217,406.00	
523-1-1100	CASH BALANCE			217,406.00
523-1-1207	ACCOUNTS RECEIVABLE			20,000.00
524-2-2235	PFA NOTES PAYABLE			217,406.00
Total			454,812.00	454,812.00
Adjusting Journal Entries JE # 3				
To post entry from prior auditor				
270-2-2220	DEFERRED REVENUES		5,792.00	
270-1-1208	TIF RECEIVABLE-DELINQUENT			5,792.00
Total			5,792.00	5,792.00
Adjusting Journal Entries JE # 4				
To record current portion of PFA debt				
524-2-2235	PFA NOTES PAYABLE		172,000.00	
575-2-2235	PFA NOTES PAYABLE		157,000.00	
524-2-2236	PFA NOTES CURRENT PORTION			1,000.00
524-5-2015-0600	PRINCIPAL			171,000.00
575-2-2236	PFA NOTES CURRENT PORTION			2,000.00
575-5-5010-0600	PRINCIPAL			155,000.00
Total			329,000.00	329,000.00
Adjusting Journal Entries JE # 5				
To eliminate compensated absences				
100-5-4051-8020	MISCELLANEOUS		1.00	
100-2-2161	COMPENSATED ABSENCES PAYABLE			1.00
Total			1.00	1.00

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6				
To record accrued interest for PFA debt.				
524-5-2015-0440	INTEREST		11,346.00	
575-5-5010-0440	INTEREST		9,782.00	
524-2-2240	Interest Payable			11,346.00
575-2-2240	Interest Payable			9,782.00
Total			21,128.00	21,128.00
Adjusting Journal Entries JE # 7				
To adjust due from other governments for money received during the current year.				
570-4-5010-1170	GRANT MONIES		121,351.00	
570-1-1320	DUE FROM OTHER GOVERNMENTAL UN			121,351.00
Total			121,351.00	121,351.00
Adjusting Journal Entries JE # 8				
To adjust GASB 68 balances for current year activity.				
105-1-1710	Deferred Outflows - Pensions		15,381.00	
105-1-1710	Deferred Outflows - Pensions		130,920.00	
105-2-2302	DIFF EXPCTD & ACTL EXPERIENCE		5,067.00	
105-5-4816-1071	Pension Expense		29,051.00	
110-1-1710	Deferred Outflows - Pensions		6,777.00	
110-1-1710	Deferred Outflows - Pensions		53,608.00	
110-2-2302	DIFF EXPCTD & ACTL EXPERIENCE		2,232.00	
110-5-4825-1071	Pension Expense		11,836.00	
115-1-1710	Deferred Outflows - Pensions		11,726.00	
115-1-1710	Deferred Outflows - Pensions		92,213.00	
115-2-2302	DIFF EXPCTD & ACTL EXPERIENCE		3,863.00	
115-5-4845-1071	Pension Expense		20,303.00	
105-1-1711	CONTRIB SUBSEQ MEASURMNT DATE			4,444.00
105-1-1712	DIFF BTWN PROJ & ACTL INTEREST			9,514.00
105-1-1713	DO-GERF-CHANGE IN PROP SHARE			1,423.00
105-2-2110	Deferred Inflows - Pensions			5,067.00
105-2-2110	Deferred Inflows - Pensions			6,537.00
105-2-2304	NET PENSION LIABILITY-GERF			152,590.00
105-4-3718-4050	OTHER MISCELLANEOUS INCOME			844.00
110-1-1711	CONTRIB SUBSEQ MEASURMNT DATE			1,958.00
110-1-1712	DIFF BTWN PROJ & ACTL INTEREST			4,192.00
110-1-1713	DO-GERF-CHANGE IN PROP SHARE			627.00
110-2-2110	Deferred Inflows - Pensions			2,232.00
110-2-2110	Deferred Inflows - Pensions			2,674.00
110-2-2304	NET PENSION LIABILITY-GERF			62,425.00
110-4-3720-4050	OTHER MISCELLANEOUS INCOME			345.00
115-1-1711	CONTRIB SUBSEQ MEASURMNT DATE			3,388.00
115-1-1712	DIFF BTWN PROJ & ACTL INTEREST			7,253.00
115-1-1713	DO-GERF-CHANGE IN PROP SHARE			1,085.00
115-2-2110	Deferred Inflows - Pensions			3,863.00
115-2-2110	Deferred Inflows - Pensions			4,598.00
115-2-2304	NET PENSION LIABILITY-GERF			107,325.00
115-4-3540-4050	OTHER MISCELLANEOUS INCOME			593.00
Total			382,977.00	382,977.00

