

CITY OF BLOOMINGTON
HENNEPIN COUNTY, MINNESOTA

Special Purpose Audit Reports on

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

Year Ended
December 31, 2020

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CITY OF BLOOMINGTON
HENNEPIN COUNTY, MINNESOTA

Table of Contents

	Page
Schedule of Expenditures of Federal Awards	1-2
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>	3-4
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	5-7
Independent Auditor's Report on Minnesota Legal Compliance	8
Schedule of Findings and Questioned Costs	9-10

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CITY OF BLOOMINGTON

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	Passed Through to Subrecipients	Noncash Assistance
U.S. Department of Housing and Urban Development					
Direct Program					
Section 8 Housing Choice Vouchers	14.871		\$ 4,663,629		
COVID-19 – Section 8 Housing Choice Vouchers	14.871		341,691		
Subtotal for Section 8 Housing Choice Vouchers				\$ 5,005,320	
Community Development Block Grants/Entitlement Grants	14.218		666,703	\$ 80,000	
COVID-19 – Community Development					
Block Grants/Entitlement Grants	14.218		68,904	68,904	
Subtotal for Community Development					
Block Grants/Entitlement Grants			735,607		
U.S. Department of Health and Human Services					
Direct Program					
Food and Drug Administration	93.103			5,500	
Passed through National Association of County and City Health Officials					
Medical Reserve Corps Small Grant Program	93.008			5,135	
Passed through City of Edina					
Public Health Emergency Preparedness	93.069		49,056		
Passed through City of Richfield					
Public Health Emergency Preparedness	93.069		46,405		
Passed through State of Minnesota					
Public Health Emergency Preparedness	93.069		75,620		
Subtotal for Public Health Emergency Preparedness				171,081	
Passed through State of Minnesota					
Maternal, Infant, and Early Childhood					
Home Visiting Grant Program	93.870			278,674	
Maternal and Child Health Services Block Grants to States	93.994			150,038	
Temporary Assistance for Needy Families	93.558			175,726	
Immunization Cooperative Agreements	93.268			8,532	
Universal Newborn Hearing Screening	93.251			525	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314			300	
Passed through Hennepin County					
Medical Assistance Program	93.778			6,090	
U.S. Department of Education					
Passed through State of Minnesota					
Special Education – Grants for Infants and Families	84.181			2,024	
U.S. Department of Agriculture					
Passed through State of Minnesota					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children					
	10.557			2,191,322	\$ 1,463,637
WIC Farmers' Market Nutrition Program (FMNP)	10.572			1,760	
U.S. Department of Justice					
Direct Program					
Bulletproof Vest Partnership Program					
	16.607			4,115	
COVID-19 – Coronavirus Emergency Supplemental Funding					
	16.034			13,397	
Passed through State of Minnesota					
Crime Victim Assistance	16.575			46,401	
Passed through Hennepin County					
Edward Byrne Memorial Justice Assistance Grant (JAG) Program					
	16.804			17,095	

CITY OF BLOOMINGTON

Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Entity Identification Number	Federal Expenditures	Passed Through to Subrecipients	Noncash Assistance
U.S. Department of Homeland Security					
Direct Program					
Assistance to Firefighters Grant	97.044		58,164		
COVID-19 – Assistance to Firefighters Grant	97.044		<u>24,358</u>		
Subtotal for Assistance to Firefighters Grant				82,522	
Passed through State of Minnesota					
Homeland Security Grant Program	97.067		250,024		
Passed through Hennepin County					
Homeland Security Grant Program	97.067		<u>115,015</u>		
Subtotal for Homeland Security Grant Program				365,039	
Executive Office of the President – Office of National Drug Control Policy					
Direct Program					
High Intensity Drug Trafficking Areas Program	95.001			29,027	
U.S. Department of Transportation					
Passed through State of Minnesota					
Highway Planning and Construction	20.205			1,084,850	
National Priority Safety Program	20.616			53,617	
Passed through Metropolitan Airports Commission					
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608			64,517	
U.S. Department of Treasury					
Passed through the Minnesota Department of Management and Budget					
COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	6,759,446		
Passed through Three Rivers Park District					
COVID-19 – Coronavirus Relief Fund	21.019		363,000		
Passed through Hennepin County					
COVID-19 – Coronavirus Relief Fund	21.019		26,305		
Passed through Hunger Solutions MN					
COVID-19 – Coronavirus Relief Fund	21.019		<u>2,500</u>		
Subtotal for COVID-19 – Coronavirus Relief Fund				<u>7,151,251</u>	
Total federal awards					<u><u>\$17,649,465</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 OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, when applicable. 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, all 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 has elected to use the 10 percent de minimis indirect cost rate.

Note 4: As part of its Section 8 Housing Choice Vouchers Program, the City administered portable vouchers totaling \$501,876 and related administration fees totaling \$33,676 as the receiving public housing authority (PHA) for various other initial PHAs throughout the United States. The City does not consider these amounts received from the initial PHAs to be subrecipient payments, and therefore, are excluded from the Section 8 Housing Choice Vouchers Program amount on the previous page.

Note 5: Unaudited Disclosure – The City received donated personal protective equipment (PPE) with an estimated value of less than \$1,000. The City was unable to determine whether federal dollars were used to purchase the donated PPE.



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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 Bloomington, 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 Bloomington, 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 14, 2021.

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.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

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*.

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 14, 2021



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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
City of Bloomington, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the City of Bloomington, 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 14, 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 14, 2021

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

To the City Council and Management
City of Bloomington, 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 Bloomington, 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 14, 2021.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the City failed to comply with provisions of the deposits and investments section 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 finding 2020-001. 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, public indebtedness, 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 RESPONSE TO FINDING

The City's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The City's response was not subject to the auditing procedures applied in our 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 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 14, 2021

CITY OF BLOOMINGTON

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? Yes X 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 deficiency(ies) identified? Yes X 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)? Yes X No

Programs tested as major programs:

Program or Cluster	CFDA No.
U.S. Department of Transportation Highway Planning and Construction	20.205
U.S. Department of Treasury – COVID-19 – Coronavirus Relief Fund	21.019
Threshold for distinguishing between type A and B programs:	\$ <u> 750,000 </u>
Does the auditee qualify as a low-risk auditee?	<u> X </u> Yes <u> </u> No

CITY OF BLOOMINGTON

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

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2020-001 INSUFFICIENT COLLATERAL

Criteria – Minnesota Statutes § 118A.03.

Condition – Minnesota Statutes § 118A.03 requires that if a municipality’s deposits exceed federal deposit insurance 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 Housing and Redevelopment Authority (the HRA) of Bloomington, Minnesota accounts at Bremer Bank.

Questioned Costs – Not applicable.

Context – The HRA had \$27,538 of uncollateralized deposits as of December 31, 2020.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by the HRA personnel.

Effect – Deposits exceeding \$250,000 federal deposit insurance coverage may be lost in the event of a bank failure.

Recommendation – We recommend that the HRA obtain corporate surety bonds or collateral that has a market value of at least 110 percent of the HRA’s deposits that exceed federal deposit insurance coverage.

View of Responsible Official and Planned Corrective Actions – There is no disagreement with the audit finding. The HRA has separately issued a Corrective Action Plan related to this finding.

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