TO: Sunfish Lake Mayor and Council, City Clerk Christy Wilcox, City Treasurer Ann Lanoue
FROM: Timothy J. Kuntz, City Attorney
DATE: September 28, 2023
RE: Debt Service Fund

Section 1. Background.

One of the questions raised by the Mayor dealt with the background to the Debt Service Fund.

Section 2. Debt Service Fund.

The City keeps a separate identified fund referred to as the "debt service fund." The debt service fund accounts for the debt service activity associated with the long-term general obligation debt of the City.

The debt service fund is classified as "restricted." The audit report defines "restricted" as follows:

> "Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions."

The sources of money that are placed in the debt service fund are as follows:

- Special assessments paid to the City.
- Special assessments collected by the County from the landowner and then paid to the City as a part of the annual installments of special assessments that have been levied against the property.
- Any excess money from the borrowed funds for the construction projects after all the construction project work has been paid.
- The tax levy imposed by the City relating to the annual debt service for the bonds that were issued.

The monies that flow out of the debt service fund are for the following purposes:

- Payment of the principal and interest relating to the bonds, promissory notes and obligations that were issued by the City for the public improvement projects.

As of December 31, 2022, the outstanding cash balance of the debt service fund was $528,091. The City still owes $1,795,000 in principal. The principal and interest are being paid pursuant to a payment schedule that runs through 2032.

Section 3. Flow of Money.

To pay the contractor for the project, the City borrows the money from the bank and issues a bond or promissory note. The City pays the money to the contractor. If there are any excess funds, the money is placed in the debt service fund. The City then imposes special assessments on the benefitted properties. The money collected by the City or County for the special assessments is paid over to the City and placed in the debt service fund. The City annually imposes a tax levy, specifically dedicated to repay the indebtedness. The dedicated tax levy is paid by landowners to the County and paid over to the City. Out of the debt service fund, the City pays the annual principal and interest that is due the bank.

TO: **Mayor O'Leary and Council, City Clerk Christy Wilcox, and Treasurer Ann Lanoue**
FROM: **Timothy J. Kuntz, City Attorney**
DATE: **September 28, 2023**
RE: **Audit Report for 2022**

The following highlights certain findings of the auditor with respect to the financial status of the City.

1.) **Reporting Period.** The reporting period is the calendar year 2022 with the end of the year reporting date of December 31, 2022.

2.) **Budget To Actual.** In 2022, the City had revenue of $771,344 and expenditures of $836,614. Expenditures exceeded revenue by $65,270. The result was that the General fund account of $1,528,114 (as of January 1, 2022) was reduced to $1,462,844 as of December 31, 2022.

3.) **General Fund and Debt Service Fund.** According to the audit, the City states that there are two funds and the City states the following:

> The City reports the following major governmental funds:
>
> The General fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Debt Service fund accounts for the debt service activity associated with the long-term general obligation debt of governmental funds.

According to the audit, the City has classified the General fund monies of $1,403,394 as "unassigned" and $59,450 as ARPA restricted in the General fund. The City has classified the monies in the Debt Service fund as "restricted". The audit defines "unassigned" as the residual classification for the General fund and also negative residual amounts in other funds. The audit defines "Restricted" as amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by state statutory provisions.

4.) **Cash Fund Balances.** The total cash fund balances (also referred in the audit as total governmental funds) are $1,990,935 of which $528,091 are in the Debt Service fund and are classified as restricted and $59,450 are in the General fund and classified as restricted ARPA funds and $1,403,394 are in the General fund and currently classified as unassigned.

5.) **Debt Service.** As of the reporting date, the City has an outstanding principal debt to bond holders in the principal amount of $1,795,000. This amount is payable over time together with the interest recited in the bonds. Each year the City levies taxes to pay for the City's portion of the Debt Service as required by the bond documents to be paid in that year.

TO: Sunfish Lake Mayor and Council, City Clerk Christy Wilcox, City Treasurer Ann Lanoue
FROM: Timothy J. Kuntz, City Attorney
DATE: September 28, 2023
RE: Non-Compliance with Statutory Requirements

Section 1. Background.

