

CITY OF SAINT PETER  
NICOLLET COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended  
December 31, 2021

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CITY OF SAINT PETER  
NICOLLET COUNTY, MINNESOTA

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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 aggregate 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, 2021, 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 30, 2022. 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, 2021, and the Housing and Redevelopment Authority as of and for the year ended March 31, 2021, 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*.

**REPORT ON 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

(continued)

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as finding 2021-001 to be a material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as finding 2021-002 to be a significant deficiency.

## **REPORT ON 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 RESPONSES TO THE FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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 30, 2022



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**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 aggregate 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, 2021, 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 30, 2022. 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, 2021, and the Housing and Redevelopment Authority as of and for the year ended March 31, 2021, 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 provision of claims and disbursements and contracting – bid laws 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 matter as described in the Schedule of Findings and Responses as findings 2021-003 and 2021-004. 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City’s responses to the legal compliance findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

(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 30, 2022

CITY OF SAINT PETER

Schedule of Findings and Responses  
Year Ended December 31, 2021

**A. FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCING REPORTING**

**2021-001 Financial Statement Adjustments**

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

**Condition** – During the year ended December 31, 2021, we noted that the City of Saint Peter, Minnesota’s (the City) accounts payables were understated, requiring a journal entry to keep the financial statements from being misstated by a material amount. Auditing standards consider the identification of a material misstatement that was not initially identified by the City to be a material weakness in the related internal control.

**Context** – This condition applied to invoices for capital-related projects.

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

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

**Effect** – The liabilities for accounts payable were understated by \$79,141 prior to making the adjustment.

**Recommendation** – We recommend that the City review its policies and procedures and make sure all account balances are fairly stated at the start of the annual financial audit.

**Corrective Action Plan**

**Actions Planned** – The City intends to review its policies and procedures relating to accounts payable to make sure proper controls are in place to verify all disbursements are recorded in the correct calendar year.

**Official Responsible** – Sally Rheaume-Vogel, Finance Director.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City is in agreement with this finding.

**Plan to Monitor** – The Director of Finance will assure appropriate internal controls and procedures are updated and monitored to ensure accurate financial reporting in the future.

CITY OF SAINT PETER

Schedule of Findings and Responses (continued)  
Year Ended December 31, 2021

**A. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

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

**2021-002 Segregation of Duties**

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

**Condition** – 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 from subsidiary ledgers.

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

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

**Corrective Action Plan**

**Actions Planned** – The City reviews and makes improvements to its internal control structure on an ongoing basis and attempts 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 staff in order to further segregate accounting functions.

**Official Responsible** – Sally Rheume-Vogel, Finance Director.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City is in agreement with this finding.

**Plan to Monitor** – The Director of Finance will continue to monitor this deficiency and segregate duties as best as it can within the limits of the staff available.

CITY OF SAINT PETER

Schedule of Findings and Responses (continued)  
Year Ended December 31, 2021

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

**2021-003 Payment of Invoices**

**Criteria** – Minnesota Statutes § 471.425, Subd. 2.

**Condition** – Minnesota Statutes require cities to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, a city must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For 3 of 25 disbursements selected for testing, the City did not pay the obligation within the required time period, and did not pay interest on the unpaid obligation.

**Context** – Three of twenty-five disbursements tested were not in compliance.

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

**Cause** – This was an oversight by the City’s management.

**Effect** – The invoices were not paid within the 35-day period as required by Minnesota Statutes.

**Recommendation** – We recommend that the City review procedures in place to ensure that all invoices are paid within statutory requirements.

**Corrective Action Plan**

**Actions Planned** – The City will review its policies and internal controls procedures to verify compliance in the future.

**Official Responsible** – Sally Rheaume-Vogel, Finance Director.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City is in agreement with this finding.

**Plan to Monitor** – The Finance Director will review disbursement check runs to verify they are being paid within the required 35-day time period in the future.

CITY OF SAINT PETER

Schedule of Findings and Responses (continued)  
Year Ended December 31, 2021

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

**2021-004 Contracting – Bid Laws**

**Criteria** – Minnesota Statutes § 471.345 Subd. 4.

**Condition** – Minnesota Statutes require contracts estimated to exceed \$25,000, but not to exceed \$175,000, be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase. For one of six contracts selected for testing, the City did not obtain two or more quotations for the purchase.

**Context** – One of six contracts tested were not in compliance.

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

**Cause** – This was an oversight by the City’s management.

**Effect** – Purchases were made without following Minnesota Statutes.

**Recommendation** – We recommend that the City review procedures in place to ensure future contracts comply with Minnesota Statutes.

**Corrective Action Plan**

**Actions Planned** – The City will review its policies and internal controls procedures to verify compliance in the future.

**Official Responsible** – Sally Rheume-Vogel, Finance Director.

**Planned Completion Date** – December 31, 2022.

**Disagreement With or Explanation of Finding** – The City is in agreement with this finding.

**Plan to Monitor** – The Finance Director will review its policies and internal controls procedures to verify compliance in the future.