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 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 9				
To adjust for errors in prior year GASB 68 calculations.				
105-2-2304	NET PENSION LIABILITY-GERF		61,401.00	
110-2-2304	NET PENSION LIABILITY-GERF		25,119.00	
115-2-2304	NET PENSION LIABILITY-GERF		43,187.00	
105-1-1710	Deferred Outflows - Pensions			14,295.00
105-2-2110	Deferred Inflows - Pensions			32,149.00
105-5-4816-1071	Pension Expense			14,957.00
110-1-1710	Deferred Outflows - Pensions			5,848.00
110-2-2110	Deferred Inflows - Pensions			13,152.00
110-5-4825-1071	Pension Expense			6,119.00
115-1-1710	Deferred Outflows - Pensions			10,055.00
115-2-2110	Deferred Inflows - Pensions			22,612.00
115-5-4845-1071	Pension Expense			10,520.00
Total			129,707.00	129,707.00
Adjusting Journal Entries JE # 10				
To adjust for GASB 68 change in proportion between funds within the City.				
105-1-1710	Deferred Outflows - Pensions		9,422.00	
105-2-2110	Deferred Inflows - Pensions		10,523.00	
105-5-4816-1071	Pension Expense		4,772.00	
110-1-1710	Deferred Outflows - Pensions		3,321.00	
110-2-2110	Deferred Inflows - Pensions		4,464.00	
115-1-1710	Deferred Outflows - Pensions		5,590.00	
115-2-2110	Deferred Inflows - Pensions		7,701.00	
105-2-2304	NET PENSION LIABILITY-GERF			24,717.00
110-2-2304	NET PENSION LIABILITY-GERF			6,947.00
110-5-4825-1071	Pension Expense			838.00
115-2-2304	NET PENSION LIABILITY-GERF			11,454.00
115-5-4845-1071	Pension Expense			1,837.00
Total			45,793.00	45,793.00
Adjusting Journal Entries JE # 11				
To record delinquent receivable that was passed on by client				
100-1-1220	SPECIAL ASSESSMENTS -DELINQUENT		2,248.00	
113-1-1220	SPECIAL ASSESSMENTS-DELINQUENT		1,346.00	
118-1-1220	SPECIAL ASSESSMENTS-DELINQUENT		1,346.00	
100-2-2220	DEFERRED REVENUES			2,248.00
113-4-9100-5320	SPECIAL ASSESSMENTS FROM CO			1,346.00
118-4-9110-5320	SPECIAL ASSESSMENTS FROM CO			1,346.00
Total			4,940.00	4,940.00

