

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
MAY 20, 2009 – 10:00 A.M.
CITY HALL

Pursuant to due notice and call, the Crosslake City Council met on Wednesday, May 20, 2009 at 10:00 A.M. for the purpose of reviewing the 2008 Financial Statement and results of the 2008 Audit conducted by Larson Allen. Present at the meeting were: Mayor Jay Andolshek, Councilmember's John Moengen, Rusty Taubert, Steve Roe and Dean Swanson. Also present were City Administrator Tom Swenson, Clerk/Treasurer Darlene Roach, Community Development Director Ken Anderson, General Manager Paul Hoge and Reporter Ken Korczak of the Lake Country Echo. Also present were Tom Koop and Mary Reedy of Larson Allen.

Mayor Andolshek called the meeting to order at 10:15 A.M. and turned the meeting over to Tom Koop of Larson Allen to present the results of the audit. 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. A new requirement this year is that the auditor is required to report in writing an expressed opinion on the City's internal controls such as segregation of duties and etc. 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 City's Auditor uses a risk base assessment so not every transaction is audited but a sampling of each area is conducted. In the 2009 audit a new reporting standard will be implemented which will include the City's liability as it pertains to post employment benefits. This new standard is referred to as GASB 45 and will require an actuarial study for both the City employees and the employees of Crosslake Communications. Koop stated that there is a \$1.5 trillion dollar exposure nationwide that is not addressed on cities financial statements that will need to be paid out over time as employees' retire. The financial statement also includes some estimated numbers pertaining to depreciable assets for sewer lines, roads and etc. In performing the 2008 audit, the auditors did not make multiple journal entries and they did not find any problems or disagreements. Therefore, it is the auditor's opinion that the financial statement is fairly stated representing a clean audit opinion as noted in the Independent Auditor's Report on Page 2 of the 2008 Financial Statement. It was also noted that there were no compliance issues to report and that all 25 pages of the State Auditor's audit guide were adhered to.

Auditor 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. Reedy stated that the City's expenditures exceeded the revenues due to purchases that were made with unbudgeted funds such as the purchase of two new fire trucks. These unallocated funds totaled \$107,979. It should be noted that 50% of the cost of one of the trucks was paid for from

a donation to the City. Even with these expenditures, the City's fund balance at the end of 2008 was \$1.7 million dollars which represents approximately seven and one-half (7 ½) 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 Statement gives commentary and explanations and gives 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 \$1,723,490.

The Sewer Fund, which is an enterprise fund of the City, experienced an operating loss of \$261,105 in part attributable to capital expenditures at the Treatment Plant. The Sewer revenues of \$178,198 did not cover the expenses of \$439,303 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 is looking at ways of increasing revenues in the Sewer Fund including raising sewer fees and bringing on new users in areas adjacent to the current system.

City Administrator Swenson informed the Council that Clerk/Treasurer Roach would be leaving her position in the fall. Koop highly recommended that this position be filled with someone who has a strong financial background having at a minimum, a four-year accounting degree, but even better with qualifications as a CPA. Councilmember Roe stated that both City Administrator Swenson and Clerk Roach have been terrific assets to the City and this sentiment was expressed by all of the Councilmember's. Councilmember Swanson suggested that the Clerk/Treasurer's job description be reviewed and updated based on the comments made by Tom Koop of Larson Allen. It was the consensus of the Council that the job description for the Clerk/Treasurer be reviewed by the Personnel Committee with a recommendation to the City Council. Clerk Roach commented on the good job that Larson Allen has done as auditing firm for the City. They are very thorough and great to work with.

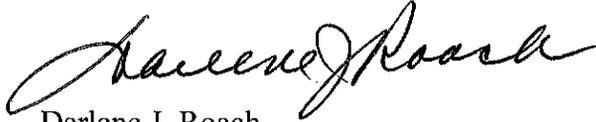
MOTION S5-01-09 WAS MADE BY DEAN SWANSON AND SECONDED BY RUSTY TAUBERT TO ACCEPT THE 2008 AUDIT AND FINANCIAL STATEMENT AS PRESENTED. MOTION CARRIED WITH ALL AYES.

Bills for Approval – MOTION S5-02-09 WAS MADE BY JAY ANDOLSHEK AND SECONDED BY RUSTY TAUBERT TO APPROVE THE BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$8,201.91. MOTION CARRIED WITH ALL AYES.

Mayor Andolshek thanked City Administrator Swenson and Clerk Roach for a good job and stated that he appreciated all of the Staff.

MOTION S5-03-09 WAS MADE BY STEVE ROE AND SECONDED BY RUSTY TAUBERT TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 11:35 A.M. MOTION CARRIED WITH ALL AYES.

Respectfully submitted by,

A handwritten signature in cursive script, appearing to read "Darlene J. Roach".

Darlene J. Roach
Clerk/Treasurer

SHARED: SPECIAL COUNCIL MEETING - Audit - May 20, 2009

BILLS FOR APPROVAL
20-May-09

VENDOR	DEPT	AMOUNT
American Welding Supplies, weld blanket	PW	81.11
AW Research, water test	Sewer	121.05
Char Nelson, reimburse travel expense	Admin	9.26
Couri, MacArthur, Ruppe, legal fees	ALL	2,587.50
Crow Wing County Treaseurer, e911 address	Gov't	25.00
Greg Larson Sports, helmets	P&R	193.99
Greg Larson Sports, catchers mitt	P&R	42.79
Hawkins, aqua hawk, ferric chloride	Sewer	879.60
Lakes Area Rental, blade sharpening	P&R	254.56
Marco, copier lease	ALL	379.56
Mastercard, Digital Element, anti virus renewal	Library	44.99
Mastercard, Digital Ink Design, banner for chatauqua	P&R	195.96
Mastercard, Northern Tool, tarp dump body roll	PW	308.25
Mastercard, Radio Shack, antenna adapters	Police	32.07
Mastercard, Target, first aid kits	P&R	41.70
MN/WI Playground, wood fiber	P&R	1,948.95
Reed's Market, sentence to serve	P&R	15.92
Reed's Market, tissues, napkins	Gov't	17.49
Road Equipment Parts Center, alignment, adjust axle	PW	294.11
Ron Harkin, reimburse for uniform expense	P&R	130.80
Streichers, uniform	Police	184.22
Streichers, uniform	Police	266.24
The Office Shop, clips, pen	P&Z/Admin	8.56
The Office Shop, trays	Police	49.04
Watt Automotive, oil change, alignment	Police	89.19
TOTAL		8,201.91