

PETITION ENGAGEMENT

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

JANUARY 1, 1992 THROUGH
SEPTEMBER 30, 1999

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

FINANCIAL STATEMENTS

JANUARY 1, 1992 THROUGH SEPTEMBER 30, 1999

Audit Conducted Pursuant to Request of the Citizens of the
City of Ronneby as Provided for in Minn. Stat. § 6.55

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<u>Introductory Section</u>		
Organization		1
<u>Financial Section</u>		
Independent Auditor's Report		2
Financial Statements		
Statement of Receipts, Disbursements, and Changes in Cash Balances	Exhibit A	4
Notes to the Financial Statements		6
<u>Management and Compliance Section</u>		
Schedule of Findings and Recommendations		9
Report on Internal Controls Over Financial Reporting and Minnesota Legal Compliance		16

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

**ORGANIZATION
SEPTEMBER 30, 1999**

Office	Name	Term of Office	
		From	To
City Council			
Mayor	Daniel Olson	January 1, 1997	December 31, 2000
Clerk/Treasurer	Mary Linn	January 1, 1999	December 31, 2002
Councilors			
Elected	Robert Felt	January 1, 1999	December 31, 2002
Elected	David Wilson	January 1, 1997	December 31, 2000
Appointed	Marlene Anderson	January 1, 1999	December 31, 2002



JUDITH H. DUTCHER
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
stateauditor@osa.state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

**Petitioners and Members of the City Council
City of Ronneby**

We were engaged to audit the accompanying statement of receipts, disbursements, and changes in cash balances for the City of Ronneby, Minnesota, as of and for the years ended December 31, 1992 through 1998, and for the period from January 1 to September 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the City's management.

The City of Ronneby maintained no accounting records or supporting documentation on file to support receipts and disbursements. In addition, the City maintained virtually no bank records on file. Consequently, we requested copies of bank records from the City's depository; however, the depository was unable to provide us with several canceled checks. As a result of these conditions, we were unable to classify deposits totaling \$2,381 and disbursements totaling \$4,170. The records of the City did not permit the application of other auditing procedures to these conditions.

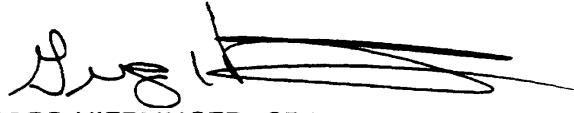
As described in Note 1.C. to the financial statements, the statement of receipts, disbursements, and changes in cash balances has been prepared on the cash basis of accounting and, accordingly, is not intended to be presented in conformity with generally accepted accounting principles.



Since the City of Ronneby maintained no accounting records or supporting documentation on file to support receipts or disbursements, maintained virtually no bank records on file, and the records of the City did not permit the application of other auditing procedures to properly classify receipts and disbursements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.



JUDITH H. DUTCHER
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 22, 1999

FINANCIAL STATEMENTS

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 1992 THROUGH 1998,
AND FOR THE PERIOD JANUARY 1 THROUGH SEPTEMBER 30, 1999**

	Year Ended December 31, 1992			Year Ended
	General Fund	Planning Grant Special Revenue Fund	Totals (Memorandum Only)	December 31, 1993 General Fund
Cash - January 1	\$ 4,842	\$ 868	\$ 5,710	\$ 2,302
Receipts				
Taxes	\$ 1,685	\$ -	\$ 1,685	\$ 1,235
Licenses and permits	1,515	-	1,515	1,515
Intergovernmental	748	-	748	1,524
Interest income	78	-	78	38
Miscellaneous	5	-	5	19
Undeterminable	417	-	417	-
Total Receipts	\$ 4,448	\$ -	\$ 4,448	\$ 4,331
Disbursements				
Personal services	\$ 2,497	\$ 228	\$ 2,725	\$ 1,954
Travel expense	-	-	-	114
Supplies	471	-	471	65
Utilities	858	84	942	1,023
Professional services	371	-	371	260
Capital outlay	-	-	-	-
Insurance	1,351	-	1,351	1,097
Bank charges	-	-	-	68
SCORE	-	-	-	-
Other services and charges	1,007	12	1,019	805
Undeterminable	109	868	977	420
Total Disbursements	\$ 6,664	\$ 1,192	\$ 7,856	\$ 5,806
Excess of Receipts Over (Under)				
Disbursements	\$ (2,216)	\$ (1,192)	\$ (3,408)	\$ (1,475)
Other Financing Sources (Uses)				
Operating transfers in	\$ -	\$ 324	\$ 324	\$ -
Proceeds from sale of fixed assets	-	-	-	-
Operating transfers out	(324)	-	(324)	-
Total Other Financing Sources (Uses)	\$ (324)	\$ 324	\$ -	\$ -
Excess of Receipts and Other Sources Over (Under)				
Disbursements and Other Uses	\$ (2,540)	\$ (868)	\$ (3,408)	\$ (1,475)
Cash - Ending	\$ 2,302	\$ -	\$ 2,302	\$ 827

