

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
THURSDAY, JULY 3, 2008
1:00 P.M. – CITY HALL

The Council for the City of Crosslake met in the Council Chambers of City Hall on Thursday, July 3, 2008. The following Councilmembers were present: Mayor Jay Andolshek, Steve Roe, Rusty Taubert, Irene Schultz and Dean Swanson. Also present were City Administrator Tom Swenson, City Clerk/Treasurer Darlene Roach, General Manager Paul Hoge, Crosslake Communications Accountant Cyndi Perkins, Community Development Director Ken Anderson, Public Works Director Ted Strand, Auditor Keith Porter, Larson Allen Accountants Tom Koop and Mary Reedy, Northland Press Reporter Paul Boblett and Lake Country Echo Reporter Betty Ryan. There were two individuals in the audience.

1. Mayor Andolshek called the Special Meeting to order at 1:02 P.M. and welcomed Irene Schultz back.
2. Presentation by Keith Porter of Mayer, Porter, Beinhorn & Rowe, LTD, CPA on Auditor's Report and Legal Compliance on 2007 Audit – Keith Porter reported that the firm of Mayer, Porter, Beinhorn & Rowe audited the financial statements of the City of Crosslake for the year ended December 31, 2007 and found that the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund were compliant with U.S. accepted auditing standards. Mr. Porter also issued a report on Minnesota Legal Compliance and stated that the City of Crosslake complied with the material terms and conditions of applicable legal provisions. The SAS 112 Letter: Communicating Internal Control Related Matters Identified in an Audit breaks its findings into three categories: deficiencies, significant deficiencies, and material weaknesses. The City of Crosslake had two significant deficiencies: segregation of duties and control over financial entries. Both of these are common in smaller sized cities because of limited staff.

Presentation by Tom Koop/Mary Reedy of Larson Allen on 2007 Financial Statement – Tom Koop presented charts of the City's financial statements. A discussion ensued regarding Capital Assets, Net Assets, Total Revenues, and Total Expenditures. Tom Koop stated that the Sewer Fund is showing expenses exceeding revenues but that major users, such as the Corps of Engineers Campground, were not online for the full year of service in 2007. The monthly user fees were increased by \$3.00 per 8,000 gallons for 2008. Mr. Koop suggested that the City would have a better picture of the Sewer Operating Balance in the next year or two. Dean Swanson noted that the Assisted Living Facility would be coming on-line this year too. Tom Koop suggested that the Council consider implementing the Government Accounting Standard Board (GASB) 45 within the next few years. GASB 45

reviews the city's liability to retired employees who keep the group health insurance and determines how that liability should be reflected on the financial statement.

Tom Swenson asked for an explanation regarding a letter from Keith Porter citing a \$43,000 correction. Tom Koop replied that the auditor moved this amount as an entry in this year's audit to correct a report and that it now needs to be moved back to 2007. Tom Koop explained that the \$43,000 was Tax Levy received in January 2008 that needed to be reflected as 2007 revenue. (These are tax dollars paid to the County by taxpayers after the City has received their second half tax settlement but paid to the County before December 31, 2007.) Mr. Koop explained that there is no material impact on the audit for this correction. Jay Andolshek stated that a resident suggested that the City consider balancing the Sewer Fund by raising taxes on the whole community, not just those on the sewer system. Tom Koop replied that the City already did that when the City levied \$212,288 in 2007 for the cost of the bond payment for the Treatment Plant. Tom Koop stated that City Staff is considering paying off the Sewer Revenue Bond. Mr. Koop stated he would like to be on record saying that it makes financial sense for the City to pay off this bond since the City has received enough pre-payments on connection charges and the interest being paid on the outstanding bonds is more than the interest being received by investing the pre-payments.

MOTION 07S1-01-08 WAS MADE BY DEAN SWANSON AND SECONDED BY RUSTY TAUBERT TO ACCEPT THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007 AS PRESENTED. Dean Swanson stated that he appreciated the graphs that Larson Allen put together. Jay Andolshek thanked Tom Swenson, Darlene Roach, Paul Hoge, and Cyndi Perkins for their work in putting the audit together. MOTION CARRIED WITH ALL AYES.