The auditor reports two instances of non-compliance with state statutes. The instances of non-compliance are stated in the Schedule of Findings and Responses as item numbers 2022-001 and 2022-003.

Items 2022-001 and 2022-003 are attached for reference.

Section 2. Failure to Comply with Minn. Stat. §471.38 and Minn. Stat. §471.391.

One event of failure to comply is the failure to have a declaration on the back of the City checks as required by Minn. Stat. §471.391. Minn. Stat. §471.38 and §471.391 are attached for reference. When the City accepts and receives the audit, the City should memorialize in the Council Minutes the actions and steps that are being taken to eliminate the non-compliance.

Section 3. The Second Instance of Non-Compliance.

The second instance of non-compliance is stated in item 2022-003. Attached for reference is Minnesota Statute §118A.03.

The audit reports:

> In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
>
> The City had $864,037 of deposits uncollateralized on December 31, 2022.
>
> At the year end, the City did not have sufficient collateral pledged and therefore was not in compliance with the state statute.

When the City accepts and receives the audit, the City should memorialize in the Council Minutes the actions and steps that are being taken to eliminate the non-compliance.

When the City accepts and receives the audit, the City should memorialize in the Council Minutes the actions and steps that are being taken to eliminate the non-compliance.

471.38 CLAIMS.

Subdivision 1. **Itemization; declaration.** Except as provided in subdivision 2, if an account, claim, or demand against a local government for any property or services can be itemized in the ordinary course of business, the board or officer authorized by law to audit and allow claims shall not audit or allow the claim until the person claiming payment, or the person's agent, provides to the board or officer an itemized list in writing or in an electronic transaction record. By making the claim for payment, the person making the claim is declaring that the account, claim, or demand is just and correct and that no part of it has been paid. The board or officer may in its discretion allow a claim prepared by the clerk or secretary of the board or officer prior to the declaration by the claimant if the declaration is made on the check or order-check by which the claim is paid, as provided in section 471.391, subdivision 2. For the purposes of this section, "local government" means any county, local social services agency, school district, town, or home rule charter city of the second, third, or fourth class, or any park district.

Subd. 2. **Application.** The provisions of this section do not apply to any claim or demand for an annual salary or fees of jurors or witnesses, fixed by law, nor to the salary or wages of any employee whose salary or wages have been fixed on an hourly, daily, weekly or monthly basis, by the governing board of the municipality, and which is now authorized by law to be paid on a payroll basis.

Subd. 3. **Electronic funds transfer.** Electronic funds transfer is the process of value exchange via mechanical means without the use of checks, drafts, or similar negotiable instruments. A local government may make an electronic funds transfer for the following:

(1) for a claim for a payment from an imprest payroll bank account or investment of excess money;

(2) for a payment of tax or aid anticipation certificates;

(3) for a payment of contributions to pension or retirement fund;

(4) for vendor payments; and

(5) for payment of bond principal, bond interest and a fiscal agent service charge from the debt redemption fund.

Subd. 3a. **Eligibility.** The authorization in subdivision 3 extends only to a local government that has enacted all of the following policy controls:

(a) the governing body shall annually delegate the authority to make electronic funds transfers to a designated business administrator or chief financial officer or the officer's designee;

(b) the disbursing bank shall keep on file a certified copy of the delegation of authority;

(c) the initiator of the electronic transfer shall be identified;

(d) the initiator shall document the request and obtain an approval from the designated business administrator, or chief financial officer or the officer's designee, before initiating the transfer as required by internal control policies;

(e) a written confirmation of the transaction shall be made no later than one business day after the transaction and shall be used in lieu of a check, order check or warrant required to support the transaction;

(f) a list of all transactions made by electronic funds transfer shall be submitted to the governing body at its next regular meeting after the transaction.

