

**CITY OF AUSTIN
AUSTIN, MINNESOTA
EXECUTIVE AUDIT SUMMARY (EAS)
DECEMBER 31, 2021**



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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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

A handwritten signature in black ink, appearing to read 'Craig Popenhagen'.

Craig Popenhagen, CPA
Principal



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**CITY OF AUSTIN
AUSTIN, MINNESOTA
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**EXECUTIVE AUDIT SUMMARY (EAS) FOR
CITY OF AUSTIN
YEAR ENDED DECEMBER 31, 2021**

We prepared this Executive Audit Summary in conjunction with our audit of the City's financial records for the year ended December 31, 2021.

Audit Opinion

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

Internal Control Over Financial Reporting

One internal control finding was noted regarding a restatement of prior year financial statements.

Single Audit Compliance

No single audit findings were noted.

Minnesota Legal Compliance

No Minnesota legal compliance findings were noted.

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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, 2021, and have issued our report thereon dated May 6, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

No new accounting policies were adopted and the application of existing policies was not changed during 2021.

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:

- 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.

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

- 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 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 GERS 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, 2020 through June 30, 2021 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 has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- The City did not allocate OPEB to the Internal Service Fund of \$105,446 for the year ended December 31, 2021.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management:

- The City determined that a receivable for municipal state aid street balances had not been recorded properly as of December 31, 2020. The restatement increased the January 1, 2021, net position of governmental activities by \$3,052,082 and increased fund balance of the State Aid Street fund by \$161,918.

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- The City also determined that the City's contributions for health insurance for employees, as detailed in the health insurance plan as of December 31, 2020, had not been deposited. The restatement decreased net position of governmental activities and decreased fund balance of the of the General Fund as of January 1, 2021, by \$195,116.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on 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.

Circumstances that affect the form and content of the auditors' report

As previously communicated to you, the report was modified to change the beginning net position of the governmental activities and fund balances of the General Fund and State Aid Street Fund that were restated due to the correction of errors related to health insurance premiums and municipal state aid.

Management representations

We have requested certain representations from management that are included in the management representation letter dated May 6, 2022.

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 of the group.

Supplementary information in relation to the financial statements as a whole

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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With respect to the schedule of expenditures of federal awards (SEFA) 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 SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 6, 2022.

With respect to the combining and individual fund statements and schedules and debt service requirements to maturity (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 May 6, 2022.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section and statistical section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report.

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. You are responsible to provide us the opportunity to review such documents before issuance.

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

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.

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Austin, Minnesota
May 6, 2022

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APPENDIX A

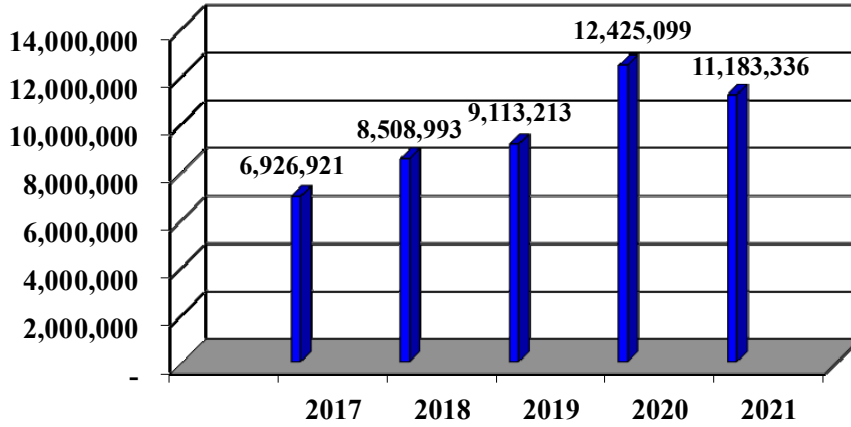
FINANCIAL TRENDS OF YOUR CITY

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 2020 graph on page 9, which shows statewide averages, was obtained from website of the State of Minnesota Office of the State Auditor.

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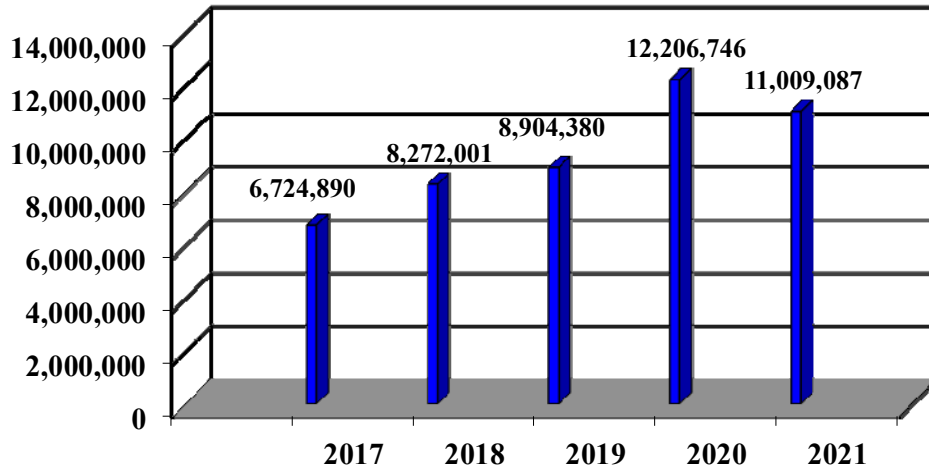
CITY OF AUSTIN
General Fund
Total Fund Balance