EXHIBIT A

Year Ended December 31, 1994	Year Ended December 31, 1995	Year Ended December 31, 1996	Year Ended December 31, 1997	Year Ended December 31, 1998	January 1 through September 30, 1999
General Fund	General Fund	General Fund	General Fund	General Fund	General Fund
\$ 827	\$ 1,625	\$ 1,156	\$ 2,377	\$ 1,607	\$ 1,053
\$ 1,784	\$ 1,878	\$ 1,718	\$ 1,708	\$ 1,556	\$ 1,672
1,515	1,515	1,500	1,519	1,500	750
3,622	1,403	1,376	2,221	1,351	1,451
30	23	35	25	16	3
55	25	69	6	10	40
847	-	-	-	317	800
\$ 7,853	\$ 4,844	\$ 4,698	\$ 5,479	\$ 4,750	\$ 4,716
\$ 2,272	\$ 2,430	\$ 2,537	\$ 2,954	\$ 2,372	\$ 2,249
-	97	21	-	-	-
137	213	5	207	163	195
1,027	1,133	879	922	915	874
510	728	325	350	350	-
-	-	738	-	-	-
1,242	50	680	162	169	-
56	88	32	64	96	53
889	277	52	-	-	-
542	39	262	490	400	405
380	258	196	1,100	839	-
\$ 7,055	\$ 5,313	\$ 5,727	\$ 6,249	\$ 5,304	\$ 3,776
\$ 798	\$ (469)	\$ (1,029)	\$ (770)	\$ (554)	\$ 940
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,250	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ 2,250	\$ -	\$ -	\$ -
\$ 798	\$ (469)	\$ 1,221	\$ (770)	\$ (554)	\$ 940
\$ 1,625	\$ 1,156	\$ 2,377	\$ 1,607	\$ 1,053	\$ 1,993

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 1992 THROUGH 1998,
AND FOR THE PERIOD JANUARY 1 THROUGH SEPTEMBER 30, 1999

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Ronneby operates as a statutory city under the standard plan and has, by ordinance, combined the offices of clerk and treasurer into the Office of the Clerk/Treasurer. Under the standard plan, the voters elect a City Council which is composed of a Mayor, Clerk/Treasurer, and three Council members, all of whom must be qualified electors and are elected at-large.

The Mayor serves for a term of two years or until a successor is elected and qualifies. The Mayor is the official head of the City and is the presiding officer at all meetings of the Council. The Clerk/Treasurer and Council members serve four-year terms.

The Council has full authority over the financial affairs of the City and provides for the collection of all revenues and other assets, the auditing and settlement of accounts, and the safekeeping and disbursement of public monies. Specific powers of the Council are given in Minn. Stat. § 412.221.

The Council's authority for making an annual tax levy is Minn. Stat. § 412.251.

B. Disbursements

Pursuant to Minn. Stat. § 412.271, subd. 1, no disbursements of City funds may be made except by an order drawn by the Mayor and Clerk/Treasurer. No order may be issued until the claim to which it relates has been audited and allowed by the Council, except when issued for the payment of judgments; salaries and wages previously fixed by the Council or by statute; principal and interest on obligations; rent and other fixed charges, the exact amount of which has been previously determined by contract authorized by the Council, and except as otherwise provided in Minn. Stat. § 412.271, subds. 4, 5, and 8.

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation

The accompanying statement of receipts, disbursements, and changes in cash balances is prepared on the cash basis of accounting. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. The accompanying financial statements include all the funds of the City of Ronneby.

D. Basis of Accounting

The accounts of the City are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

E. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is a separate accounting entity. The following funds are used by the City of Ronneby.

Governmental Funds

General Fund

The General Fund was established to account for all general government functions. It accounts for all financial transactions not accounted for in another fund.

Special Revenue Fund

The Planning Grant Special Revenue Fund was established to account for a state planning grant awarded to the City. This fund was closed December 31, 1992.

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

2. Intergovernmental Revenue

The following is the detail of intergovernmental revenue received by the City.

