

Other Required Reports

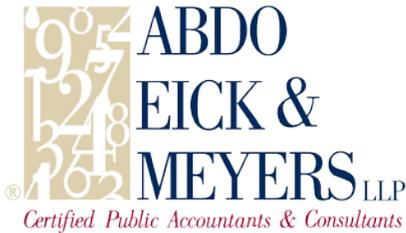
City of Mound

Mound, Minnesota

For the Year Ended
December 31, 2018

City of Mound, Minnesota
Other Required Reports
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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Mound, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mound, Minnesota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as noted on the Schedule of Finding and Response as item 2018-001. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The City's response to the finding identified in our audit are described in the accompanying Schedule of Finding and Response. 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.

This report is intended solely for the information and use those charged with governance and 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.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 21, 2019

City of Mound, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2018

<u>Finding</u>	<u>Description</u>
2018-001	Collateral Coverage
<i>Condition:</i>	Auditing of legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.
<i>Criteria:</i>	In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	As of December 31, 2018, the market value of the City's collateral was equal to 109% of the deposits over FDIC coverage, which is \$135,886 short of the 110% required in the statute noted above.
<i>Effect:</i>	At year end, the City did not have sufficient collateral pledged and therefore was not in compliance with state statute.
<i>Recommendation:</i>	We recommend that the City reviews collateral coverage each month when completing the bank reconciliation and when planning for cash flow. This will not result in any additional cost and will ensure that the City complies with the applicable statute.

Management Response:

The Finance Department will continue to monitor collateral levels to ensure changes in market value do not cause us to be below the 110% threshold. Management wishes to note the par value of collateral was 111% of the deposits over FDIC coverage, but the market value was reduced as a result of the Federal Reserve raising rates in December. The additional 10% serves as a buffer for these rate fluctuations and we will be more sensitive to their potential impact.