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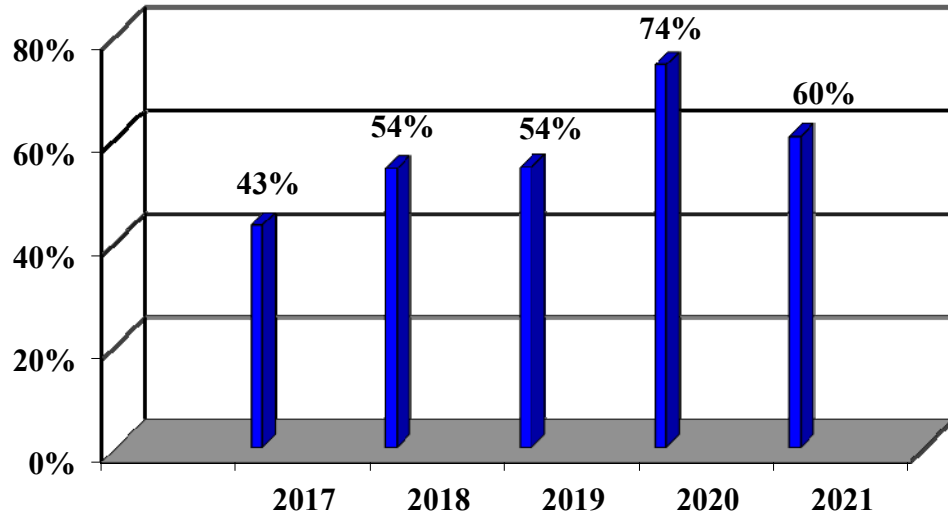
CITY OF AUSTIN
General Fund
Assigned and Unassigned Fund Balance

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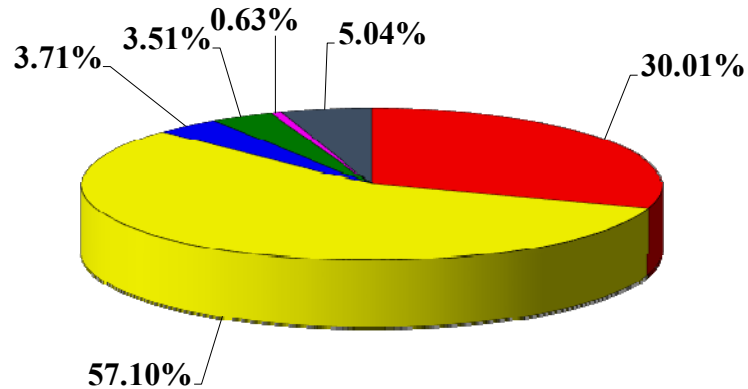
CITY OF AUSTIN
 Percentage of General Fund Assigned and Unassigned
 Fund Balance to General Fund Expenditures

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CITY OF AUSTIN
 2021 General Fund Revenues

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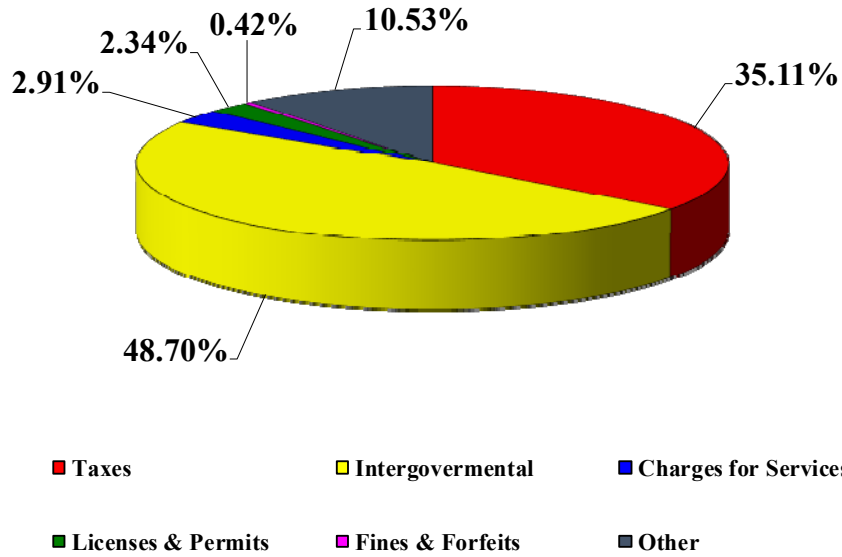


- Taxes
- Intergovernmental
- Charges for Services
- Licenses & Permits
- Fines & Forfeits
- Other