History: *(766) RL s 438; 1949 c 416 s 1; 1951 c 350 s 1; 1953 c 50 s 1; 1955 c 312 s 1; 1959 c 56 s 1; 1961 c 5 s 1; 1976 c 44 s 68; 1979 c 334 art 6 s 25; 1986 c 444; 1989 c 329 art 9 s 29; 1994 c 631 s 31; 2001 c 13 s 1; 2017 c 52 s 1*

471.391 DECLARATION FORM.

Subdivision 1. [Repealed, 2017 c 52 s 2]

Subd. 2. **Above check endorsement.** The check or order-check by which the claim is paid may have printed on its reverse side, above the space for endorsement thereof by the payee, the following statement: "The undersigned payee, in endorsing this check (or order-check) declares that the same is received in payment of a just and correct claim against the county (county board of education for unorganized territory, school district, town or city), and that no part of it has heretofore been paid." When endorsed by the payee named in the check or order-check, such statement shall operate and shall be deemed sufficient as the required declaration of the claim.

History: *1949 c 416 s 2; 1951 c 350 s 2; 1959 c 56 s 2*

118A.03 WHEN AND WHAT COLLATERAL REQUIRED.

Subdivision 1. **For deposits beyond insurance.** To the extent that funds on deposit at the close of the financial institution's banking day exceed available federal deposit insurance, the government entity shall require the financial institution to furnish collateral security or a corporate surety bond executed by a company authorized to do business in the state. For the purposes of this section, "banking day" has the meaning given in Federal Reserve Board Regulation CC, Code of Federal Regulations, title 12, section 229.2(f), and incorporates a financial institution's cutoff hour established under section 336.4-108.

Subd. 2. **In lieu of surety bond.** The following are the allowable forms of collateral in lieu of a corporate surety bond:

(1) United States government Treasury bills, Treasury notes, Treasury bonds;

(2) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;

(3) general obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;

(4) general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

(5) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and

(6) time deposits that are fully insured by any federal agency.

Subd. 3. **Amount.** The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of collateral shall be at least equal to the amount on deposit at the close of the financial institution's banking day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.

Subd. 4. **Assignment.** Any collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged. Interest earned on assigned collateral will be remitted to the financial institution so long as it is not in default. The government entity may sell the collateral to recover the amount due. Any surplus from the sale of the collateral shall be payable to the financial institution, its assigns, or both.

Subd. 5. **Withdrawal of excess collateral.** A financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the government entity and receiving confirmation. The authority to return any delivered and assigned collateral rests with the government entity.

Subd. 6. **Default.** For purposes of this section, default on the part of the financial institution includes, but is not limited to, failure to make interest payments when due, failure to promptly deliver upon demand all money on deposit, less any early withdrawal penalty that may be required in connection with the withdrawal of a time deposit, or closure of the depository. If a financial institution closes, all deposits shall be immediately due and payable. It shall not be a default under this subdivision to require prior notice of withdrawal if such notice is required as a condition of withdrawal by applicable federal law or regulation.

Subd. 7. **Safekeeping.** All collateral shall be placed in safekeeping in a restricted account at a Federal Reserve bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection shall be approved by the government entity.

History: *1996 c 399 art 1 s 4; 2003 c 51 s 15,16; 2004 c 151 s 1,2; 2004 c 174 s 2; 2007 c 44 s 7; 2007 c 57 art 3 s 39; 2008 c 154 art 10 s 1; 2014 c 292 s 1*

Executive Governance Summary

City of Sunfish Lake

Dakota County, Minnesota

For the year ended December 31, 2022

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

NEED DATE

Management, Honorable Mayor and City Council
City of Sunfish Lake
Dakota County, Minnesota

We have audited the financial statements of the governmental activities and each major fund of the City of Sunfish Lake, Minnesota (the City) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 2, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did identify a certain deficiency in internal control, described below as item 2022-002 that we consider to be a significant deficiency. However, material weaknesses may exist that have not been identified.

2022-002 Preparation of Financial Statements

Condition: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal control can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend that the City agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under Minnesota statutes.

2022-001 Declaration for payment

Condition: Auditing for legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.

