

CITY OF BLOOMINGTON, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND INDEPENDENT
AUDITOR'S REPORTS

For The Year Ended December 31, 2013

CITY OF BLOOMINGTON, MINNESOTA
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MINNESOTA LEGAL COMPLIANCE REPORT

To the Honorable Mayor and
Members of the City Council
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, as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Bloomington, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 of Bloomington, Minnesota's noncompliance with the above referenced provisions.

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "HLB Tautges Redpath, Ltd." in a cursive style.

HLB TAUTGES REDPATH, LTD.

June 23, 2014



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 Honorable Mayor, Members of
the City Council and Management
City of Bloomington, Minnesota

We have audited, in accordance with the 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, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Bloomington, Minnesota's basic financial statements and have issued our report thereon dated June 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bloomington, Minnesota's internal control over financial reporting (internal control) to determine the 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 of Bloomington, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bloomington, Minnesota'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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bloomington, Minnesota'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 determination of financial statement amounts. 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 of Bloomington, Minnesota's Response to Findings

The City of Bloomington, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bloomington, Minnesota'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HLB TAUTGES REDPATH, LTD.

June 23, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

To The Honorable Mayor and
Members of the City Council
City of Bloomington, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Bloomington, Minnesota's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Bloomington, Minnesota's major federal programs for the year ended December 31, 2013. The City of Bloomington, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bloomington, Minnesota'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Bloomington, Minnesota'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 on the City of Bloomington, Minnesota's compliance.

Independent Auditor's Report on Compliance
For Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133

Opinion on Each Major Federal Program

In our opinion, the City of Bloomington, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Internal Control Over Compliance

Management of the City of Bloomington, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bloomington, Minnesota'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 our 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 OMB Circular A-133, 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 of Bloomington, Minnesota'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 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.

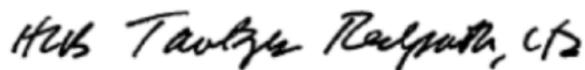
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report on Compliance
For Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133

Schedule of Expenditures of Federal Awards

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 of Bloomington, Minnesota as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Bloomington, Minnesota's basic financial statements. We issued our report thereon dated June 23, 2014, 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 OMB Circular A-133, 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



HLB TAUTGES REDPATH, LTD.

June 23, 2014

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity ID Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Section 8 Housing Choice Vouchers Program	14.871	N/A - Direct	4,234,568
Community Development Block Grant	14.218	N/A - Direct	282,215
Passed through State of Minnesota:			
Asthma Interventions in Public & Assisted Multifamily Housing	14.914	N/A - none noted	33,482
Passed through Hennepin County, Minnesota:			
HOME Investment Partnerships Program	14.239	N/A - none noted	155,348
Total U.S. Department of Housing and Urban Development			<u>4,705,613</u>
U.S. Department of Health and Human Services:			
Drug-Free Communities Support Program - SAMHSA Grant	93.276	N/A - Direct	96,048
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A - Direct	70,253
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	N/A - Direct	162,813
Medical Reserve Corps Small Grant Program	93.008	N/A - Direct	478
Passed through Minnesota Health Department:			
Public Health Emergency Preparedness	93.069	N/A - none noted	71,978
Maternal and Child Health Federal Consolidated Programs	93.994	N/A - none noted	148,183
Temporary Assistance to Needy Families	93.558	N/A - none noted	150,568
Immunization Grants	93.268	N/A - none noted	7,730
Universal Newborn Hearing Screening	93.251	N/A - none noted	14,000
Maternal, Infant, and Early Childhood Home Visiting Program	93.505	N/A - none noted	134,744
Passed through Hennepin County, Minnesota:			
Medical Assistance Program	93.778	N/A - none noted	12,360
Community Transformation Grant	93.531	N/A - none noted	236,761
Total U.S. Department of Health and Human Services			<u>1,105,916</u>
U.S. Department of Agriculture:			
Passed through Minnesota Health Department:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00077	2,591,916
Total U.S. Department of Agriculture			<u>2,591,916</u>
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.804	N/A - Direct	28,642
Passed through State of Minnesota:			
Bulletproof Vest Partnership Program	16.607	N/A - Direct	18,592
Total U.S. Department of Justice			<u>47,234</u>

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2013

U.S. Department of Homeland Security:

Passed through State of Minnesota:			
Buffer Zone Protection Program	97.078	N/A - none noted	154,945
Hazardous Materials Emergency Preparedness (HMEP)	20.703	N/A - none noted	288,365
Total U.S. Department of Homeland Security			<u>443,310</u>

U.S. Department of Transportation:

Passed through State of Minnesota:			
Highway Planning and Construction	20.205	N/A - none noted	1,127,744
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A - none noted	59,040
Total U.S. Department of Transportation			<u>1,186,784</u>

Total Expenditures of Federal Awards

\$10,080,773

See notes to schedule of expenditures of federal awards

Notes to the schedule of expenditures of federal awards

Note 1. Basis of Presentation

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, follow generally accepted accounting principles. The government-wide and the proprietary financial statements are reported using the accrual basis of accounting. The governmental fund financial statements are reported using the modified accrual basis of accounting as disclosed in the financial statement footnotes. The above schedule of expenditures of federal awards includes the federal grant activity of the City of Bloomington and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Noncash Assistance

Passed through the State of Minnesota

WIC Vouchers	10.557		\$2,006,137
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Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the City of Bloomington provided federal awards to subrecipients as follows:

<i>Program Title</i>	<i>Federal CFDA Number</i>	<i>Amount Provided to Subrecipients</i>
<i>Community Development Block Grant</i>	<i>14.218</i>	<i>\$16,171</i>

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2013

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

- | | | | | |
|--|---------------|-----|---------------|----|
| A. Type of auditors’ report issued: | Unmodified | | | |
| B. Internal control over financial reporting: | | | | |
| • Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | No |
| C. Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

Federal Awards

- | | | | | |
|---|---------------|-----|--------------|---------------|
| D. Internal control over major programs: | | | | |
| • Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> | Yes | <u> X </u> | None reported |
| E. Type of auditors’ report issued on compliance for major programs: | Unmodified | | | |
| F. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | <u> </u> | Yes | <u> X </u> | None reported |
| G. Identification of major programs: | | | | |

Name of Federal Program	CFDA Number
Section 8 Housing Choice Vouchers Program	14.871
Highway Planning and Construction	20.205

- | | | | | |
|---|--------------|-----|---------------|----|
| H. Dollar threshold used to distinguish between Type A and Type B programs: | | | | |
| | | | \$302,423 | |
| I. Auditee qualified as a low-risk auditee | <u> X </u> | Yes | <u> </u> | No |

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

2013-1 Prior Period Adjustment

Criteria: Audit standards define a *material weakness* as 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.

Condition: Three state-aid reimbursements were received and initially recorded as revenue during 2013. It was determined the reimbursements were for expenditures incurred during 2012 and revenue should have been recorded at that time. This resulted in a \$1,576,849 prior period adjustment to the 2013 beginning fund balance of the Capital Projects Fund.

Cause: The complexity of governmental accounting and the infrequent nature of such transactions was the cause for these adjustments.

Effect: There is an increased risk that financial statement misstatements may occur.

Recommendation: We recommend that finance staff continue procedures to appropriately identify and record these types of transactions in the proper period.

Views of Responsible Officials and Corrective Action Plan: The City intends to implement the recommendation.

SECTION III – FEDERAL AWARD FINDINGS

There are no federal award findings for 2013.

SECTION IV – PRIOR YEAR FINDINGS

There were no federal award findings for 2012.