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 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 12				
CLIENT POSTED. To record under payment of TIF.				
272-4-2401-5331	ADMINISTRATION REIMBURSEMENT		1.00	
272-5-2401-7410	TIF REIMBURSEMENTS		208.00	
273-4-2402-5331	ADMINISTRATION REIMBURSEMENT		2.00	
273-5-2402-7410	TIF REIMBURSEMENTS		386.00	
274-4-2403-5331	ADMINISTRATION REIMBURSEMENT		4.00	
274-5-2403-7410	TIF REIMBURSEMENTS		1,821.00	
275-4-2404-5330	TIF RECEIPTS		2.00	
275-5-2404-7410	TIF REIMBURSEMENTS		484.00	
272-2-2020	ACCOUNTS PAYABLE			208.00
272-4-2401-5330	TIF RECEIPTS			1.00
273-2-2020	ACCOUNTS PAYABLE			386.00
273-4-2402-5330	TIF RECEIPTS			2.00
274-2-2020	ACCOUNTS PAYABLE			1,821.00
274-4-2403-5330	TIF RECEIPTS			4.00
275-2-2020	ACCOUNTS PAYABLE			484.00
275-4-2404-5331	ADMINISTRATION REIMBURSEMENT			2.00
Total			2,908.00	2,908.00
Adjusting Journal Entries JE # 13				
To adjust compensated absences payable to actual.				
105-2-2161	COMPENSATED ABSENCES PAYABLE		1,113.00	
110-2-2161	COMPENSATED ABSENCES PAYABLE		897.00	
115-2-2161	COMPENSATED ABSENCES PAYABLE		1,590.00	
105-5-4816-1000	Salaries			1,113.00
110-5-4825-1000	Salaries			897.00
115-5-4843-1000	Salaries			1,590.00
Total			3,600.00	3,600.00
Adjusting Journal Entries JE # 14				
To increase retainage payable to agree to latest pay request in 2016.				
518-5-5011-2900	CONTRACTUAL SERVICE		1,586.00	
518-2-2060	CONTRACTS PAYABLE			1,586.00
Total			1,586.00	1,586.00
Adjusting Journal Entries JE # 15				
To record 2016 payables in the correct year				
100-5-4131-3300	MOTOR FUELS & LUBRICANTS		1,150.00	
526-1-1650	Water CIP		32,890.00	
526-5-2700-1180	ENGINEERING		32,890.00	
100-2-2020	ACCOUNTS PAYABLE			1,150.00
526-2-2020	ACCOUNTS PAYABLE			32,890.00
526-5-2700-1180	ENGINEERING			32,890.00
Total			66,930.00	66,930.00

Client: **1308 - City of Paynesville**
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 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 16				
To record prior period adjustment to eliminate deferral for notes receivable, and to apply current year payments/activity to the receivable balance instead of revenues.				
210-2-2220	DEFERRED REVENUES		401,583.00	
210-4-2966-1010	RECEIPTS/PRINCIPAL		16,459.00	
210-4-3000-1010	RECEIPTS/PRINCIPAL		1,736.00	
210-4-3075-1010	RECEIPTS/PRINCIPAL		6,633.00	
210-4-3082-1010	RECEIPTS/PRINCIPAL		1,750.00	
210-4-3083-1010	RECEIPTS/PRINCIPAL		1,230.00	
210-4-3086-1010	RECEIPTS/PRINCIPAL		2,145.00	
210-4-3087-1010	RECEIPTS/PRINCIPAL		110,827.00	
210-4-3088-1010	RECEIPTS/PRINCIPAL		44,331.00	
210-4-3089-1010	RECEIPTS/PRINCIPAL		863.00	
210-4-3091-1010	RECEIPTS/PRINCIPAL		4,627.00	
210-4-3092-1010	RECEIPTS/PRINCIPAL		10,017.00	
210-4-3093-1010	RECEIPTS/PRINCIPAL		859.00	
210-4-3094-1010	RECEIPTS/PRINCIPAL		3,048.00	
210-4-3098-1010	RECEIPTS/PRINCIPAL		1,030.00	
210-4-3099-1010	RECEIPTS/PRINCIPAL		2,309.00	
210-5-8100-0000	Loss on Uncollectable Loans		175,448.00	
210-3-3590	UNRESERVED FUND BALANCE			763,895.00
210-5-8069-7221	KORONIS LIVING LLC LOAN			21,000.00
Total			784,895.00	784,895.00
Adjusting Journal Entries JE # 17				
To recognize revenues recorded previously deferred, since such revenue was earned in 2016 and is in a proprietary fund, and to consolidate receivable from MPCA into one account.				
526-1-1320	DUE FROM OTHER GOVERNMENTAL		409,346.00	
526-2-2220	DEFERRED REVENUES		404,386.00	
526-1-1207	ACCOUNTS RECEIVABLE			409,346.00
526-4-2700-1170	GRANT MONIES			404,386.00
Total			813,732.00	813,732.00
Adjusting Journal Entries JE # 18				
To record enterprise depreciation expense				
105-5-4819-4920	Depreciation Expense		1,705.00	
110-5-4826-4920	Depreciation Expense		102,961.00	
115-5-4843-4920	Depreciation Expense		361,297.00	
105-1-1641	ACCUMULATED DEPRECIATION			1,705.00
110-1-1641	ACCUMULATED DEPRECIATION			102,961.00
115-1-1641	ACCUMULATED DEPRECIATION			361,297.00
Total			465,963.00	465,963.00
Adjusting Journal Entries JE # 19				
To reclass unearned revenue in an account separate from deferred inflows (unavailable revenue).				
100-2-2220	DEFERRED REVENUES		21,409.00	
100-2-2201	Deferred Revenue Unearned			21,409.00
Total			21,409.00	21,409.00