Criteria: Minnesota statute 471.38 requires that each declaration for payment be signed to the effect that such account, claim, or demand is just and correct and that no part of it has been paid. The statute is satisfied if on the back of City checks is a declaration as defined in Minnesota statute 471.391 reading "I declare under the penalties of law that this account, claim, or demand is just and correct and that no part of it has been paid."

Cause: The City did not have the required statement on the back of their checks during 2011.

Effect: The City was out of compliance with this Minnesota statute.

Recommendation: The City has a stamp with the declaration, which we recommend using until new checks with the pre-printed declaration are available.

Management Response:

Management has started stamping all checks declared for payment.

2022-003 Collateral Coverage

Condition: Auditing of legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.

Cause: The City had $864,037 of deposits uncollateralized on December 31, 2022.

Effect: At year end, the City did not have sufficient collateral pledged and therefore was not in compliance with state statute.

Recommendation: We recommend the City establish a more specific understanding with the bank for the needed collateral. Ultimately, it is the City's responsibility to have adequate coverage regardless of the bank's process.

Management Response:

The City Treasurer has taken the appropriate action to ensure that City's deposits are sufficiently covered by collateral throughout the entire month.

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Sunfish Lake
Dakota County, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Sunfish Lake, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated NEED DATE.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for City's* promulgated by the State Auditor pursuant to Minnesota statute §6.65, except as described in the Schedule of Findings and Responses as item 2022-001 and 2022-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo
Minneapolis, Minnesota
NEED DATE

City of Sunfish Lake, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2022

Finding	Description
2022-001	**Declaration for payment**
Condition:	Auditing for legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
Criteria:	Minnesota statute 471.38 requires that each declaration for payment be signed to the effect that such account, claim, or demand is just and correct and that no part of it has been paid. The statute is satisfied if on the back of City checks is a declaration as defined in Minnesota statute 471.391 reading "I declare under the penalties of law that this account, claim, or demand is just and correct and that no part of it has been paid."
Cause:	The City did not have the required statement on the back of their checks during 2022.
Effect:	The City was out of compliance with this Minnesota statute.
Recommendation:	The City has a stamp with the declaration, which we recommend using until new checks with the pre-printed declaration are available.

Management Response:

Management has started stamping all checks declared for payment.

2022-002 Preparation of Financial Statements

Condition: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend that the City agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

2022-003 Collateral Coverage

Condition: Auditing of legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.

Cause: The City had $864,037 of deposits uncollateralized on December 31, 2022.

Effect: At year end, the City did not have sufficient collateral pledged and therefore was not in compliance with state statute.

Recommendation: We recommend the City establish a more specific understanding with the bank for the needed collateral. Ultimately, it is the City's responsibility to have adequate coverage regardless of the bank's process.

Management Response:

The City Treasurer has taken the appropriate action to ensure that City's deposits are sufficiently covered by collateral throughout the entire month.

Annual Financial Report

City of Sunfish Lake

Dakota County, Minnesota

For the year ended December 31, 2022

Abdo
Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

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City of Sunfish Lake, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2022

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INTRODUCTORY SECTION

CITY OF SUNFISH LAKE
DAKOTA COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Sunfish Lake, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

ELECTED

Name	Title	Term Expires
Dan O'Leary	Mayor	12/31/24
Shannon Nelson	Councilmember	12/31/26
Mike Hovey	Councilmember	12/31/26
Steven Bulach	Councilmember	12/31/24
Shari Hansen	Councilmember	12/31/24

CITY OFFICIALS - APPOINTED

Name	Title
Christy Wilcox	Clerk/Administrator
Ann Lanoue	Treasurer

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FINANCIAL SECTION

CITY OF SUNFISH LAKE
DAKOTA COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Sunfish Lake
Sunfish Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the City of Sunfish Lake, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City as of December 31, 2022, and their respective cash receipts and disbursements, for the year then ended, on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor as described in Note 1B.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2022 the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements of the governmental funds referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City, as of December 31, 2022, and their respective cash receipts and disbursements, for the year then ended December 31, 2022, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1.

Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sunfish Lake's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 of Sunfish Lake's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying individual fund financial schedule and report are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial schedule and report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and unaudited supplementary information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Minneapolis, Minnesota
September 6, 2023

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FUND FINANCIAL STATEMENTS

CITY OF SUNFISH LAKE
DAKOTA COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Sunfish Lake, Minnesota

Statement of Balances Arising from Cash Transactions

Governmental Funds

December 31, 2022

	100 General	300 Debt Service	Total Governmental Funds
Assets			
Cash and temporary investments	$ 1,462,844	$ 528,091	$ 1,990,935
Cash Fund Balances			
Restricted for			
Debt service	-	528,091	528,091
ARPA Funds	59,450	-	59,450
Unassigned	1,403,394	-	1,403,394
Total Cash Fund Balances	$ 1,462,844	$ 528,091	$ 1,990,935

The notes to the financial statements are an integral part of this statement.

City of Sunfish Lake, Minnesota
Statement of Cash Receipts, Disbursements and
Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	100 General	300 Debt Service	Total Governmental Funds
Revenues			
Taxes			
Property taxes	$ 587,583	$ 144,827	$ 732,410
Licenses and permits	37,584	-	37,584
Intergovernmental	29,725	-	29,725
Charges for services	5,599	-	5,599
Fines and forfeitures	4,223	-	4,223
Special assessments	-	102,175	102,175
Investment earnings (loss)	(7,614)	(2,768)	(10,382)
Miscellaneous	114,244	-	114,244
Total Revenues	771,344	244,234	1,015,578
Expenditures			
Current			
General government	192,090	-	192,090
Public safety	189,104	-	189,104
Public works	246,529	-	246,529
Culture and recreation	27,659	-	27,659
Capital outlay			
General government	181,232	-	181,232
Debt service			
Principal	-	170,000	170,000
Interest and other charges	-	42,872	42,872
Total Expenditures	836,614	212,872	1,049,486
Net Change in Cash Fund Balances	(65,270)	31,362	(33,908)
Cash Fund Balances, January 1	1,528,114	496,729	2,024,843
Cash Fund Balances, December 31	$ 1,462,844	$ 528,091	$ 1,990,935

The notes to the financial statements are an integral part of this statement.

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

City of Sunfish Lake, Minnesota (the City), is organized and governed by the standard structure of five Council Members, one Clerk, and one Treasurer. The five Council Members are elected by eligible voters of the City while the Clerk and Treasurer are appointed positions. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared under the regulatory basis of accounting as described in the Minnesota Office of the State Auditor's Reporting and Publishing Requirements for Cities under 2,500 in population published in February of 2016. Under that basis, governmental fund receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from accounting principles generally accepted in the United States of America primarily because the City has not provided a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are used to account for the City's general government activities and are accounted for using the regulatory basis of accounting. Their receipts are recognized when received in cash and disbursements are recognized when paid in cash. The regulatory basis of accounting is a special purpose framework other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, receipts are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On the regulatory basis, receipts from property taxes are recognized in the year the tax is collected. Receipts from grants, entitlements and donations are recognized in the year in which they are collected. For proprietary funds, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and disbursements requirements, in which the resources are provided to the City on a reimbursement basis.

Note 1: Summary of Significant Accounting Policies (Continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the debt service activity associated with the long-term general obligation debt of governmental funds.

C. Assets and Fund Balances

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated based on the City's policy.

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Note 1: Summary of Significant Accounting Policies (Continued)

9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2022

- Negotiable certificates deposit of $360,553 deposits are valued using a matrix pricing model (Level 2 inputs)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board does not currently have a policy that addresses authority to assign amounts for specific purposes.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. The City has not formally adopted a fund balance policy.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In July/August of each year, the proposed budget is prepared by the Council and management. The Council holds public hearing in September at the continuation of the annual meeting. A final budget is prepared and adopted prior to the beginning of the year.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between funds require the approval of the Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. The City did not amend the budget during 2022.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2022, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General Fund	$ 633,012	$ 836,614	$ 203,602

Note 3: Detailed Notes on All Funds

C. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks, as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service

Note 3: Detailed Notes on All Funds (Continued)

- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and

- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was $1,154,652 and the bank balance was $1,182,789. Of the bank balance $318,752 was covered by FDIC. The remaining was insufficiently collateralize which will result in a legal compliance finding described as finding 2022-003.