3. MOTION 07S1-02-08 WAS MADE BY DEAN SWANSON AND SECONDED BY STEVE ROE TO APPROVE RESOLUTION 08-16 CALLING FOR THE REDEMPTION OF THE OUTSTANDING GENERAL OBLIGATION SEWER REVENUE BONDS, SERIES 2003B. MOTION CARRIED WITH ALL AYES.
4. MOTION 07S1-03-08 WAS MADE BY JAY ANDOLSHEK AND SECONDED BY DEAN SWANSON TO ACCEPT A PASS THRU DONATION FROM THE CROSSLAKE/IDEAL LIONS TO THE BRAINERD LAKES CHAMBER OF COMMERCE IN THE AMOUNT OF \$250 TO BE USED FOR THE JULY 5TH FIREWORKS. MOTION CARRIED WITH ALL AYES.

5. A letter dated June 26, 2008 from WSN recommending approval of Partial Pay Estimate #2 for Dingman Brothers was included in the packet for Council review. MOTION 07S1-04-08 WAS MADE BY STEVE ROE AND SECONDED BY RUSTY TAUBERT TO APPROVE PARTIAL PAY REQUEST #2 FROM DINGMAN BROTHERS IN THE AMOUNT OF \$8,588.90 FOR WORK COMPLETED ON THE ANCHOR POINT ROAD DRAINAGE PROJECT. MOTION CARRIED WITH ALL AYES.
6. MOTION 07S1-05-08 WAS MADE BY DEAN SWANSON AND SECONDED BY RUSTY TAUBERT TO APPROVE THE BILLS FOR PAYMENT AS PRESENTED IN THE AMOUNT OF \$433,867.19.

The City Council took a break at 2:15 P.M. Mayor Andolshek reconvened the Special Council Meeting at 2:25 P.M.

7. A staff report dated July 3, 2008 from Ken Anderson regarding the acquisition of aerial photos and contour data from Crow Wing County was included in the packet for Council review. The County contracted for professional services to obtain aerial photos of the entire County as well as to obtain contour mapping at two feet contour intervals using a technology called LIDAR. The flights were undertaken in late April and early May 2007. The resolution on the aerial photos is about 50% better than the aerial photos acquired by the City in 2006. The leaf-on conditions obscure the visibility of the ground features on the County's photos. The cost would be approximately \$7,400 and would be paid for with reserves earmarked for mapping. MOTION 07S1-06-08 WAS MADE BY DEAN SWANSON AND SECONDED BY JAY ANDOLSHEK TO AUTHORIZE STAFF TO ACQUIRE 2007 SIX-INCH DIGITAL ORTHO-PHOTOGRAPHY AND TWO-FOOT CONTOUR DATA FROM THE CROW WING COUNTY GIS DEPARTMENT FOR A FEE NOT TO EXCEED \$7,400 WITH FUNDS TO BE DISBURSED FROM THE RESERVE CAPITAL FUND FOR MAPPING. Irene Schultz asked if the cost includes a set of maps for the City. Ken Anderson replied that the information would be downloaded and would be printable from the Crosslake Planning and Zoning Office. Steve Roe asked if there was any continuation of service with the photographers the City contracted in 2006. Ken Anderson replied that the aerial photos purchased in 2006 were a one-time cost for the City. MOTION CARRIED WITH ALL AYES.
8. Review the Proposed Comprehensive Plan – Included in the packets for Council review was a draft copy of the Comprehensive Plan. Ken Anderson handed out an additional page of information from the City Engineer regarding the Road/Trail Transportation Plan Summary that would be incorporated into the Comprehensive Plan. The Planning and Zoning Commission will hold a Public Hearing for the Comprehensive Plan and an Informational Meeting for the Road/Trail Transportation Plan on July 24, 2008 at 7:00 P.M. A quorum of the Council may be in attendance to listen to

