

**CITY OF AUSTIN  
AUSTIN, MINNESOTA**

**EXECUTIVE AUDIT SUMMARY (EAS)**

**DECEMBER 31, 2018**





CliftonLarsonAllen LLP  
CLAconnect.com

April 23, 2019

Members of the City Council  
City of Austin  
Austin, Minnesota

This Executive Audit Summary presents information which we believe is important to you as members of the city council. We encourage you to review the sections of this report, the audited financial statements, and the auditors' reports.

We would be pleased to furnish additional information with respect to these suggestions and discuss this memorandum with you at your convenience. We wish to express our appreciation to the City for the courtesies, cooperation, and assistance extended to us during the course of our work.

**CliftonLarsonAllen LLP**

Kimberley Hillberg, CPA  
Principal



**CITY OF AUSTIN  
AUSTIN, MINNESOTA  
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DECEMBER 31, 2018**

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**EXECUTIVE AUDIT SUMMARY (EAS) FOR  
CITY OF AUSTIN  
YEAR ENDED DECEMBER 31, 2018**

We prepared this Executive Audit Summary in conjunction with our audit of the City's financial records for the year ended December 31, 2018.

**Audit Opinion**

The financial statements are fairly stated. We issued what is known as a "clean" audit report (see page 1 in the Comprehensive Annual Financial Report).

**Internal Control Over Financial Reporting**

No internal control findings were noted.

**Minnesota Legal Compliance**

One Minnesota legal compliance finding was noted related to contract language.

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## FORMAL REQUIRED COMMUNICATIONS

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

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 (the City) for the year ended December 31, 2018, and have issued our report thereon dated April 23, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

During the year ended December 31, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASB Statement No. 75, the City restated beginning net position as discussed in Note 4 to the financial statements. The City also adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the year ended December 31, 2018.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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

- Management's estimate of the allowance for uncollectible receivables is based on an analysis of the collectability of amounts due, taking into account delinquencies and payment histories. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of depreciation rates sufficient to fully depreciate the related capital assets over their useful lives is based on past experiences. We evaluated the key factors and assumptions used to develop the depreciation rates in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability IBNR is based on projected claims for the following year and an analysis of historical claim levels. We evaluated the key factors and assumptions used to develop the IBNR liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of other postemployment benefits payable is based on an actuarially determined calculation, less actual payments incurred on behalf of retirees and an actuarially determined estimate of implicit rate subsidy, which is the estimated increased cost of premiums due to inclusion of retirees in the same plan as the City's active employees.
- Management's estimate of the City's proportionate share of PERA's GERP and PEPFF net pension liability is based on guidance from GASB Statement No. 68 and each plan's respective allocation tables. Each plan's allocation tables allocate a portion of the plan's net pension liability based on the City's contributions from July 1, 2017 through June 30, 2018 as a percentage of the total contributions received for the related period of time by the plan.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

#### **Corrected misstatements**

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

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City of Austin, Minnesota

***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated April 23, 2019.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Audits of group financial statements***

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance by the group.

***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

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**Other information in documents containing audited financial statements (continued)**

With respect to the combining and individual fund statements and schedules and supplementary information (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated April 23, 2019.

The introductory section and statistical section accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the Members of the Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
April 23, 2019

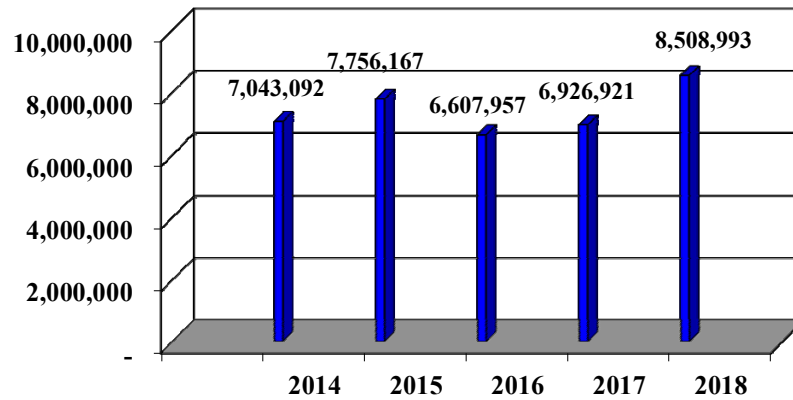
# **APPENDIX A**

## **FINANCIAL TRENDS OF YOUR CITY**

The following graphs reflect financial trends of City of Austin. Information related to fund balances, revenues, and expenditures was obtained from current and prior year audit reports. The information for the 2017 graph on page 10, which shows state wide averages, was obtained from website of the Office of the State Auditor of Minnesota.