Investments

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Broker Money Market	N/A	less than 6 months	$ 475,730	$ -	$ -	$ -
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	N/A	1 year to 3 years	360,553	-	360,553	-
Total Investments			$ 836,283	$ -	$ 360,553	$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 20 of the notes.

- *Custodial Credit Risk* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The investment in the Minnesota Municipal Money Market Mutual Fund is not subject to the custodial credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. The City's investments are exempt from consideration of concentration of credit risk.

Note 3: Detailed Notes on All Funds (Continued)

- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City does not have a formal investment policy that addresses the above risks.

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Deposits	$ 1,154,652
Investments	836,283
Total	$ 1,990,935

D. Long-term Debt

General Obligation Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for governmental funds. G.O. bonds are direct obligations and pledge the full faith and credit of the City. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Improvement Bond, Series 2021A	$ 630,000	.50 - 1.50 %	08/19/21	02/01/32	$ 630,000
General Obligation Improvement Bond, Series 2019A	995,000	2.10 - 3.00	04/25/19	02/01/30	805,000
General Obligation Improvement Bond, Series 2017A	415,000	1.90 - 2.70	05/01/17	02/01/28	255,000
General Obligation Improvement Bond, Series 2014A	330,000	1.25 - 2.80	06/26/14	02/01/25	105,000
Total General Obligation Bonds					$ 1,795,000

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending December 31,	**General Obligation Bonds** Governmental Activities Principal	Interest	Total
2023	$ 235,000	$ 35,443	$ 270,443
2024	240,000	31,030	271,030
2025	240,000	26,233	266,233
2026	215,000	21,336	236,336
2027	210,000	16,623	226,623
2028 - 2032	655,000	24,925	679,925
Total	$ 1,795,000	$ 155,590	$ 1,950,590

Note 4: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments. The City has no outstanding debt subject to the limit.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF SUNFISH LAKE
DAKOTA COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Sunfish Lake, Minnesota

Statement of Receipts, Disbursements and Changes in Cash Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2022

	General			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes				
Property taxes	$ 593,571	$ 593,571	$ 587,583	$ (5,988)
Licenses and permits	24,000	24,000	37,584	13,584
Intergovernmental	5,000	5,000	29,725	24,725
Charges for services	3,420	3,420	5,599	2,179
Fines and forfeitures	2,500	2,500	4,223	1,723
Investment earnings (loss)	6,000	6,000	(7,614)	(13,614)
Miscellaneous	-	-	114,244	114,244
Total Revenues	634,491	634,491	771,344	136,853
Expenditures				
Current				
General government	157,108	157,108	192,090	(34,982)
Public safety	178,356	178,356	189,104	(10,748)
Public works	116,780	116,780	246,529	(129,749)
Culture and recreation	26,668	26,668	27,659	(991)
Capital outlay	154,100	154,100	181,232	(27,132)
Total Expenditures	633,012	633,012	836,614	(203,602)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,479	1,479	(65,270)	(66,749)
Cash Fund Balances, January 1	1,528,114	1,528,114	1,528,114	-
Cash Fund Balances, December 31	$ 1,529,593	$ 1,529,593	$ 1,462,844	$ (66,749)

The notes to the financial statements are an integral part of this statement.

