

CITY OF AUSTIN, MINNESOTA
OTHER AUDIT REPORTS
YEAR ENDED DECEMBER 31, 2018

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**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, 2018, 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 23, 2019.

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 23, 2019



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, 2018 and the related notes to the financial statements and have issued our report thereon dated April 23, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 audit 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 Cities*, except as described in the Schedule of Findings and Responses as item 2018-001. 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, insofar as they relate to accounting matters.

The City of Austin, Minnesota's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings and Responses. The City of Austin, Minnesota'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.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
April 23, 2019

**CITY OF AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

2018-001: MINNESOTA LEGAL COMPLIANCE

Minnesota Statute 471.425, subdivision 4a requires contracts between the City and a prime contractor to pay subcontractors within ten days of receipt of payment from the City. If payment is not made to the subcontractors within 10 days of receipt, the prime contractor is to pay interest to the subcontractor at the rate of 1.5% per month or any part of a month.

One of the contracts tested did not contain language that required the prime contractor to pay subcontractors within ten days of receipt of payment from the City or pay interest at 1.5% per month.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will update its contract language to include the appropriate requirements related to prime contractors and payments to subcontractors.

Official Responsible for Ensuring CAP:

Tom Dankert, Director of Administrative Services, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

June 30, 2019

Plan to Monitor Completion of CAP:

The City Council will be monitoring this correction action plan.