

CITY OF AUSTIN, MINNESOTA

**SINGLE AUDIT OF
FEDERAL FINANCIAL ASSISTANCE
AND OTHER AUDIT REPORTS**

YEAR ENDED DECEMBER 31, 2014

**CITY OF AUSTIN, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2014**

INDEPENDENT AUDITORS' 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	1
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	4
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133	6
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	9
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS	10



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
City of Austin, 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, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Austin, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Austin, Minnesota's basic financial statements, and have issued our report thereon dated April 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Austin, Minnesota'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 of Austin, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Austin, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

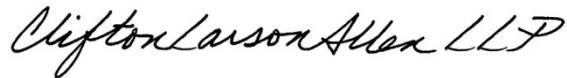
Honorable Mayor and
Members of the City Council
City of Austin, Minnesota

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Austin, 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 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
April 16, 2015

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and
Members of the City Council
City of Austin, 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 of the United States, the accompanying statement of the governmental activities, the business-type activities, each discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Austin, Minnesota, as of and for the year ended December 31, 2014 and the related notes to the financial statements and have issued our report thereon dated April 16, 2015.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Austin, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 of Austin, Minnesota's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
April 16, 2015

(This page intentionally left blank)

**CITY OF AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014**

	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION - NATIONAL HIGHWAY SAFETY ADMINISTRATION			
Passed Through the State Department of Public Safety:			
State and Community Highway Safety	20.600	N/A	\$ 12,234
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A	7,190
National Priority Safety Programs	20.616	N/A	<u>1,971</u>
Total Passed Through State Department of Public Safety			<u>21,395</u>
FEDERAL AVIATION ADMINISTRATION			
Passed Through the State Department of Transportation:			
Airport Improvement Program (S.P. 5001-47)	20.106	3-27-0007-11-12	1,741
Airport Improvement Program (S.P. 5001-48)	20.106	3-27-0007-12-13	<u>236,092</u>
Total Passed Through State Department of Transportation			<u>237,833</u>
FEDERAL HIGHWAY ADMINISTRATION			
Passed Through the State Department of Transportation:			
Highway Planning and Construction (104-126-004)	20.205	N/A	25,896
Highway Planning and Construction (104-090-006)	20.205	N/A	216,868
Highway Planning and Construction (104-144-002)	20.205	N/A	<u>11,161</u>
Total Passed Through State Department of Transportation			<u>253,925</u>
Total U.S. Department of Transportation			<u>513,153</u>
U.S. DEPARTMENT OF COMMERCE			
Passed Through the Economic Development Administration:			
Economic Adjustment Assistance	11.307	06-79-05463	<u>4,290,382</u>
Total U.S. Department of Commerce			<u>4,290,382</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Passed Through Minnesota Department of Education:			
Grants to States	45.310	54942	<u>9,600</u>
Total National Endowment for the Humanities			<u>9,600</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Minnesota Department of Employment and Economic Development:			
Community Development Block Grants	14.228	CDAP-13-0049-0-FY14	<u>6,960</u>
Total U.S. Department of Housing and Urban Development			<u>6,960</u>
Total Federal Financial Assistance Expended			<u>\$ 4,820,095</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF AUSTIN, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2014

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Austin, Minnesota, except for the Housing and Redevelopment Authority of Austin, which expended \$1,416,081 in federal awards. These are excluded as the Housing and Redevelopment Authority of Austin operates on a September 30 fiscal year end and receives its own audit of expenditures of federal awards. The reporting entity is defined in Note I. A. to the City's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note I.C. to the City's financial statements.



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and
Members of the City Council
City of Austin, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Austin, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Austin, Minnesota's major federal programs for the year ended December 31, 2014. The City of Austin, Minnesota's major federal program is identified in the summary of auditors' results sections of the accompanying Schedule of Findings and Questioned Costs.

The City of Austin, Minnesota's basic financial statements include the operations of the Housing and Redevelopment Authority of Austin, which expended \$1,416,081 in federal awards which are not included in the schedule during the year ended December 31, 2014. Our audit, described below, did not include the operations of the Housing and Redevelopment Authority of Austin because it operates on a September 30 fiscal year end and receives its own audit of expenditures of federal awards.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Austin, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Non-Profit 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 of Austin, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Honorable Mayor and
Members of the City Council
City of Austin, Minnesota

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Austin, Minnesota's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Austin, Minnesota complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the City of Austin, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Austin, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of Austin, Minnesota'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

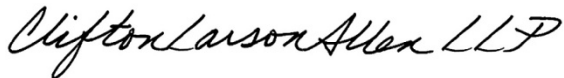
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Honorable Mayor and
Members of the City Council
City of Austin, Minnesota

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Austin, Minnesota as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Austin, Minnesota's basic financial statements. We issued our report thereon dated April 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Austin, Minnesota
April 16, 2015

(This page intentionally left blank)

**CITY OF AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014**

Part I: Summary of the Independent Auditors' Results

- (a) The auditors' report expresses an unmodified opinion on the basic financial statements of the City of Austin, Minnesota.
- (b) No deficiencies were reported during the audit of the basic financial statements.
- (c) No instances of noncompliance material to the financial statements of the City of Austin, Minnesota were disclosed during the audit.
- (d) No deficiencies in internal control over major programs were disclosed by the audit of the basic financial statements.
- (e) The auditors' report on compliance for the major federal award programs for the City of Austin, Minnesota expresses an unmodified opinion.
- (f) The audit did not disclose any findings that are required to be reported under OMB A-133, Section .510(a).
- (g) The program tested as a major program was Economic Adjustment Assistance (CFDA 11.307).
- (h) The threshold for distinguishing Type A and B programs was \$300,000.
- (i) The City of Austin, Minnesota was determined to be a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements

None.

Part III: Federal Awards Findings and Questioned Costs

None.

Part IV: Minnesota Legal Compliance Findings

None

**CITY OF AUSTIN, MINNESOTA
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>It not Corrected, Provide Planned Corrective Action or Other Explanation</u>
------------------------------	--------------------------	---------------	---

No Prior Year Findings.