

CITY OF BLOOMINGTON, MINNESOTA

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

For The Year Ended December 31, 2023

- This page intentionally left blank -

CITY OF BLOOMINGTON, MINNESOTA
TABLE OF CONTENTS

	<u>Page No.</u>
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>	1
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	13

- This page intentionally left blank -



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 and
Members of the City Council
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 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, 2023, 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 10, 2024.

Report on 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) 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 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on 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 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 of Bloomington, Minnesota'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 of Bloomington, Minnesota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

June 10, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Bloomington, Minnesota’s compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2023. 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.

In our opinion, the City of Bloomington, Minnesota complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Bloomington, Minnesota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a

legal determination of the City of Bloomington, Minnesota's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Bloomington, Minnesota's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Bloomington, Minnesota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Bloomington, Minnesota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Bloomington, Minnesota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Bloomington, Minnesota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Bloomington, Minnesota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Bloomington, Minnesota's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City of Bloomington, Minnesota's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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 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, 2023, 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 10, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

June 10, 2024

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	Passed Through to Subrecipients	Noncash Assistance
U.S. Department of Housing and Urban Development				
Direct Program				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	\$ 6,166,246		
Community Development Block Grants/Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,089,687	\$ 345,000	
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	89,908	124,558	
Subtotal for Community Development Block Grants/Entitlement Grants Cluster		1,179,595		
U.S. Department of Health and Human Services				
Passed through City of Edina				
Public Health Emergency Preparedness	93.069	\$ 54,421		
Passed through City of Richfield				
Public Health Emergency Preparedness	93.069	51,645		
Passed through State of Minnesota				
Public Health Emergency Preparedness	93.069	80,080		
Subtotal for Public Health Emergency Preparedness		186,146		
Passed through City of Edina				
COVID-19-Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	32,132		
Passed through City of Richfield				
COVID-19-Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	32,132		
Passed through State of Minnesota				
COVID-19-Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	45,234		
Subtotal for COVID-19-Epidemiology and Laboratory Capacity for Infectious Diseases		109,498		
Passed through State of Minnesota				
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	362,985		
Maternal and Child Health Services Block Grants to the States	93.994	151,226		
Early Hearing Detection and Intervention	93.251	1,725		
State Physical Activity and Nutrition (SPAN)	93.439	35,031		
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	187,929		
Passed through City of Edina				
COVID-19 Immunization Cooperative Agreements	93.268	2,731		
Passed through City of Richfield				
COVID-19 Immunization Cooperative Agreements	93.268	2,731		
Passed through State of Minnesota				
Immunization Cooperative Agreements	93.268	8,325		
COVID-19 Immunization Cooperative Agreements	93.268	3,955		
Subtotal for Immunization Cooperative Agreements		17,742		
477 Cluster				
Temporary Assistance to Needy Families (TANF)	93.558	184,443		
U.S. Department of Education				
Passed through State of Minnesota				
Special Education - Grants for Infants and Families	84.181	2,100		
U.S. Department of Agriculture				
Passed through State of Minnesota				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	2,576,524		1,871,472
WIC Farmers' Market Nutrition Program (FMNP)	10.572	1,815		

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Federal Expenditures	Passed Through to Subrecipients	Noncash Assistance
U.S. Department of Justice				
Direct program				
Bulletproof Vest Partnership Program	16.607	19,490		
Comprehensive Opioid, Stimulant, and other Substances Use Program	16.838	633		
Passed through State of Minnesota				
Crime Victim Assistance	16.575	36,117		
Passed through Hennepin County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	44,444		
U.S. Department of Homeland Security				
Direct program				
COVID-19 - Assistance to Firefighters Grant	97.044	122,727		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	1,642,909		
Passed through State of Minnesota				
Homeland Security BioWatch Program	97.091	1,200		
Homeland Security Grant Program	97.067	319,654		
Passed through Hennepin County				
Homeland Security Grant Program	97.067	4,800		
Executive Office of the President				
Direct Program				
High Intensity Drug Trafficking Areas Program	95.001	38,509		
U.S. Department of Transportation				
Passed through State of Minnesota				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	764,986		
Passed through Metropolitan Airports Commission				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	58,245		
U.S. Department of Treasury				
Direct Program				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2,271,432		
Total federal awards		<u>\$ 16,488,151</u>		

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with both OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and 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: All pass-through entities use the same federal Assistance Listing Numbers (ALN) 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 \$1,621,881 and related administration fees totaling \$106,305 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.