	<u>Year Ended December 31, 1992</u>	<u>Year Ended December 31, 1993</u>	<u>Year Ended December 31, 1994</u>	<u>Year Ended December 31, 1995</u>
Shared Revenue				
State				
HACA	\$ 640	\$ 1,295	\$ 1,995	\$ 1,340
Mobile home HACA	32	63	95	63
Local government aid	-	-	824	-
Equalization aid	<u>76</u>	<u>166</u>	<u>77</u>	<u>-</u>
Total Shared Revenue	<u>\$ 748</u>	<u>\$ 1,524</u>	<u>\$ 2,991</u>	<u>\$ 1,403</u>
Grants				
Local				
Benton County - SCORE grant	\$ -	\$ -	\$ 631	\$ -
Benton County - disaster assistance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total grants	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631</u>	<u>\$ -</u>
Total Intergovernmental Revenue	<u>\$ 748</u>	<u>\$ 1,524</u>	<u>\$ 3,622</u>	<u>\$ 1,403</u>
	<u>Year Ended December 31, 1996</u>	<u>Year Ended December 31, 1997</u>	<u>Year Ended December 31, 1998</u>	<u>January 1 through September 30, 1999</u>
Shared Revenue				
State				
HACA	\$ 1,313	\$ 1,288	\$ 1,288	\$ 643
Mobile home HACA	63	63	63	-
Local government aid	-	634	-	808
Equalization aid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Shared Revenue	<u>\$ 1,376</u>	<u>\$ 1,985</u>	<u>\$ 1,351</u>	<u>\$ 1,451</u>
Grants				
Local				
Benton County - SCORE grant	\$ -	\$ -	\$ -	\$ -
Benton County - disaster assistance	<u>-</u>	<u>236</u>	<u>-</u>	<u>-</u>
Total grants	<u>\$ -</u>	<u>\$ 236</u>	<u>\$ -</u>	<u>\$ -</u>
Total Intergovernmental Revenue	<u>\$ 1,376</u>	<u>\$ 2,221</u>	<u>\$ 1,351</u>	<u>\$ 1,451</u>

**CITY OF RONNEBY
RONNEBY, MINNESOTA**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED
DECEMBER 31, 1992 THROUGH 1998,
AND FOR THE PERIOD JANUARY 1 THROUGH SEPTEMBER 30, 1999

I. FINANCIAL STATEMENT AUDIT--INTERNAL CONTROLS

99-1 Collections Not Receipted

The City of Ronneby does not issue receipts for collections.

To strengthen controls over cash, the City should record all collections on pre-numbered receipts. Besides the name of the City and pre-printed numbers, items that should be recorded on the receipts include the payor, date, amount received, reason for payment, and the signature of the individual receiving the payment. Cash and checks received should be balanced to receipts before deposits are made.

We recommend that the City record all collections on pre-numbered receipts.

99-2 Documentation for Paid Claims

The City does not retain supporting documentation for paid claims. This made it impossible to determine that City funds were spent for approved purposes.

The City's General Records Retention Schedule, prepared under the authority of Minn. Stat. § 138.17, requires that requests for payment of accounts paid by the City in the form of bills, invoices, etc., be retained by the City for a period of not less than ten years.

We recommend that the City obtain supporting documentation for all paid claims and retain the documentation for ten years as required by the General Records Retention Schedule. The supporting documentation should be marked "paid" or "canceled" at the time of payment to prevent possible resubmission for duplicate payment.

99-3 Bank Records

In a letter dated September 22, 1998, we asked the Clerk/Treasurer for, among other items, copies of bank statements and copies of bank reconciliations on all bank accounts. After repeated requests for this information, the Clerk/Treasurer finally delivered, on September 9, 1999, bank statements and canceled checks for a bank account titled "General Fund" for seven months in 1996 and nine months in 1997.

On September 9, 1999, along with a City Council member, we examined the records at Ronneby City Hall and obtained the following additional bank information:

- bank statements and canceled checks for the "General Fund" for ten months in 1992 and one month in 1993;
- a photocopy of a bank statement for the "General Fund" for one additional month in 1992; and
- four bank statements from 1992 for a bank account titled "Planning Grant Acct." There were no canceled checks with the "Planning Grant Acct" bank statements.

The Clerk/Treasurer provided us with no other bank records for the years under audit. In addition, we were not provided with bank reconciliations on either of the accounts for the years under audit.

The City's General Records Retention Schedule, prepared under the authority of Minn. Stat. § 138.17, requires that bank statements, deposit slips, deposit books, canceled checks, and reconciliations be retained by the City for a period of not less than six years.

