

CITY OF PLYMOUTH  
HENNEPIN COUNTY, MINNESOTA

Special Purpose Audit Reports

Year Ended  
December 31, 2011

CITY OF PLYMOUTH  
HENNEPIN COUNTY, MINNESOTA

Special Purpose Audit Reports  
Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

To the City Council  
City of Plymouth, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plymouth (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2012. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards 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 basic 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

June 20, 2012

CITY OF PLYMOUTH

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
Direct program		
Section 8 Housing Choice Vouchers	14.871	\$ 3,146,748
Supportive Housing for Persons With Disabilities	14.181	128,105
Community Development Block Grants/Entitlement Grants	14.218	390,627
<b>U.S. Department of Justice</b>		
Direct program		
Bulletproof Vest Partnership Program	16.607	10,852
Passed through Hennepin County		
ARRA Edward Byrne Memorial Justice Assistance Grant (JAG)		
Program/Grants to units of local government	16.804	3,976
<b>U.S. Department of Transportation</b>		
Passed through the Minnesota State Patrol		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	\$ 9,439
Passed through Minnesota Department of Public Safety		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>20,827</u>
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated		30,266
Highway Traffic Safety Grant Programs cluster consisting of:		
Passed through the City of Maple Grove		
State and Community Highway Safety	20.600	10,856
Passed through Minnesota Department of Public Safety		
Safety Belt Performance Grants	20.609	3,202
Occupant Protection Incentive Grants	20.602	<u>10,252</u>
Total Highway Traffic Safety Grant Programs cluster		24,310
<b>U.S. Department of Energy</b>		
Direct program		
ARRA Energy Efficiency and Conservation Block Grant Program	81.128	54,536
<b>U.S. Department of Homeland Security</b>		
Passed through the Minnesota Commissioner of Public Safety, Division of Homeland Security, and Emergency Management		
Homeland Security Grant Program	97.067	<u>62,200</u>
Total federal awards		<u>\$ 3,851,620</u>

Note 1: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some of the 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 listed above 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 provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Provided
Occupant Protection Incentive Grants	20.602	\$ 6,666
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	\$ 14,313
Safety Belt Performance Grants	20.609	\$ 2,135



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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  
City of Plymouth, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plymouth (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2012. We conducted our audit 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.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(continued)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We noted certain matters that we reported to management of the City in a separate letter dated June 20, 2012.

This report is intended solely for the information and use of the City Council, management of the City, others within the City, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

June 20, 2012



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council  
City of Plymouth, Minnesota

**Compliance**

We have audited the City of Plymouth's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 Nonprofit 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'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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City 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, 2011.

(continued)

## **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses as described above.

This report is intended solely for the information and use of the City Council, management of the City, others within the City, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

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

June 20, 2012





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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH MINNESOTA STATE LAWS AND REGULATIONS

To the City Council  
City of Plymouth, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Plymouth (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2012.

We conducted our audit 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 provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main 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 study included all of the listed categories.

The results of our tests indicate that, for the items tested, the City complied with the material terms and conditions of applicable legal provisions, except as noted in the Schedule of Findings and Questioned Costs.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management of the City, others within the City, and the state of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

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

June 20, 2012

CITY OF PLYMOUTH

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2011

**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?  Unqualified  
 Qualified  
 Adverse  
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified?  Yes  No

Noncompliance material to the financial statements noted?  Yes  None reported

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified?  Yes  No

Major federal award program compliance:

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  Yes  No

Programs tested as major programs:

Program or Cluster	CFDA No.
U.S. Department of Housing and Urban Development	
Section 8 Housing Choice Vouchers	14.871
Community Development Block Grants/Entitlement Grants	14.218

Threshold for distinguishing between type A and B programs: \$ 300,000

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

CITY OF PLYMOUTH

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2011

**B. FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None.

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

**2011-1 COLLATERAL**

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

**Condition** – Minnesota Statute § 118A.03 requires that if a city's deposits exceed federal 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 all of the City of Plymouth's (the City) deposit accounts at June 30, 2011.

**Context** – One of the bank accounts the City holds was not entirely collateralized at 110 percent as required by Minnesota Statutes. At June 30, 2011, the City had sufficient collateral pledged to cover deposit balances; however, the amount pledged was below the 110 percent requirement by \$105,709. This is a current year finding.

**Cause** – The City's local bank did not have sufficient collateral or federal deposit insurance coverage on June 30, 2011, due to account balance fluctuations and recent turnover in banking staff.

**Effect** – The City was not in compliance with the state legal requirements. Deposits exceeding federal deposit insurance coverage or proper collateral 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 federal deposit insurance coverage.

**Management's Response** – There is no disagreement with the audit finding. The City has taken additional steps to receive statements directly from the Federal Reserve of collateral pledged. The City has also met with bank officials to ensure future compliance.

CITY OF PLYMOUTH

Schedule of Findings and Questioned Costs (continued)  
Year Ended December 31, 2011

**E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**2010-1 INTERNAL CONTROL OVER REPORTING – ARRA ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (CFDA NO. 81.128)**

**Condition** – During the Single Audit procedures for the year ended December 31, 2010, we noted that the City did not have sufficient controls in place to ensure compliance with this requirement. There was one grant that had expenditures which were not properly reported on the Schedule of Expenditures of Federal Awards.

**Recommendation** – We recommend that the City review its internal controls over reporting and verify completeness of expenditures reported on the Schedule of Expenditures of Federal Awards.

**Current Status** – The recommendation was adopted and no similar finding was reported in the audit for the year ending December 31, 2011.

**2010-2 EQUIPMENT AND REAL PROPERTY MANAGEMENT COMPLIANCE REQUIREMENTS – ARRA ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (CFDA NO. 81.128)**

**Condition** – During our audit procedures for the year ended December 31, 2010, we noted the City did not have sufficient internal controls in place to ensure compliance with this requirement for the program listed above. The City did not uniquely identify or track equipment and real property acquired through federal funding.

**Recommendation** – We recommend that the City review its controls over equipment and real property management and uniquely identify assets acquired through federal funding and the percentage of federal participation within their property records.

**Current Status** – The recommendation was adopted and no similar finding was reported in the audit for the year ending December 31, 2011.