City of Sunfish Lake, Minnesota
General Fund
Statement of Receipts, Disbursements and
Changes in Cash Fund Balances - Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes				
General property taxes	$ 593,571	$ 593,571	$ 587,583	$ (5,988)
Licenses and permits	24,000	24,000	37,584	13,584
Intergovernmental				
State				
Other	5,000	5,000	29,725	24,725
Charges for services				
General government	3,420	3,420	5,599	2,179
Fines and forfeitures	2,500	2,500	4,223	1,723
Total charges for services	5,920	5,920	9,822	3,902
Investment earnings (loss)	6,000	6,000	(7,614)	(13,614)
Miscellaneous	-	-	114,244	114,244
Total Revenues	634,491	634,491	771,344	136,853
Expenditures				
Current				
General government				
Mayor and Council				
Personal services	878	878	270	608
Supplies	1,940	1,940	1,529	411
Other services and charges	21,140	21,140	15,805	5,335
Total Mayor and Council	23,958	23,958	17,604	6,354
City Administrator				
Personal services	6,791	6,791	6,970	(179)
City Clerk				
Personal services	17,671	17,671	18,787	(1,116)

City of Sunfish Lake, Minnesota
General Fund
Statement of Receipts, Disbursements and
Changes in Cash Fund Balances - Budget and Actual (Continued)
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Current (Continued)				
General government (continued)				
City Treasurer				
Personal services	$ 24,788	$ 24,788	$ 26,219	$ (1,431)
Elections				
Personal services	2,000	2,000	3,001	(1,001)
Legal				
Other services and charges	38,500	38,500	62,538	(24,038)
Planning				
Personal services	43,400	43,400	56,971	(13,571)
Total general government	157,108	157,108	192,090	(34,982)
Public safety				
Fire				
Personal services	71,045	71,045	72,931	(1,886)
Police				
Personal services	107,311	107,311	116,173	(8,862)
Total public safety	178,356	178,356	189,104	(10,748)
Public works				
Streets				
Other services and charges	116,780	116,780	246,529	(129,749)

City of Sunfish Lake, Minnesota
General Fund
Statement of Receipts, Disbursements and
Changes in Cash Fund Balances - Budget and Actual (Continued)
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Current (Continued)				
Culture and recreation				
Parks				
Other services and charges	$ 26,668	$ 26,668	$ 27,659	$ (991)
Total current	478,912	478,912	655,382	(176,470)
Capital outlay				
Public works	154,100	154,100	181,232	(27,132)
Total Expenditures	633,012	633,012	836,614	(203,602)
Net Change in Cash Fund Balances	1,479	1,479	(65,270)	(66,749)
Cash Fund Balances, January 1	1,528,114	1,528,114	1,528,114	-
Cash Fund Balances, December 31	$ 1,529,593	$ 1,529,593	$ 1,462,844	$ (66,749)

City of Sunfish Lake, Minnesota

Summary Financial Report

Receipts and Disbursements For General Operations -

Governmental Funds

For the Year Ended December 31, 2022

		2022
Revenues		
Property taxes	$	732,410
Licenses and permits		37,584
Intergovernmental		29,725
Charges for services		5,599
Fines and forfeits		4,223
Special assessments		102,175
Investment earnings (loss)		(10,382)
Miscellaneous		114,244
Total Revenues	$	1,015,578
Per Capita	$	1,927
Expenditures		
Current		
General government	$	192,090
Public safety		189,104
Public works		246,529
Culture and recreation		27,659
Capital outlay		
General government		181,232
Debt service		
Principal		170,000
Interest and other charges		42,872
Total Expenditures	$	1,049,486
Per Capita	$	1,991
General Fund Balance - December 31	$	1,462,844
Per Capita		2,776

The purpose of this report is to provide a summary of financial information concerning the City of Sunfish Lake to interested citizens. The complete financial statements may be examined upon request. Questions about this report should be directed to the City Clerk or Treasurer.

