

**City of Albertville  
Wright County, Minnesota**

**Reports on Compliance with *Government  
Auditing Standards* and  
Minnesota Legal Compliance**

**December 31, 2015**



**City of Albertville  
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**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***

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Albertville  
Albertville, 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, each major fund, and the aggregate remaining fund information of the City of Albertville, Minnesota as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 6, 2016.

**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) 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'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.

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### **Internal Control over Financial Reporting (Continued)**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control, considered to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses on legal compliance and internal control, that we consider to be a significant deficiency, listed as audit finding 2014-001.

### **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 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's Response to Findings**

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses on legal compliance and internal control. The City'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 result 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 communication is not suitable for any other purpose.

*BerganKDV Ltd.*

Minneapolis, Minnesota  
April 6, 2016



## Report on Legal Compliance

### Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Albertville  
Albertville, 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, each major fund and the aggregate remaining fund information of the City of Albertville, Minnesota as of and for the year ended December 31, 2015, and the related notes to financial statements, and have issued our report thereon dated April 6, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the *State Auditor* pursuant to *Minnesota Statutes* § 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 Albertville failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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.

This report is intended solely for the information and use of those charged with governance, management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Minneapolis, Minnesota  
April 6, 2016

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**City of Albertville**  
**Schedule of Findings and Responses**  
**on Legal Compliance and Internal Control**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING**

**Significant Deficiencies**

**Audit Finding 2014-001 – Lack of Segregation of Accounting Duties**

Four areas related to each transaction cycle should be segregated: authorization, custody, recording, and reconciliation. During the year ended December 31, 2015, the City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Director is able to receive cash receipts at the front window and has read/write access to the general ledger.
- The Finance Director verifies purchase orders to invoices and can also enter disbursements into the accounts payable module. Additionally, the Finance Director can print checks, is an authorized signer, and reconciles the bank accounts.
- The Finance Director has the ability to post utility billing information into the general ledger, makes adjustments to bills, and maintains customers and rates.
- The Administrative Assistant II imports, calculates and sends out the utility billings, maintains customer accounts, enters the billing payments, posts receipts to the general ledger, and maintains the billing register.
- The Finance Director sets up/maintains employee payroll records, posts payroll to the general ledger, issues direct deposits, reconciles the bank account, prepares the payroll taxes, prepares all W-2s, as well as maintains all data files and the payroll program.
- The Building Technician fills out permit fees schedules, sends out all accounts receivable invoices, has access to receive payments, and scans all permits and/or inspections into a house file.
- The Finance Director enters all accounts receivable invoices, maintains the accounts receivable billings, reports all outstanding bills to the City Council and can post payments to the general ledger.
- The Administrative Assistant II collects fines and fees, receives payments, and enters them into the POS module.

We recommend management, along with the City Council, remain aware of this situation, and look for opportunities to provide additional segregation.

**City's Response**

The City is aware of the lack of segregation, which is due to limited office staff, and continues to look for opportunities to provide additional segregation in a cost effective manner.