



## COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

April 20, 2020

To the Honorable Mayor and Members of the City Council  
City of Afton, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Afton, Minnesota for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 16, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **SIGNIFICANT AUDIT MATTERS**

#### **Qualitative Aspects of Accounting Practices**

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 the year. We noted no transactions entered into by the governmental unit 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 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 financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

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

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjusting journal entries are attached to this letter for your review.

**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, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated April 20, 2020.

**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 governmental unit's financial statements or a determination of the type of auditor's 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.

**Other Audit Findings or Issues**

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

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and schedules of contributions and proportionate share of net pension liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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, 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.

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

Very truly yours,

A handwritten signature in cursive script that reads "Carlson AV LLP".

Golden Valley, Minnesota

**Client:** CITY OF AFTON MN  
**Engagement:** 12/31/19 Audit  
**Current Period:** 12/31/2019  
**Workpaper:** Adjusting Journal Entries

Account	Description	Debit	Credit	Net Income Effect
<b>1</b>				
To record delinquent property taxes receivable				
100-1500	Property Taxes Receivable	24,787.23	0.00	
100-2020	Deferred Property Taxes	0.00	24,787.23	
<b>Total</b>		<b>24,787.23</b>	<b>24,787.23</b>	<b>0.00</b>
<b>2</b>				
To roll forward sewer infrastructure balance from py				
410-1670	Infrastructure - Septic System	15,631,625.00	0.00	
410-3999	Fund Balance	0.00	15,631,625.00	
<b>Total</b>		<b>15,631,625.00</b>	<b>15,631,625.00</b>	<b>0.00</b>
<b>3</b>				
To record current year addition of capital asset for sewer				
410-1670	Infrastructure - Septic System	307,593.00	0.00	
410-4999	Capital Contributions	0.00	307,593.00	
<b>Total</b>		<b>307,593.00</b>	<b>307,593.00</b>	<b>307,593.00</b>
<b>4</b>				
To roll forward py sewer accumulated depreciation balance to cy				
410-1671	Accumulated Depreciation	0.00	521,054.00	
410-3999	Fund Balance	521,054.00	0.00	
<b>Total</b>		<b>521,054.00</b>	<b>521,054.00</b>	<b>0.00</b>
<b>5</b>				
To record cy sewer accumulated depreciation				
410-9990	Depreciation Expense - Sewer Syst	531,307.00	0.00	
410-1671	Accumulated Depreciation	0.00	531,307.00	
<b>Total</b>		<b>531,307.00</b>	<b>531,307.00</b>	<b>(531,307.00)</b>
<b>6</b>				
To correct grant receivable per client				
805-1110	Grants Receivable	105,497.00	0.00	
805-2510	Grant Def Rev - VBWD	0.00	105,497.00	
<b>Total</b>		<b>105,497.00</b>	<b>105,497.00</b>	<b>0.00</b>
<b>GRAND TOTAL</b>		<b>17,121,863.23</b>	<b>17,121,863.23</b>	<b>(223,714.00)</b>