We recommend that the City prepare monthly bank reconciliations and retain them on file with all other bank records and canceled checks for a period of not less than six years, as required by the General Records Retention Schedule.

99-4 No Fixed Asset Records

The City maintains no fixed asset records. Generally accepted accounting principles require that fixed assets be valued at historical cost or, if historical cost data are not available, estimated cost.

We recommend that a record-keeping system be established for fixed assets. Following is an outline for developing and maintaining a general fixed asset inventory system:

- (1) Adopt a capitalization policy which sets a minimum dollar value for an asset to be accounted for on the fixed asset system.
- (2) Inventory all land, buildings, and equipment owned by the City.
- (3) Establish a fixed asset control ledger and assign actual or estimated historical cost values to each item. Note in the control ledger whether the amount assigned to each asset is actual or estimated.
- (4) Update the control ledger during the year for fixed asset additions and deletions. For additions, note the vendor, date of acquisition, description of the item, historical cost, and location. For deletions, note the date and method of disposition.
- (5) Periodically verify the fixed asset inventory by physical inspection.

99-5 Pre-Numbered Checks

The City's checks are not pre-numbered. A pre-printed number should appear on all City checks to ensure that they have been properly accounted for.

We recommend the City destroy its current stock of blank checks and order pre-numbered checks.

II. **MINNESOTA LEGAL COMPLIANCE**

99-6 Financial Records

Virtually no financial records exist for the City of Ronneby. The Clerk/Treasurer was unable to provide us with a check register, a receipts journal, or a disbursements journal. The Clerk/Treasurer did provide us with handwritten listings of receipts and disbursements by month for the years ending December 31, 1992 through 1997, but they listed the payee and amount only. They also proved to be inaccurate, as many payments were left off the listings. We were provided with no financial records at all for the years ending December 31, 1998 or 1999.

Minn. Stat. § 412.141 (Treasurer's Duties) states, in part, "The treasurer shall receive and safely keep all moneys belonging to the city . . . and shall promptly enter in a book provided for the purpose an account of all moneys received and disbursed as treasurer, showing the source and objects thereof with the date of each transaction. . . ." Minn. Stat. § 412.151 (Duties of Clerk), subd. 1, states, in part, ". . . The clerk shall keep . . . (3) an account book to enter all money transactions of the city including the dates and amounts of all receipts and the person from whom the money was received and all orders drawn upon the treasurer with their payee and object."

We recommend that the City establish and maintain a check register and receipt and disbursement journals. The check register should record all activity in the City's checking account and should maintain a running balance in the account. The receipt and disbursement journals should record the date, amount, payor/payee, and purpose of the receipt/disbursement, and should classify receipts/disbursements in the proper revenue and expenditure categories.

99-7 Declaration on Paid Claims

Minn. Stat. § 412.271, subd. 2, requires that, except for wages paid on an hourly or daily basis, where a claim for money due on goods or services furnished can be itemized in the ordinary course of business the person claiming payment, or the claimant's agent, shall prepare the claim in writing and sign a declaration that the claim is just and correct and that no part of it has been paid. Minn. Stat. § 412.271, subd. 3, allows this declaration to be placed on the back of the City's checks above the space for the endorsement by the payee. The City does not have vendors sign a declaration for payment statement nor do the City's checks have the declaration statement printed on the back.

We recommend the City ensure compliance with Minn. Stat. § 412.271, subd. 2, by having the declaration stamped or printed on the back of the City's checks.

99-8 Reporting Financial Information to State Auditor

The City of Ronneby did not report to the Office of the State Auditor (OSA), its financial activity for the years ending December 31, 1991, 1992, and 1994 through 1998.

Cities are required to report their financial activities annually to the OSA under Minn. Stat. § 6.74. Financial reports are required to be submitted to the OSA by March 31 following the City's fiscal year-end. See Minn. Stat. § 471.698. The OSA annually sends a letter and reporting form to each city to facilitate uniform data collection. If the city does not meet the reporting deadline, the OSA sends second, third, and final request letters. The initial and second request letters are sent to the city clerk. Third request letters are sent to the city mayor, with copies going to the city clerk, State Senator, and State Representative. Cities that do not report by June 30 following the city's fiscal year-end have the first half of their Local Government Aid (LGA) withheld. Cities have an opportunity to receive the first and second half payments of their LGA if they report by November 30. If a city fails to report to the OSA, that city forfeits all of its LGA for that year under Minn. Stat. § 477A.017.

