

City of Columbus

2020 Audit
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Reports Issued by Auditor

- Opinion on the Financial Statements
- Report on Internal Controls
- Minnesota Legal Compliance Report
- Communication with Those Charged with Governance

Opinion on Financial Statements – Audit Process

- Audit Fieldwork – auditor performs tests to verify:
 - Occurrence: recorded transactions occurred and pertain to the City
 - Completeness: all transactions that should have been recorded were recorded
 - Accuracy, Cutoff, Classification: amounts are accurately recorded in the correct year and in the correct accounts

- Data mining techniques
 - Journal entries
 - Disbursement register

- Unqualified (aka “clean”) opinion

Report on Internal Controls

- What did we do?
 - We gained an understanding of internal controls in place and their effectiveness in order to design our audit procedures.
- How did we do it?
 - Obtain narratives of controls on each major class of transaction and account balance.
 - Perform walkthroughs and other tests to determine adherence to controls in place and effectiveness.
- What is the result?
 - Two items noted:
 - Financial statement corrections
 - Lack of segregation of duties

Report on Legal Compliance

- What did we do?
 - Followed the audit guide published by the Office of the State Auditor. The guide consists of seven sections:
 - Depositories of public funds and investments
 - Conflicts of interest
 - Public Indebtedness
 - Contracting bid laws
 - Claims and disbursements
 - Tax increment
 - Miscellaneous provisions
- How did we do it?
 - Select sample of transactions to test for compliance with statutory provisions.
- What is the result?
 - No legal compliance findings.

Communication With Those Charged With Governance

- Accounting policies used and/or changed by the City
 - All the “100” funds are now presented as the General Fund
- Accounting estimates in the financial statements
 - Land Held for Resale (\$2,680,222)
- No difficulties in dealing with management
- No disagreements with management
- Matters not included in other reports:
 - Special Deferred Assessments – 64% of special assessment receivable balances (\$2,569,000) are deferred for Green Acres or Senior Citizen
 - Delays in collection will require another funding source for debt service

General Fund

- Fund balance decreased \$896,810 during 2020 primarily due to over \$1 million of capital outlay expenditures in the Blacktop Maintenance Fund:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$2,825,000	\$3,949,000	\$1,124,000
Expenditures - current	2,151,000	2,714,000	(563,000)
Expenditures - capital outlay	<u>509,000</u>	<u>1,983,000</u>	<u>(1,474,000)</u>
Decrease before transfers	<u>165,000</u>	<u>(748,000)</u>	<u>(350,000)</u>
Transfers in (out) - net	<u>(346,000)</u>	<u>(149,000)</u>	<u>(197,000)</u>
Increase in General Fund balance	<u><u>(\$181,000)</u></u>	<u><u>(\$897,000)</u></u>	<u><u>(\$716,000)</u></u>

General Fund

- The City's fund balance policy establishes a year-end fund balance target of 50% of the ensuing year's operating budget

- As of December 31, 2020:
 - Target minimum fund balance \$1,531,268
 - Actual unassigned fund balance \$2,980,792