

CITY OF SAINT PETER  
NICOLLET COUNTY, MINNESOTA

Special Purpose Audit Reports on

Single Audit,  
Internal Controls, and Compliance  
With Laws and Regulations

Year Ended  
December 31, 2020

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF SAINT PETER  
NICOLLET COUNTY, MINNESOTA

**Table of Contents**

	Page
Schedule of Expenditures of Federal Awards	1
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	2-3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	4-6
Independent Auditor's Report on Minnesota Legal Compliance	7-8
Schedule of Findings and Questioned Costs	9-14

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF SAINT PETER

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Entity Identification Number	Federal Expenditures
<b>U.S. Department of Justice</b>			
Direct			
Bullet Proof Vest Partnership Program	16.607		\$ 2,301
<b>U.S. Department of Treasury</b>			
Passed through State of Minnesota Department of Management and Budget			
COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	901,597
<b>U.S. Department of Homeland Security</b>			
Passed through State of Minnesota Department of Management and Budget			
Disaster Grants – Public Assistance	97.036		2,092
Direct			
Assistance to Firefighters Grant	97.044		<u>156,922</u>
Total federal awards			<u><u>\$ 1,062,912</u></u>

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the U.S. Office of Management and Budget’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the City’s basic financial statements.

Note 2: Unless noted in the table above, the pass-through entities use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The City did not elect to use the 10 percent de minimis indirect cost rate.

THIS PAGE INTENTIONALLY LEFT BLANK



PRINCIPALS

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council and Management  
City of Saint Peter, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saint Peter, Minnesota (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2021. We issued our report, which contained an unmodified opinion on the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information. Our report includes a reference to other auditors who audited the financial statements of the River's Edge Hospital and Clinic (the Hospital) as of and for the year ended December 31, 2020, and the Housing and Redevelopment Authority as of and for the year ended March 31, 2020, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Hospital were not audited in accordance with *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as our 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 City'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.

(continued)

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 not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2020-001, that we consider to be a significant deficiency.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **CITY'S RESPONSE TO THE FINDING**

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Malloy, Montague, Karnowski, Radosevich & Co., P. A.*

Minneapolis, Minnesota  
June 25, 2021





PRINCIPALS

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the City Council and Management of  
City of St. Peter, Minnesota

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the City of St. Peter, Minnesota's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

(continued)

## **OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as findings 2020-002 and 2020-003 that we consider to be significant deficiencies.

## **CITY'S RESPONSES TO FINDINGS**

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

## **PURPOSE OF THIS REPORT**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(continued)

**REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 25, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Malloy, Montague, Karnowski, Radosevich & Co., P. A.*

Minneapolis, Minnesota  
June 25, 2021

THIS PAGE INTENTIONALLY LEFT BLANK



PRINCIPALS

Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA/CMA  
Jaclyn M. Huegel, CPA  
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management  
City of Saint Peter, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saint Peter, Minnesota (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2021. We issued our report, which contained an unmodified opinion on the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information. Our report includes a reference to other auditors who audited the financial statements of the River's Edge Hospital and Clinic as of and for the year ended December 31, 2020, and the Housing and Redevelopment Authority as of and for the year ended March 31, 2020, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of Minnesota legal compliance that are reported on separately by those auditors.

**MINNESOTA LEGAL COMPLIANCE**

In connection with our audit, we noted that the City failed to comply with the provisions of the deposits and investments and public indebtedness sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as findings 2020-004 and 2020-005. Also, 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, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. 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.

**CITY'S RESPONSES TO THE FINDINGS**

The City's responses to the legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The City's responses were not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on them.

(continued)

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
June 25, 2021

CITY OF SAINT PETER

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2020

**A. SUMMARY OF AUDIT RESULTS**

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

**Financial Statements**

What type of auditor's report is issued?     X     Unmodified  
       Qualified  
       Adverse  
       Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?        Yes     X     No  
Significant deficiency(ies) identified?     X     Yes        None reported  
Noncompliance material to the financial statements noted?        Yes     X     No

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?        Yes     X     No  
Significant deficiencies identified?     X     Yes        None reported  
Type of auditor's report issued on compliance for major programs?     X     Unmodified  
       Qualified  
       Adverse  
       Disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2CFR200.516(a)?     X     Yes        No

Programs tested as major programs:

Program or Cluster	CFDA No.
U.S. Department of Treasury COVID-19 – Coronavirus Relief Fund	21.019

Threshold for distinguishing between type A and B programs:     \$     750,000

Does the auditee qualify as a low-risk auditee?        Yes     X     No

CITY OF SAINT PETER

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2020

**B. FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2020-001 Segregation of Duties**

**Criteria** – Internal control over financial reporting.

**Condition** – The City of Saint Peter, Minnesota (the City) has limited segregation of duties in several areas, including the processing of payroll transactions, utility billing, cash receipts, and general ledger maintenance separately of subsidiary ledgers.

**Questioned Costs** – Not applicable.

**Context** – The condition applies to multiple areas as noted above.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – The limited segregation of duties is primarily caused by the limited size of the City's finance department staff.

**Effect** – One important element of internal accounting controls is an adequate segregation of duties such that no one individual should have responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the City to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

**Recommendation** – This condition is common to organizations of your size. We recommend that the City segregate duties as best it can within the limits of the staff available. Any modifications in internal control in this area should be viewed from a cost-benefit perspective.