The City forfeited the following amounts of LGA as a result of not reporting its financial information to the OSA for the years ending December 31, 1991, 1992, and 1994 through 1998:

<u>Activity for Fiscal Year Ended December 31</u>	<u>Year Report to OSA Due</u>	<u>Amount of LGA Lost as a Result of Not Reporting</u>
1991	1992	\$ 576
1992	1993	593
1993	1994	-
1994	1995	928
1995	1996	1,096
1996	1997	634
1997	1998	1,442
1998	1999	<u>808</u>
Total		<u>\$ 6,077</u>

We recommend the City report its financial information to the OSA as required by Minn. Stat. § 6.74.

III. MANAGEMENT PRACTICES

99-9 City Council Minutes Not Signed

Minn. Stat. § 412.151, subd. 1, assigns the City Clerk the duty of keeping a record of the proceedings of the City Council. During the course of our audit, we reviewed the monthly City Council meeting minutes for the years under audit. We noted that these minutes were not signed by the Clerk/Treasurer and a City Council member.

The Clerk/Treasurer should sign the minutes of the City Council meetings to attest that it is a record of his or her recollection of the proceedings. A member of the City Council, preferably the Mayor, should then sign the minutes at the next meeting attesting that they are correct and approving them as the official minutes of the proceedings of the City Council.

We recommend that all City Council meeting minutes be signed by the Clerk/Treasurer and a City Council member, preferably the Mayor.

99-10 Liquor License Fee

The City of Ronneby issues one on-sale intoxicating liquor license under the authority of Minn. Stat. § 340A.408, subd. 2(a), which states that the license fee, as set by the City, is intended to cover the costs of issuing, inspecting, and other directly-related costs of enforcement. The liquor license fee should not be used to raise general revenue. The City charges an annual fee of \$1,500 for this license but has no documentation to support how this fee is calculated.

To ensure that the City is in compliance with Minn. Stat. § 340A.408, subd. 2(a), and to remove any confusion regarding the amount of the license fee, we recommend that the City document the costs associated with issuing, inspecting, and enforcing its on-sale intoxicating liquor license.

99-11 No Withholdings or W-2's on Salaries

The City of Ronneby pays wages to the Mayor, Clerk/Treasurer, and three City Council members. These employees are paid one-half their respective salaries twice per year. Although these wages are not subject to federal unemployment tax and are most likely not large enough to be subject to state and federal income tax withholdings, they should have Federal Insurance Contributions Act and Medicare withheld in accordance with Internal Revenue

Service regulations.

We recommend the City establish procedures to process its payroll. The proper withholdings should be withheld from employee wages, payroll reports should be filed with the appropriate state and federal agencies, and federal W-2 forms should be issued to all employees of the City.



JUDITH H. DUTCHER
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 400
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
stateauditor@osa.state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL
REPORTING AND MINNESOTA LEGAL COMPLIANCE**

**Petitioners and Members of the City Council
City of Ronneby**

We were engaged to audit the financial statements of the City of Ronneby as of and for the years ended December 31, 1992 through 1998, and for the period from January 1 to September 30, 1999, and have issued our report thereon dated December 22, 1999. We have disclaimed an opinion on the financial statements.

Internal Control Over Financial Reporting

The management of the City of Ronneby is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,**
- transactions are executed in accordance with management's authorization, and**
- transactions are recorded properly to permit the preparation of cash basis financial statements.**

Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In the course of our engagement, we considered the City of Ronneby's internal control over financial reporting in order to determine our auditing procedures and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Recommendations as items 99-1 through 99-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions listed above, we consider items 99-1 through 99-4 to be material weaknesses.

Minnesota Legal Compliance

We conducted our engagement in accordance with generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. § 6.65. Accordingly, the engagement 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 Local Government* contains five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories, except that we did not test for compliance in contracting and bidding because the City had no contracts during the period under audit, and public indebtedness because the City carries no long-term debt.

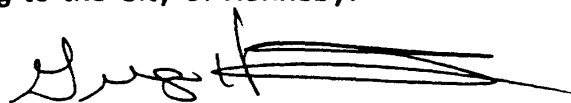
The results of our tests indicate that for the items tested, the City of Ronneby complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Recommendations as items 99-6 through 99-8.

This report is intended for the information of the City Council and management and is not intended to be, and should not be, used by anyone other those specified parties.

The Special Investigations Division of the Office of the State Auditor has not yet completed its review of certain issues relating to the City of Ronneby.



JUDITH H. DUTCHER
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 22, 1999