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 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 20				
To record enterprise disposals				
110-1-1641	ACCUMULATED DEPRECIATION		27,068.00	
110-5-4826-4930	LOSS ON DISPOSAL		529.00	
115-1-1641	ACCUMULATED DEPRECIATION		8,537.00	
115-1-1641	ACCUMULATED DEPRECIATION		15,000.00	
115-4-3540-0990	SALE OF FIXED ASSETS		313.00	
110-1-1623	SEWER & WATER SYSTEM IMPROVEME			27,597.00
115-1-1620	BUILDING & IMPROVEMENTS			15,000.00
115-1-1623	SEWER & WATER SYSTEM IMPROVEME			8,850.00
Total			51,447.00	51,447.00

Adjusting Journal Entries JE # 21				
To record current year additions/deletions to Construction in Progress				
110-1-1640	EQUIPMENT		3,581,091.00	
523-1-1650	CONSTRUCTION IN PROGRESS		217,406.00	
523-4-2015-9600	PERMANENT TRANSFERS IN		3,557,091.00	
526-1-1650	Water CIP		39,381.00	
526-1-1650	Water CIP		944,174.00	
110-1-1650	CONSTRUCTION IN PROGRESS			24,000.00
110-5-4800-3611	Capital Contribution			3,557,091.00
523-1-1650	CONSTRUCTION IN PROGRESS			3,557,091.00
523-5-2015-2900	CONTRACTUAL SERVICE			217,406.00
526-5-2700-1180	ENGINEERING			195,379.00
526-5-2700-1311	PROFESSIONAL SERVICES (GENERAL			250.00
526-5-2700-2100	PRINTING & PUBLISHING			136.00
526-5-2700-2100	PRINTING & PUBLISHING			173.00
526-5-2700-2900	CONTRACTUAL SERVICE			39,381.00
526-5-2700-2900	CONTRACTUAL SERVICE			748,236.00
Total			8,339,143.00	8,339,143.00

Adjusting Journal Entries JE # 22				
To record new asset from CIP				
110-1-1623	SEWER & WATER SYSTEM IMPROVEME		407,545.00	
115-1-1623	SEWER & WATER SYSTEM IMPROVEME		240,896.00	
110-5-4800-3611	Capital Contribution			407,545.00
115-5-4800-3611	Capital Contribution			240,896.00
Total			648,441.00	648,441.00

Adjusting Journal Entries JE # 23				
To adjust OPEB liability balances based on 2016 actuarial study.				
105-5-4816-1000	Salaries		3,654.00	
110-2-2163	OPEB LIABILITY (GASB 45)		954.00	
115-2-2163	OPEB LIABILITY (GASB 45)		2,332.00	
105-2-2163	OPEB LIABILITY (GASB 45)			3,654.00
110-5-4825-1000	Salaries			954.00
115-5-4843-1000	Salaries			2,332.00
Total			6,940.00	6,940.00