**View of Responsible Official and Planned Corrective Actions** – There is no disagreement with the audit finding. The City reviews and makes improvements to its internal control structure on an ongoing basis to maximize the segregation of duties in all areas within the limits of the staff available. However, the City does not consider it cost-beneficial at this time to increase the size of its finance department staff in order to further segregate accounting functions. The City has separately issued a Corrective Action Plan related to this finding.



CITY OF SAINT PETER

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2020

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF THE TREASURY, PASSED THROUGH MINNESOTA DEPARTMENT OF MANAGEMENT AND BUDGET, CORONAVIRUS RELIEF FUND – CFDA No. 21.019**

**2020-002 Internal Control Over Compliance With Federal Allowable Activities and Period of Performance Requirements**

**Criteria** – 42 U.S. Code § 601(d) requires the City to use the funds provided under this section to cover only those costs that are necessary expenditures incurred due to the public health emergency, with respect to the coronavirus pandemic, and incurring during the period from March 1, 2020 through December 30, 2020.

**Condition** – During our audit, we noted that the City charged costs to the federal Coronavirus Relief Fund (CRF) program that did not meet the standard for an allowable cost as defined by 86 FR 4182 and 42 U.S. Code § 601(d) because they were incurred after the period of performance.

**Questioned Costs** – \$39,036.

**Context** – The City has charged unallowable costs to the program for 1 of 21 transactions tested. This was not a statistically valid sample.

**Repeat Finding** – This is a current year finding.

**Cause** – This was an oversight by city personnel.

**Effect** – This could be viewed as a violation of the award agreement.

**Recommendation** – We recommend that the City review its internal control procedures relating to allowable activities and the period of performance in regards to federal programs.

**View of Responsible Official and Planned Corrective Actions** – The City agrees with the finding. The City will review its procedures relating to allowable activities and period of performance in regards to federal programs. The City has separately issued a Corrective Action Plan related to this finding.

CITY OF SAINT PETER

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2020

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF THE TREASURY, PASSED THROUGH MINNESOTA DEPARTMENT OF MANAGEMENT AND BUDGET, CORONAVIRUS RELIEF FUND – CFDA No. 21.019 (CONTINUED)**

**2020-003 Internal Control Over Compliance With Federal Reporting Requirements**

**Criteria** – 42 U.S. Code § 601(d) requires that each prime recipient of the CRF shall provide Financial Progress Reports that contain COVID-19-related costs incurred during the covered period beginning on March 1, 2020 and ending on December 30, 2020 to the U.S. Department of the Treasury’s Office of Inspector General. Consequently, the Minnesota Department of Management and Budget required each subrecipient of the CRF to submit monthly expenditure reports containing COVID-19-related costs incurred during the same covered period.

**Condition** – During our audit, we noted that the City did not file all required monthly expenditure reports by the required due date.

**Questioned Costs** – Not applicable.

**Context** – Three of five required monthly expenditure reports were not filed by the required due date.

**Repeat Finding** – This is a current year finding.

**Cause** – This was an oversight by city personnel.

**Effect** – This could be viewed as a violation of the award agreement.

**Recommendation** – We recommend that the City review its internal control procedures relating to the reporting requirements for federal programs.

**View of Responsible Official and Planned Corrective Actions** – The City agrees with the finding. The City will review its procedures relating to reporting requirements for federal programs. The City has separately issued a Corrective Action Plan related to this finding.

CITY OF SAINT PETER

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2020

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT**

**2020-004 Collateral**

**Criteria** – Minnesota Statutes § 118A.03.

**Condition** – Minnesota Statutes § 118A.03 requires that if a City’s deposits exceed Federal Deposit Insurance Corporation (FDIC) coverage, excess deposits must be covered by corporate surety bonds or collateral that has a market value of at least 110 percent of such excess. This requirement was not met for the City’s accounts at Pioneer Bank on December 31, 2020.

**Questioned Costs** – Not applicable.

**Context** – The City had \$359,540 of deposits in excess of FDIC coverage as of December 31, 2020 that were not covered by corporate surety bonds or collateral as required by Minnesota Statutes.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – This was an oversight by city personnel.

**Effect** – Deposits in excess of FDIC coverage and may be lost in the event of a bank failure.

**Recommendation** – We recommend that the City obtain corporate surety bonds or collateral that has a market value of at least 110 percent of the City’s deposits that exceed FDIC coverage in the future.

**View of Responsible Official and Planned Corrective Actions** – There is no disagreement with the audit finding. The City will review and update its policies and internal controls to verify compliance in the future. The City has separately issued a Corrective Action Plan relating to this finding.

CITY OF SAINT PETER

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2020

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)**

**2020-005 Report of Outstanding Indebtedness**

**Criteria** – Minnesota Statutes § 471.70.

**Condition** – Minnesota Statutes require on or before February 1 each year, the principal accounting officer of each city must report to the auditor of each county in which such city is situated, the total amount of outstanding obligations and the purpose for which each obligation is issued as of December 31 of the preceding year.

**Questioned Costs** – Not applicable.

**Context** – The City did not file the required annual report of outstanding obligations until February 16th.

**Repeat Finding** – This is a current year finding.

**Cause** – This was an oversight by city personnel.

**Effect** – Noncompliance with this requirement could be viewed as a violation of Minnesota Statutes.

**Recommendation** – We recommend that the City file an annual report of outstanding obligations on or before February 1 each year to verify Minnesota Statutes § 471.70 is complied with in the future.

**View of Responsible Official and Planned Corrective Actions** – There is no disagreement with the audit finding. The City will review and update its policies and internal controls to verify compliance in the future. The City has separately issued a Corrective Action Plan relating to this finding.