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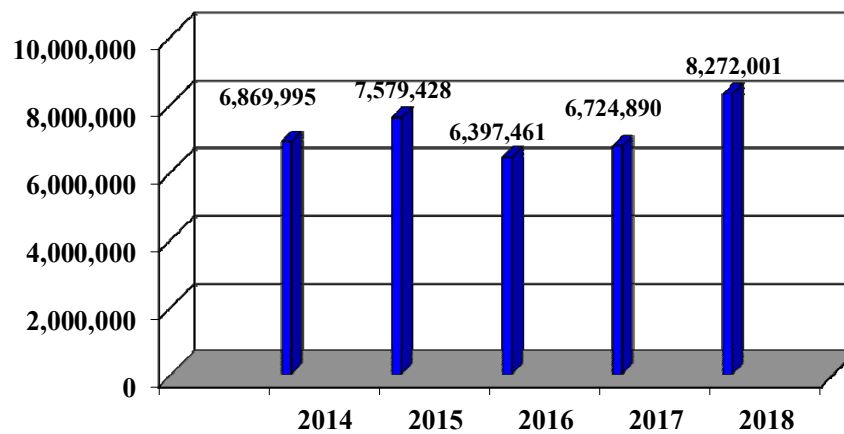
**CITY OF AUSTIN**  
**General Fund**  
**Total Fund Balance**



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**CITY OF AUSTIN**  
**General Fund**  
**Assigned and Unassigned Fund Balance**

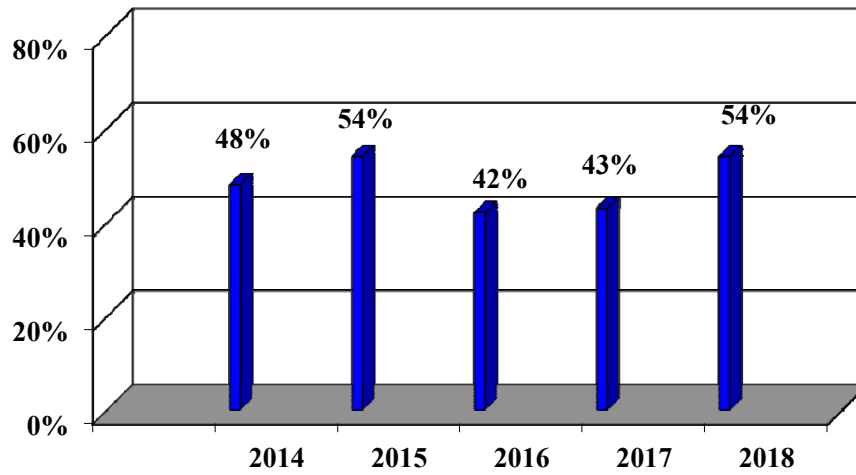


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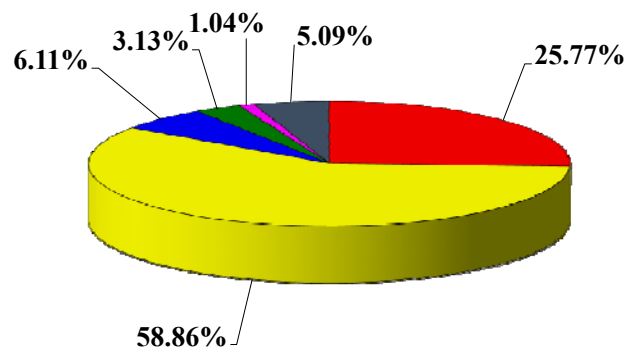
**CITY OF AUSTIN**  
**Percentage of General Fund Assigned and Unassigned Fund Balance to General Fund Expenditures**

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**CITY OF AUSTIN**  
**2018 General Fund Revenues**

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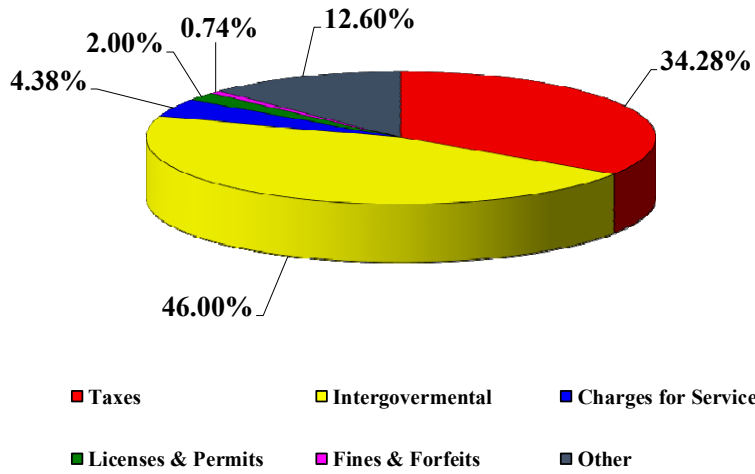


- Taxes
- Intergovernmental
- Charges for Services
- Licenses & Permits
- Fines & Forfeits
- Other