public comment regarding the plans. The Comprehensive Plan will go to the City Council in August for final adoption. Ken Anderson asked that the City Council review the Proposed Comprehensive Plan in detail and bring any suggested changes to the meeting on July 24th. Steve Roe asked if there were any areas of the Plan that were more complex than others. Ken Anderson replied that the most useful tool in the Plan for day-to-day use is the Land Development section. A discussion ensued regarding the need for the Comprehensive Plan maps to be identical to the Zoning Maps. Ken Anderson stated that if there are two maps in existence, State Statute mandates that the City use the Zoning Map as the governing document, not the Comprehensive Plan Map. The Council requested to receive colored maps of the Plan. Irene Schultz emphasized that the Comprehensive Plan is only a plan. Staff and City Councilmembers suggested minor changes to the language of the Comprehensive Plan.

9. MOTION 07S1-07-08 WAS MADE BY JAY ANDOLSHEK AND SECONDED BY IRENE SCHULTZ TO ADJOURN THE SPECIAL MEETING AT 3:27 P.M. MOTION CARRIED WITH ALL AYES.

Respectfully submitted by,



Charlene Nelson
Deputy Clerk

Deputy Clerk/Minutes/7-3-08

EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE
CITY OF CROSSLAKE, MINNESOTA

Held: July 3, 2008

Pursuant to due call and notice thereof, a special meeting of the City Council of the City of Crosslake, Crow Wing County, Minnesota, was duly called to order on July 3, 2008, at 1:00 PM

The following members were present: Andolshek, Roe, Schultz, Swanson, Taubert

and the following members were absent: None

Member Swanson introduced the following resolution and moved its adoption:

RESOLUTION 08-16 CALLING FOR THE REDEMPTION OF
THE OUTSTANDING
GENERAL OBLIGATION SEWER REVENUE BONDS, SERIES 2003B

WHEREAS:

A. The City Council of the City of Crosslake, Minnesota issued \$1,055,000 General Obligation Sewer Revenue Bonds, Series 2003B, dated June 10, 2003; and

B. All of said bonds maturing on February 1, 2009 through 2014, inclusive, are subject to redemption, in whole or in part, and prepayment at the option of the City on any date at par plus accrued interest, all as provided in the resolution of the City authorizing the issuance of said bonds; and

C. The City deems it desirable and in the best interest of the City to call \$690,000 of the outstanding bonds maturing in the years 2009 through 2014, inclusive, for redemption on August 1, 2008, in accordance with said resolution authorizing the issuance of said bonds, and

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Crosslake, Minnesota as follows:

1. \$690,000 of the General Obligation Sewer Revenue Bonds, Series 2003B, dated June 10, 2003, of the City of Crosslake, Minnesota, maturing in the years 2009 through 2014, inclusive, shall be redeemed and prepaid on August 1, 2008, at 100% of their principal amount plus accrued interest for each such bond called.

2. The Clerk-Treasurer, as the Bond Registrar, is hereby authorized and directed to give mailed notice of call to the holder of the bonds as may be required by law. Said notice shall be in substantially the following form:

3. The Clerk-Treasurer is hereby authorized and directed to provide sufficient funds to pay all principal and interest due on the bonds as of the call date.

The motion for the adoption of the foregoing resolution was duly seconded by member Roe and upon a vote taken thereon, the following voted in favor thereof:

Andolshek, Roe, Schultz, Swanson and Taubert

and the following voted against the same:

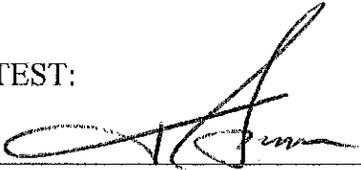
None

Whereupon said resolution was declared duly passed and adopted.