SUPPLEMENTARY INFORMATION-
UNAUDITED

CITY OF SUNFISH LAKE
DAKOTA COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Sunfish Lake, Minnesota
Supplementary Information - Unaudited
December 31, 2022

Schedule of Accounts Receivable

Fund	Source of Revenue	Purpose	Amount
General	January Tax Settlement	Tax Revenue	$ 8,858
General	January Court Fines	Fines and Forfeitures	167
			$ 9,025

Schedule of Accounts Payable and Contingent Liabilities

General	Dakota County Financial	Election Ballots	$ 351
General	Executive Contractors	Snow Services	6,500
General	Catherine Iago	December Payroll	1,036
General	Iago Consulting LLC	Clerical Services	581
General	Internal Revenue Service	December Payroll	1,079
General	Kelly & Lemmons P.A.	Legal Services	264
General	Ann P. Lanoue	December Payroll	1,278
General	Levander, Gillen & Mill	Legal Services	15,381
General	MN Department of Revenue	December Payroll	390
General	Old Tjikko LLC	Tree Services	1,293
General	Jon Riley	Escrow Refund	3,725
General	Savatree	Tree Services	3,259
General	WSB & Associates	Engineering & Planning	23,845
General	Xcel Energy	December Services	179
General	A to Z Home Inspection LLC	Inspection Services	2,157
General	Metropolitan Council	Planning Services	1,140
			$ 62,458

OTHER REQUIRED REPORT

CITY OF SUNFISH LAKE
DAKOTA COUNTY, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Sunfish Lake
Dakota County, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Sunfish Lake, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 6, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for City's* promulgated by the State Auditor pursuant to Minnesota statute §6.65, except as described in the Schedule of Findings and Responses as item 2022-001 and 2022-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo

Abdo
Minneapolis, Minnesota
September 6, 2023

Finding	Description
2022-001	**Declaration for payment**
Condition:	Auditing for legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
Criteria:	Minnesota statute 471.38 requires that each declaration for payment be signed to the effect that such account, claim, or demand is just and correct and that no part of it has been paid. The statute is satisfied if on the back of City checks is a declaration as defined in Minnesota statute 471.391 reading "I declare under the penalties of law that this account, claim, or demand is just and correct and that no part of it has been paid."
Cause:	The City did not have the required statement on the back of their checks during 2022.
Effect:	The City was out of compliance with this Minnesota statute.
Recommendation:	The City has a stamp with the declaration, which we recommend using until new checks with the pre-printed declaration are available.

Management Response:

Management has started stamping all checks declared for payment.

2022-002 **Preparation of Financial Statements**

Condition: We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause: From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend that the City agree its financial software to the numbers reported in the financial statements.

Management Response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

2022-003 **Collateral Coverage**

Condition: Auditing of legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.

Cause: The City had $864,037 of deposits uncollateralized on December 31, 2022.

Effect: At year end, the City did not have sufficient collateral pledged and therefore was not in compliance with state statute.

Recommendation: We recommend the City establish a more specific understanding with the bank for the needed collateral. Ultimately, it is the City's responsibility to have adequate coverage regardless of the bank's process.

Management Response:

The City Treasurer has taken the appropriate action to ensure that City's deposits are sufficiently covered by collateral throughout the entire month.

City of Sunfish Lake, Minnesota

Summary Financial Report
Receipts and Disbursements For General Operations - Governmental Funds
For the Year Ended December 31, 2022

	2022
Revenues	
Property taxes	$ 732,410
Licenses and permits	37,584
Intergovernmental	29,725
Charges for services	5,599
Fines and forfeits	4,223
Special assessments	102,175
Investment earnings (loss)	(10,382)
Miscellaneous	114,244
Total Revenues	$ 1,015,578
Per Capita	$ 1,927
Expenditures	
Current	
General government	$ 192,090
Public safety	189,104
Public works	246,529
Culture and recreation	27,659
Capital outlay	
General government	181,232
Debt service	
Principal	170,000
Interest and other charges	42,872
Total Expenditures	$ 1,049,486
Per Capita	$ 1,991
General Fund Balance - December 31	$ 1,462,844
Per Capita	2,776

The purpose of this report is to provide a summary of financial information concerning the City of Sunfish Lake to interested citizens. The complete financial statements may be examined upon request. Questions about this report shoulc be directed to the City Clerk or Treasurer.