



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 Grand Rapids, 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 Economic Development Authority (a discretely presented component unit), each major fund, and the aggregate remaining fund information of the City of Grand Rapids, 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 Grand Rapids, Minnesota's basic financial statements, and have issued our report thereon dated May 9, 2024. Our report includes a reference to other auditors who audited the financial statements of the Public Utilities Commission (a discretely presented component unit), as described in our report on the City of Grand Rapids, Minnesota's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grand Rapids, 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 Grand Rapids, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grand Rapids, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we considered to be a material weakness..

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grand Rapids, 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 Grand Rapids, 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 Grand Rapids, 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

May 9, 2024

CITY OF GRAND RAPIDS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2023

2023-001 Audit Adjustments

Criteria: Material audit adjustments are considered to be a deficiency in internal control as defined by auditing standards.

Condition: During the audit, the following audit adjustments to the financial statements were made as a result of audit procedures:

- Recognition of approximately \$340,500 of sales tax revenue and related receivable in the 2023 financial statements.
- Adjustments of approximately \$694,500 to revenue and unearned revenue to properly account for 2023 grant activity.

Cause: The City's year-end closing processes did not identify the misstatements prior to the audit. We understand that the existence of new funding sources in 2023 may have been a contributing factor to the adjustments.

Effect: There is an increased risk that financial statement misstatements may occur and not be detected and corrected in a timely manner.

Recommendation: We recommend the City continue efforts to ensure that all adjustments are identified during the year-end closing process. Additionally, we recommend that the City as a whole implement a communication process across departments to assist in identifying and tracking grant revenues.

City Response: The City agrees with the adjustments. We will evaluate our current processes and implement additional procedures to help minimize such misstatements in the future.