Jay Andolshek

ATTEST:

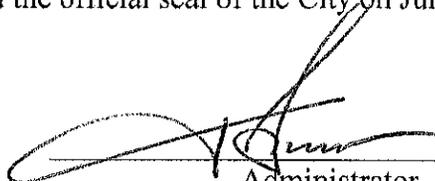


Thomas N. Swenson
City Administrator

STATE OF MINNESOTA
COUNTY OF CROW WING
CITY OF CROSSLAKE

I, the undersigned, being the duly qualified and acting Administrator of the City of Crosslake, Crow Wing County, Minnesota, DO HEREBY CERTIFY, that I have carefully compared the preceding extract of minutes of a meeting of the City Council of said City held on the date therein indicated with the original minutes thereof on file in my office and that the same is a full, true and correct transcript thereof insofar as said minutes relate to the topic described in the title of the resolution set forth in the extract.

WITNESS my hand officially and the official seal of the City on July 3, 2008.



Administrator

(SEAL)

NOTICE OF CALL FOR REDEMPTION

GENERAL OBLIGATION SEWER REVENUE BONDS, SERIES 2003B

DATED: JUNE 10, 2003

CITY OF CROSSLAKE, MINNESOTA

NOTICE IS HEREBY GIVEN that by order of the City Council of the City of Crosslake, Minnesota, there have been called for redemption and prepayment on

AUGUST 1, 2008

those outstanding bonds of the City designated as General Obligation Sewer Revenue Bonds, Series 2003B, dated June 10, 2003, having the stated maturity dates of 2009 through 2014, inclusive, totaling \$690,000 in principal amount. The bonds are being called for redemption at a price of 100% of their principal amount plus accrued interest to August 1, 2008, on which date all interest on said bonds will cease to accrue. Holders of the bonds hereby called for redemption are requested to present their bonds for payment to the City Clerk-Treasurer, City of Crosslake Bond Registrar, on or before August 1, 2008.

Dated: July 3, 2008

BY ORDER OF THE CITY COUNCIL

/s/ Thomas Swenson
Administrator

Important Notice: In compliance with the Economic Growth and Tax Relief reconciliation Act of 2001, federal backup withholding tax will be withheld at the applicable backup withholding rate in effect at the time of the payment by the redeeming institutions if they are not provided with your social security number or federal employer identification number, properly certified. This requirement is fulfilled by submitting a W-9 Form, which may be obtained at a bank or other financial institution.

Additional Information may be obtained from:

NORTHLAND SECURITIES, INC.
45 South 7th Street, Suite 2500
Minneapolis, Minnesota 55402
Attn: Catherine Winkelhake
Public Finance Department
Phone: 612-851-5900 or 800-851-2920

BILLS FOR APPROVAL
3-Jul-08

VENDORS	DEPT		AMOUNT
Abra, signs, pick	PW		36.55
Abra, clevis, wiring, probe, adapter	PW		21.24
Abra, screws	PW		0.67
Abra, hex	PW		1.51
Ace Hardware, keys, tape	P&R		7.43
Ace Hardware, keys, batteries	P&R		8.28
Ace Hardware, tape measure	P&Z		19.16
Ace Hardware, pvc cap, blade	PW		30.85
Ace Hardware, hose, screws, roller frames	PW		27.63
Ace Hardware, grass seed	PW		57.49
Ameripride, mats	PW		119.21
Asset Recovery Corporation, electronics recycling	Gov't		130.02
Bob Baker, refund for tennis league	P&R		10.00
Bond Trust Services, 2004a series, improvement bonds	Gov't		13,938.75
Chamber of Commerce, fireworks	Gov't		10,000.00
Chemsearch, duo power green	PW		688.02
Cheryl Sawyer, storytelling	Library		300.00
Council #65, union dues	ALL		371.79
Crosslake Communications, reimburse pera aid	Gov't		744.75
Crown Plaza, lodging for clerks conference	Admin		534.38
Crow Wing County Highway Department, fuel	ALL		3,973.62
Crow Wing Power, electric service	ALL	pd 6-18	5,059.10
David Shrupp, reimburse mileage	P&Z		63.13
Dean Swanson, reimburse travel expenses	Council		253.26
Deferred Comp	ALL		226.92
Delta Dental, dental insurance	ALL		1,242.05
Diamond Industrial Cleaning, repair pressure washer	PW		255.75
Echo Publishing, subscription	Gov't		29.00
Fastenal, bolts	PW		22.79
First Natl Bank of Deerwood, sewer revenue bonds	Sewer		12,355.00
Fortis, disability	ALL		346.34
General Drivers Union Local #346, union dues	Police		155.00
Greg Larson Sports, baseballs, bases	P&R		52.78
Hawkins, aqua hawk	Sewer		283.34
Hawkins, ferric chloride	Sewer		1,011.37
League Direct, line marker, striping paint, rake, tee	P&R		537.01
Marco, copier lease	P&Z/Admin		368.12
Marsden, office cleaning	PW		596.40
Martin Communications, speaker	Police		199.16
Mastercard, Amazon.com, books	Library		230.84
Mastercard, Barnes and Noble, books	Library	pd 6-24	87.24
Mastercard, Best Western, lodging	Admin		248.48
Mastercard, Crosslake Drug, gloves	P&Z		10.50
Mastercard, Office Max, paper, laminate	PW		60.74
Mastercard, Ruby Tuesday, travel expense	Admin	pd 6-24	16.00