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- A. Type of auditor's report issued: Unmodified
- B. Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified? Yes No
- C. Noncompliance material to financial statements noted? Yes No

Federal Awards

- D. Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified? Yes No
- E. Type of auditor's report issued on compliance for major programs: Unmodified
- F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes No
- G. Identification of major federal programs:

<u>Name of Federal Programs</u>	<u>Assistance Listing Numbers</u>
Highway Planning and Construction (Federal-Aid Highway Program)	20.205
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557

- H. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- I. Auditee qualified as a low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No current year findings.

SECTION III – FEDERAL AWARD FINDINGS

**Finding 2023-001: Internal Controls over Compliance and Other Matters
Identification of Federal Funds for Purposes of Assembling the Schedule of Expenditures of Federal Awards – Other**

U.S. DEPARTMENT OF TRANSPORTATION
Highway Planning and Construction (Federal-Aid Highway Program) – ALN 20.205

U.S. DEPARTMENT OF TREASURY
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds – ALN 21.027

Criteria: Per 2 CFR 200.510(b) *Schedule of expenditures of Federal awards*, “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee’s financial statements which must include the total federal awards expended as determined in accordance with 2 CFR 200.502, *Basis for determining Federal awards expended*.”

Condition: Prior to correction, certain federal expenditures were not properly identified on the schedule of expenditures of federal awards (SEFA). During our audit, it was determined total federal expenditures for the Highway Planning and Construction program were overstated by approximately \$481,000 and federal expenditures for the Coronavirus State and Local Fiscal Recovery Funds program were understated by approximately \$340,000 on the SEFA.

Cause: Internal controls were not in place to ensure program related revenues (which are used to prepare the federal expenditures for the SEFA) were properly recorded for the Highway Planning and Construction program and that calculations for the Coronavirus State and Local Fiscal Recovery Funds program were reviewed for accuracy.

Effect: By not having proper controls over SEFA preparation, there is a risk that the SEFA will not accurately reflect the total amount of federal dollars expended during a particular year.

CITY OF BLOOMINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023

Context: The SEFA was originally overstated by \$481,000 for the Highway Planning and Construction program due to reporting \$377,000 of expenditures as federal instead of local, reporting \$120,000 of remaining encumbrances as 2023 expenditures, and excluding \$16,000 of expenditures incurred as a result of recording retainage on a project. The Coronavirus State and Local Fiscal Recovery Funds program expenditures were originally understated on the SEFA by \$340,000 due to a formula error relating to the calculation of total federal expenditures for the program.

Questioned Costs: \$0

Identification of Repeat Finding: Not a repeat finding.

Recommendation: We recommend staff review procedures related to revenue recognition of its highway construction programs to ensure amounts are properly reported on the SEFA, and that federal expenditure calculations are reviewed for accuracy.

Views of Responsible Officials and Corrective Action Plan: Management agrees with this finding and is in the process of developing internal controls to ensure timely and appropriate actions are made on the deficiency noted. Additional details can be found in the City of Bloomington's Corrective Action Plan.

- This page intentionally left blank -

CITY OF BLOOMINGTON, MINNESOTA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2023

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINANCIAL STATEMENT FINDINGS

2022-001 Financial Statement Corrections

Condition: During our audit, we identified four misstatements which were corrected, two of which were material. One of the misstatements resulted in a prior period adjustment. A summary of the corrected material misstatements is as follows:

- As of December 31, 2021, the storm water utility fund reported unearned revenue in the amount of \$867,896 relating to special assessments receivable. It was determined this revenue should have been recognized in 2018 when the assessment roll was adopted. As a result, a prior period adjustment was recorded to properly restate beginning net position.
- A \$597,292 adjustment was made to increase the mortgage receivable balance of the Housing and Redevelopment Authority's Opportunity Housing Fund. Previously, the interest portion of developer payments received on one loan reduced the reported principal balance outstanding of the loan.

Recommendation: We recommend staff continue their efforts to appropriately account for the transactions and account balances of the City and its component units.

Current Status: Resolved; no material misstatements were detected during the 2023 financial statement audit.

FEDERAL AWARD FINDINGS

None.

- This page intentionally left blank -