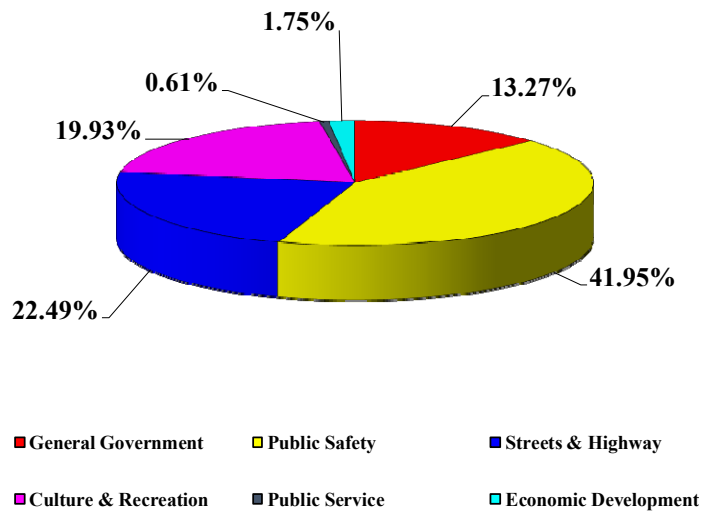
**CITY OF AUSTIN**  
**2018 Total Governmental Fund Revenues**



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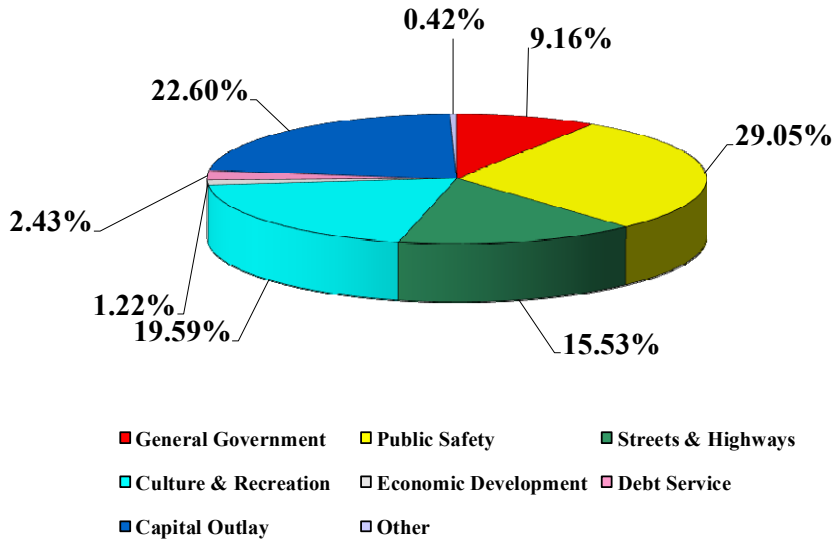
**CITY OF AUSTIN**  
**2018 General Fund Expenditures**



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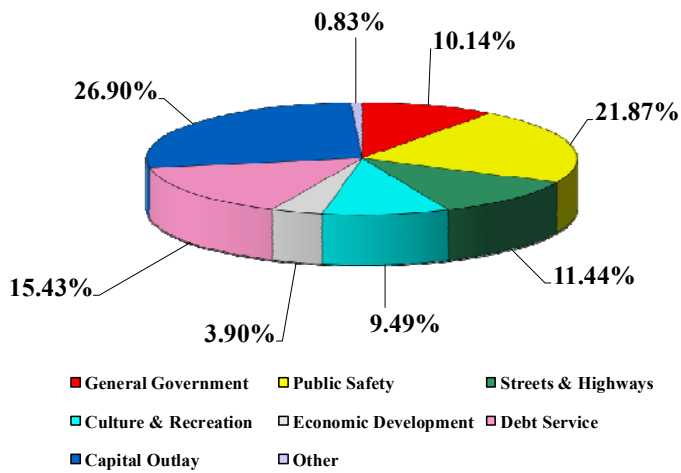
**CITY OF AUSTIN**  
**2018 Governmental Fund Expenditures**



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**STATE OF MN AVERAGE**  
**2017 Total Governmental Expenditures**  
**Cities With Population 20,000 – 100,000**



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Note: 2017 census = 24,800



## APPENDIX B

### GASB Statement No. 84

During January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities* which provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The focus of the criteria in identifying fiduciary activities is generally on (1) whether the government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in the basic financial statements in one of four fiduciary fund types: (1) pension (and other employee benefit) trust, (2) investment trust fund, (3) private-purpose trust fund, or (4) custodial fund.

This statement not only impacts fiduciary activities currently reported by governments but also impacts situations in which governments have custody of assets for other organizations or governments. These situations require a determination as to whether there is administrative involvement with the activities as that impacts how these activities are to be reported in financial statements of the government holding the assets. Such situations include fiscal host arrangements or arrangements in which the government provides accounting or treasury services for other organizations or governments.

The provisions in Statement 84 are effective for fiscal years beginning after December 15, 2018. Earlier application is encouraged.