Medica, health insurance	ALL		22,002.32
Menards, utility pump, caster, marking paint	Sewer		137.16
Metro Fire, helmets, eyeshields	Fire		500.48
MCS Janitorial Services, office cleaning	Gov't		772.13
MN Benefits	Admin		129.92
MN Highway Safety Center, law enforcement course	Police		344.00
MN Life, life insurance	ALL		462.20
NCPERS-Life Insurance	ALL		160.00
North Ambulance, subsidy	Ambulance		1,103.00
Northern National Bank, wilderness road bond	PW		633.95
Northland Press, public hearing notice of 6-30	P&R		28.00
Northland Press, ad for vehicles	P&R/P&Z		28.00
Northland Press, public hearing notice of 6-27	P&Z		122.50
Northland Press, ordinance 258	P&Z		66.50
Northland Press, ordinance 257	P&Z		136.50
Northland Press, ordinance 254	P&Z		56.00
Northland Trust Services, bonds of 2006, series b	Gov't		138,715.63
Northland Trust Services, certificates of indebtedness	Gov't		47,707.50
Northwedge Nursery, flowers	Gov't		207.61
Northwood Turf and Power, quick lock	PW		7.38
Pepsi, pop	PW		23.54
Pequot Auto Parts, filters, brake fluid	PW		241.42
PERA	ALL		N/A
Physio Control, 4 defibrillators	Police		8,363.60
Positive ID Inc, badges	Gov't		294.78
Quill, fireproof cabinet	P&Z		1,357.86
Reeds Market, sentence to serve	PW		54.71
Reeds Market, sentence to serve	PW		115.81
Reeds Market, tissue for crack sealing	PW		81.04
Sandia Imaging, library cards	Library		620.83
Scales, Tails and Spines, natural history program	Library		195.00
Sprint, cell phone charges	Police		126.52
State and Federal Taxes	ALL		N/A
Streichers, gloves	Police		70.97
Symbol Arts, badges	Police		160.00
The Office Shop, batteries, minute paper, label tape	Gov't		161.18
The Office Shop, key cabinet	Gov't		222.47
The Office Shop, sheet protectors	P&Z/Admin		3.50
The Office Shop, ink cartridges	P&Z		69.20
The Office Shop, pens, binder clips	P&Z/Admin		30.99
Tom Swenson, vehicle expense	Admin		400.00
Unicel, cell phone charges	Police	pd 6-24	180.84
Unicel, cell phone charges	PW	pd 6-24	107.55
US Bank, public facility lease revenue bonds	PW		54,721.25
US Bank, series 2001 improvement bonds	Gov't		5,598.75
US Bank, series 2002 improvement bonds	Gov't		7,571.25
US Bank, series 1999b improvement bonds	Gov't		7,892.50
US Bank, disposal system bonds, series 2003a	Sewer		49,556.25
Viking Electric, bulbs	P&R		52.14
Widseth Smith Nolting, engineering fees	ALL		17,843.63
Xcel Energy, gas utilities	ALL		164.56

