

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
THURSDAY, MARCH 23, 2006
3:00 P.M. – CITY HALL

The Council for the City of Crosslake met in the Council Chambers of City Hall on Thursday, March 23, 2006. The following Council Members were present: Mayor Jay Andolshek, Terry Curtis, Dean Swanson and Dean Eggena. Absent was Dick Phillips. Also present were City Administrator Tom Swenson, General Manager Paul Hoge, Debby Floerchinger, Cyndi Perkins, Jared Johnson, Paul Davis, Kristi Kraemer, Steve Roe, Pat Powers, and Cynthia Holden.

CALL TO ORDER. Mayor Andolshek called the special meeting to order at 3:00 p.m.

REVIEW/APPROVE LIST OF PROFESSIONAL ORGANIZATIONS ASSISTING CROSSLAKE COMMUNICATIONS.

Paul Hoge reviewed the list of Professional Organizations assisting Crosslake Communications with the Council.

MOTION 03S2-01-06 WAS MADE BY DEAN EGGENA, SECOND BY DEAN SWANSON TO APPROVE THE ATTACHED LIST OF PROFESSIONAL ORGANIZATIONS ASSISTING CROSSLAKE COMMUNICATIONS. MOTION CARRIED WITH ALL AYES.

REVIEW/APPROVE 2005 CROSSLAKE COMMUNICATIONS AUDIT

Pat Powers from Olsen Thielen was present to review the 2005 Audit for Crosslake Communications. Pat reported that the audit was clean with no irregularities. There was a decrease in net assets due to accelerated depreciation. A letter prepared by Olsen Thielen calculating the operating transfer to the City for the calendar year 2007 based on the December 31, 2005 audited financial statements in the amount not to exceed \$256,807 was reviewed.

MOTION 03S2-02-06 WAS MADE BY DEAN SWANSON AND SECOND BY DEAN EGGENA TO APPROVE THE 2005 AUDIT. MOTION CARRIED WITH ALL AYES.

REVIEW/APPROVE CROSSLAKE COMMUNICATIONS 2006 BUDGET

Paul Hoge reviewed the budget for 2006. Paul stated that the employees of Crosslake Communications are looking at ways to reduce the expenses of the company. There was discussion on the RUS funding which has taken over 12 months and we still haven't received the loan funds. Paul Hoge suggested that we look at other options such as the RTFC. Tom Swenson suggested that Revenue Bonds may also be available.

MOTION 03S2-03-06 WAS MADE BY DEAN SWANSON AND SECOND BY TERRY CURTIS TO APPROVE THE CROSSLAKE COMMUNICATIONS BUDGET FOR 2006

TOTALING \$3,267,000 IN PROJECTED REVENUES AND \$3,775,000 IN PROJECTED EXPENSES. ALL IN FAVOR, MOTION CARRIED.

A contract with 7Sigma was reviewed with the Council. 7Sigma provides support for our internet.

MOTION 03S2-04-06 WAS MADE BY DEAN EGGENA AND SECOND BY TERRY CURTIS TO APPROVE THE CONTRACT WITH 7SIGMA. ALL IN FAVOR, MOTION CARRIED.

Paul Hoge reported that in 2002 we purchased a boring machine. Now that we are subcontracting, we aren't using the machine. Paul Hoge requested that the boring machine be declared as surplus property. It had been purchased for \$84,000 and since we are not using it, we are looking to sell it for approximately \$52,000.

MOTION 03S2-05-06 WAS MADE BY DEAN EGGENA AND SECOND BY DEAN SWANSON TO DECLARE THE BORING EQUIPMENT AS SURPLUS EQUIPMENT AND TO GET AS MUCH MONEY FOR IT AS WE CAN. ALL IN FAVOR, MOTION CARRIED.

Dean Eggena asked about setting another meeting date to discuss West Shore Drive. Tom said that it would be another week before Widseth Smith and Nolting would have their work done. Dean Eggena was concerned about the timing of the project. Tom said he would relay the urgency to WSN.

MOTION 03S2-06-06 WAS MADE BY DEAN EGGENA AND SECOND BY TERRY CURTIS TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 4:50 P.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by:



Debby Floerchinger
Crosslake Communications Office Manager

**2006 LIST OF PROFESSIONAL ORGANIZATIONS
ASSISTING CROSSLAKE COMMUNICATIONS**

Legal Firms:

Sandelin Law Office
Moss & Barnett
Johnson, Killen & Seiler, P.A.
Cinnamon Muehler
Briggs and Morgan

Engineers:

CC&I Engineering
Vantage Point

Accountants:

Olsen Thielen & Co., Ltd.

Consultants:

CC&I Engineering
GenSoft (CBT)
Vantage Point

Financial Institutions:

Lakes State Bank
Lakewood Bank
Northern National Bank
First Federal Savings
Merrill Lynch

 **OLSEN THIELEN & Co., LTD.**
Certified Public Accountants & Consultants

March 17, 2006

City Council
Crosslake Communications
P.O. Box 70
Crosslake, MN 56442-0070

Dear City Council:

Section 2, Subd. 8 of Ordinance No. 210, Third Series Regarding the Establishment of Crosslake Communication Advisory Board for the City of Crosslake states the following:

"The Company shall make an operating transfer to the City of Crosslake annually of an amount not to exceed 8% of gross revenues based on the most recently approved Company audit (i.e. 2002 audit used for 2004 budget). Operating transfers will be paid in monthly installments to the City of Crosslake."

As requested, we have calculated the maximum amount of operating transfers available for the City for the calendar year 2007 based on the audited financial statements of Crosslake Communications as of December 31, 2005.

The calculation excludes the allowance for funds used during construction as this is an offset of interest expense, and also excludes the non-cash change in the fair value of investments as these are not related to gross revenue as stated in the policy.

The calculation is as detailed below:

Total 2005 Operating Revenues	\$ 3,147,373
Total 2005 Interest Income	62,717
Subtotal	<u>3,210,090</u>
Percentage per Policy	<u>8%</u>
Maximum Operating Transfers	<u>\$ 256,807</u>

If you have any questions, or would like to discuss further, please contact us.

Sincerely,



Patrick D. Powers, CPA
Principal

PDP/smg

Associated World-wide with JHI 

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