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 24				
To close out remaining balances in the 570 fund, since this project is complete.				
115-1-1100	CASH BALANCE		849,832.00	
115-1-1650	CONSTRUCTION IN PROGRESS		4,118,893.00	
570-4-5010-9600	PERMANENT TRANSFERS IN		4,968,725.00	
115-4-3540-9600	Permanent Transfers In			4,968,725.00
570-1-1100	CASH BALANCE			849,832.00
570-1-1650	CONSTRUCTION IN PROGRESS			4,118,893.00
Total			9,937,450.00	9,937,450.00

Adjusting Journal Entries JE # 25				
To pay off the loan from the 220 fund to the TIF1-14 District, based on Council approval at the 12/12/16 meeting.				
220-1-1100	CASH BALANCE		500.00	
220-1-1100	CASH BALANCE		500.00	
275-2-2090	ADVANCES FROM OTHER FUNDS		500.00	
275-2-2300	DUE TO OTHER FUNDS		500.00	
276-1-1100	CASH BALANCE		500.00	
276-2-2300	DUE TO OTHER FUNDS		500.00	
220-1-1300	DUE FROM OTHER FUNDS			500.00
220-1-1300	DUE FROM OTHER FUNDS			500.00
275-1-1100	CASH BALANCE			500.00
275-1-1100	CASH BALANCE			500.00
276-1-1100	CASH BALANCE			500.00
276-2-2090	ADVANCES FROM OTHER FUNDS			500.00
Total			3,000.00	3,000.00

Adjusting Journal Entries JE # 26				
To eliminate bond levy transfer and to allocate as property taxes.				
100-4-3011-0010	Property Taxes		168,500.00	
522-4-2014-9600	PERMANENT TRANSFERS IN		30,000.00	
535-4-2800-9610	TRANSFERS IN		58,000.00	
545-4-2010-9600	PERMANENT TRANSFERS IN		56,000.00	
555-4-2009-9600	PERMANENT TRANSFERS IN		24,500.00	
100-5-5000-8000	Bonds Principal & Interest			168,500.00
522-4-3011-0010	Property Taxes			30,000.00
535-4-3011-0010	Property Taxes			58,000.00
545-4-3011-0010	Property Taxes			56,000.00
555-4-3011-0010	Property Taxes			24,500.00
Total			337,000.00	337,000.00

Adjusting Journal Entries JE # 27				
To reclass revenue not recieved within 60 days				
100-4-3522-1170	Grant Monies		13,732.00	
100-2-2220	DEFERRED REVENUES			13,732.00
Total			13,732.00	13,732.00

Client: **1308 - City of Paynesville**
 Engagement: **12-16 AUD - City of Paynesville**
 Period Ending: **12/31/2016**
 Trial Balance: **3000.00 - TB**
 Workpaper: **0204.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 28				
To record capital contribution for the portion of the tractor that was purchased from the water & sewer funds and subsequently transferred				
111-5-4800-3611	Capital Contribution		18,980.00	
116-5-4800-3611	CONTRIBUTED CAPITAL OUT		28,470.00	
111-5-4801-5200	NEW EQUIPMENT			18,980.00
116-5-4800-5200	NEW EQUIPMENT			28,470.00
Total			<u>47,450.00</u>	<u>47,450.00</u>

EXHIBIT B

MANAGEMENT LETTER

May 17, 2017

Honorable Mayor and City Council
City of Paynesville
Paynesville, Minnesota

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City of Paynesville for the year ended December 31, 2016. These items are offered as constructive suggestions to be considered as part of the ongoing process of modifying and improving the City's practices and procedures.

TIF District 1-10

During the year ended December 31, 2014, TIF District 1-10 was decertified. Upon decertification, it appears the District has excess increment totaling \$5,931. We recommend management determine if the excess funds are required to be returned to the County or transferred to another TIF District if appropriate.

We wish to take this opportunity to express our sincere appreciation for all the courtesies and cooperation extended to us by Renee Eckerly and Belinda Ludwig. We would also like to thank you for the opportunity to serve you. We look forward to serving you in the future.

This letter is intended solely for the information and use of the City Council, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving the City of Paynesville and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota