

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
TUESDAY, APRIL 20, 2010
10:00 A.M. – CITY HALL

The Council for the City of Crosslake met in the Council Chambers of City Hall on Tuesday, April 20, 2010. The following Council Members were present: Mayor Jay Andolshek, Steve Roe, Rusty Taubert, John Moengen and Dean Swanson. Also present were City Administrator Tom Swenson, Clerk/Treasurer Jenny Max, General Manager Paul Hoge and Community Development Director Ken Anderson. There was approximately one person in the audience.

1. Mayor Andolshek called the Special Meeting to order at 10:00 A.M.
2. Don Anderson, Vice President for Widseth Smith Nolting, appeared before the Council to discuss WSN performing private work in the City of Crosslake. Mr. Anderson stated that on occasion WSN receives requests to do private engineering or surveying work within the City. Mr. Anderson also stated that in this economy it's difficult to turn down these additional opportunities, but he also values the relationship WSN has with the City and will honor whatever request the City has regarding this issue. Dave Reese, City Engineer, will continue to work exclusively with the City and not perform any private work in Crosslake, which will hopefully avoid potential conflicts of interest. Mr. Anderson noted that if there was a potential issue with the work requested to be done that WSN would approach the Council for approval before accepting the work. Following Council discussion, there was consensus that the City Council approves WSN performing private work within the City of Crosslake under the conditions Stated by Mr. Anderson.
3. Tom Koop and Mary Reedy of LarsonAllen appeared before the Council to present the results of the audit of the financial statements for the year ended December 31, 2009. Mr. Koop stated that it is their responsibility to plan and perform the audit under governmental auditing standards and to conclude that the financial statements are fairly stated. The auditor is required to report in writing an expressed opinion on the City's internal controls such as segregation of duties. The State Auditor issues the Minnesota Legal Compliance Audit Guide for Local Government that is a guide that must be followed by the auditing firm conducting the audit to ensure that the city complies with all financial statutes. The auditor uses a risk-based assessment which means not every transaction is audited but a sampling of each area is conducted. In 2009 a new reporting standard was implemented which adds an additional liability on the financial statements as it pertains to post employment benefits. This new standard is referred to as GASB 45 and required an actuarial study for both the City employees and the employees of Crosslake Communications. The financial statement also includes some estimated numbers pertaining to depreciable assets for sewer lines, roads, etc. In performing the 2009 audit, the auditors only had one material journal entry

relating to sewer receivables, which was a significant improvement over the prior year. Therefore, it is the auditor's opinion that the financial statements are fairly stated representing an unqualified audit opinion as noted in the Independent Auditor's Report on Page 2 of the 2009 Financial Statements. It was also noted that in conducting the Minnesota Legal Compliance Audit for Local Governments the City complied with the material terms and conditions of applicable legal provisions.

Mary Reedy addressed the Council and distributed various graphs depicting the financial condition of the City both alone and when combined with Crosslake Communications as an enterprise fund of the City. It was noted that the financial statement for Crosslake Communications is prepared by Olson Thielen and those audited findings are included in the City's Financial Statement. Ms. Reedy stated that the City's revenues exceeded expenditures by \$17,820. This is mainly due to a decrease in expenditures of approximately \$148,000 from 2008. The City's fund balance at the end of 2009 was \$1.4 million dollars which represents approximately six months of reserves. The State Auditor suggests that cities maintain a minimum of six months of reserves.

Tom Koop stated that pages 4 – 15 of the Financial Statements give commentary and a detailed Management Analysis of the Financial Statement. Pages 16 – 18 contain a Statement of Net Assets and breaks down expenses by various functions. Page 22 provides a Fund Balance for each fund and also shows the reserve amount of \$1,741,310.

The Sewer Fund, which is an enterprise fund of the City, experienced an operating loss of \$224,244 in part attributable to capital expenditures at the Treatment Plant. The Sewer revenues of \$180,649 did not cover the expenses of \$404,893 when depreciation and capital expenditures are included in the operating expenses. Capital expenditures included construction of an Oxidation Ditch Enclosure Building and replacement of the sand filters. City Administrator Swenson stated that the City should see an increase in revenues next year through the \$3 increase in monthly sewer rates in 2010 and is looking into possibilities for adding users in areas adjacent to the current system.

MOTION 04S1-01-10 WAS MADE BY STEVE ROE AND SECONDED BY JOHN MOENGEN TO APPROVE THE AUDIT OF THE 2009 FINANCIAL STATEMENTS FOR THE CITY OF CROSSLAKE. MOTION CARRIED WITH ALL AYES.

Clerk/Treasurer Jenny Max addressed the Council regarding a sales tax audit the City recently underwent with the Minnesota Department of Revenue (DOR). The City was notified it was randomly selected for a sales tax audit which covered the period from January 2007 through December 2009. The auditor from the MN DOR reviewed three main areas: capital expenditures, expenses, and revenues. The auditor reviewed the detail for all capital expenditures for the three years,

expenses in detail for the year 2009, and revenue categories for all three years. The preliminary findings concluded that the City will need to pay back taxes of approximately \$12,000. Tom Koop noted that given the findings of the audit the amount of taxes due by the City is very reasonable. He has seen in recent times nearby cities that have had much higher taxes due. It was a consensus of the Council to approve Ms. Max to finalize the sales tax audit with the MN DOR and include the payment of the sales tax due plus any penalties and interest with the next regular bills for approval list.

MOTION 04S1-02-10 WAS MADE BY DEAN SWANSON AND SECONDED BY STEVE ROE TO ADJOURN THE SPECIAL MEETING AT 11:34 A.M. MOTION CARRIED WITH ALL AYES.

Respectfully Submitted,

Jennifer Max
City Clerk/Treasurer

Deputy Clerk/Minutes/4-20-10 Special.doc