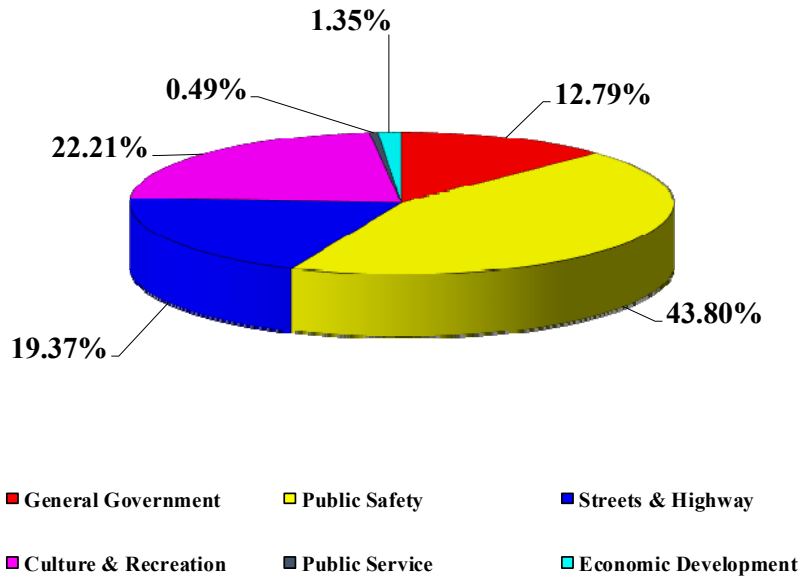
CITY OF AUSTIN
2021 Total Governmental Fund Revenues

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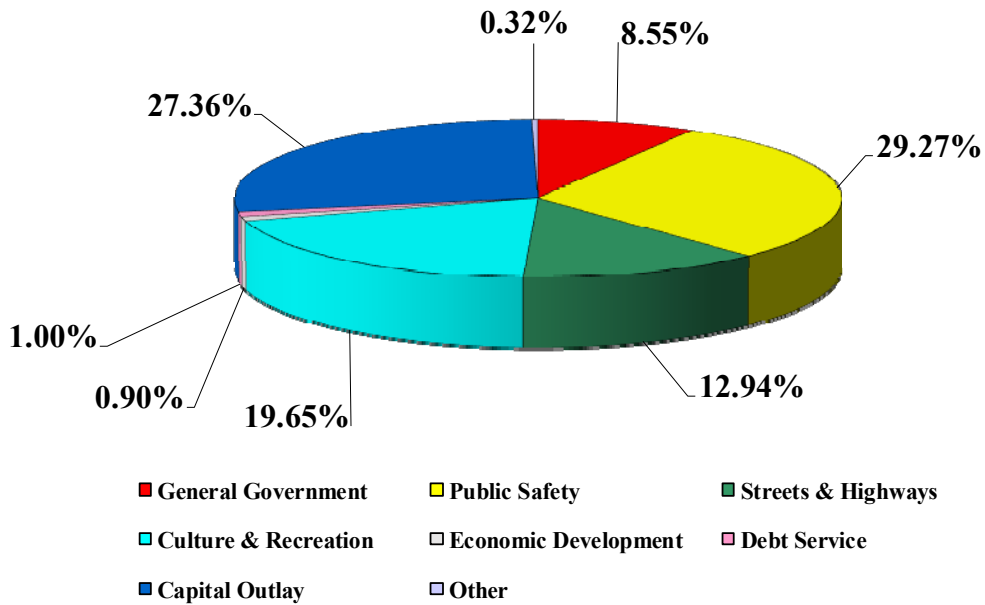
CITY OF AUSTIN
2021 General Fund Expenditures

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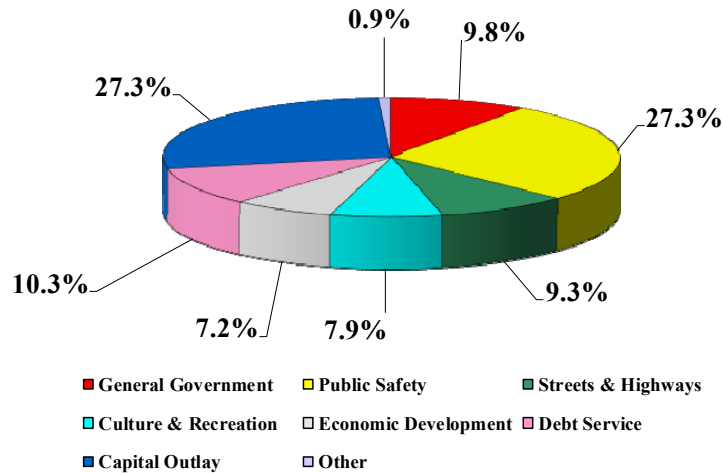
CITY OF AUSTIN
2021 Governmental Fund Expenditures

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STATE OF MN AVERAGE
2020 Total Governmental Expenditures
Cities With Population 20,000 – 100,000

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Note: 2020 census = 26,174

Source: State of Minnesota Office of the State Auditor, 2020 Revenues, Expenditures and Debt