

**COOK CITY COUNCIL  
SPECIAL MEETING MINUTES  
2015 AUDIT  
JUNE 23, 2016 – COOK CITY HALL – 5 PM**

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**TIME AND PLACE:** A Special Meeting of the Cook City Council was held at 5 PM on Thursday, June 23, 2016 at the Cook City Hall.

**CALL TO ORDER:** Mayor Harold Johnston called the meeting to order at 5 PM.

**ATTENDANCE:** Present at roll call were Mayor Harold Johnston and City Councilors Jody Bixby, Kim Brunner, and Elizabeth Storm. Absent was Councilor Karen Hollanitsch. Also present were Administrator-Clerk/Treasurer Theresa Martinson, Deputy Clerk/Treasurer Stephanie Beaudry, Maintenance Supervisor Bud Ranta, Bill Paulson CPA-Walker, Giroux and Hahne, The Timberjay, Cook News Herald and guest, Bruce Auchley.

**2015 AUDIT PRESENTATION**

Bill Paulson of Walker, Giroux and Hahne (WGH) presented the 2015 Financial Audit, touching on various pages:

Page 34 shows the long-term expected rate of return on pension plan investments. The current discount rate is 7.9%. As the liability goes up, the city will have an expense funded through current payroll costs.

Page 11 shows revenues, expenditures & changes in fund balances for Governmental Funds. The column entitled "Other Governmental Funds" includes the non-major funds on pg. 39-42. There are two funds with deficit balances on pgs. 39-40; at some point the city will have to transfer to cover the city portion. The Enterprise Funds are found on pages 13 and 14, and not included in the Balance Sheet on page 9.

On pgs. 46-47 is the Internal Controls Report. Internal controls are considered in performing the audit and are considered for financial reporting purposes on material weakness and significant deficiencies.

**Compliance**

WGH performs tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Testing results disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.

**Segregation of Duties**

There is a deficiency in the segregation of duties due to staffing limitations caused by fiscal constraints. Administration monitors transactions and reviews the duties of office personnel on an ongoing basis. The council recognizes the weakness in segregation of duties and continuously provides oversight to partially compensate for the deficiency.

**Lack of Control – Financial Reporting Process**

A material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control due to staffing limitations caused by fiscal constraints. Management will continue to establish effective review over policies and procedures. Management has determined that the cost and training involved to review or prepare the City's financial statements exceeds the benefit that would result.

Management Letter

Changes to restricted, committed, and assigned fund balances had not been tracked in 2015. WGH recommend reviewing and tracking changes to these funds, as well as considering combining similar types of these accounts.

At December 31, 2015, the general ledger shows a negative balance of \$1,016,442 in the General Fund. This amount is offset on the financial statements by savings deposits held in the General Fund. WGH recommends eliminating this negative balance by way of transfers from the savings accounts or fund transfers from other funds carrying positive cash balances.

Mr. Paulson stated that overall everything is going well and the cash flow is very positive. He recommended doing a one-time transfer; he can help with the journal entries for the transfer. Motion by Bixby, second by Storm to make a transfer to cover the checking deficit. **MOTION CARRIED**

Administrator Martinson stated that in 2015, a motion was made to do a transfer to cover deficit created by depreciation. She asked Mr. Paulson if we need to do that this year. Mr. Paulson stated that the city can look at it at year end (12/2016) and then make a determination.

Motion by Storm, second by Brunner to approve the audit as presented. **MOTION CARRIED**

**WATER METER REPLACEMENT PROJECT**


Maintenance Supervisor, Bud Ranta, presented information from the two quotes: one from Neptune (\$121,001.74) and one from Ferguson (\$100,213.54). The bids are the same Neptune product but from different companies. Supervisor Ranta stated that the city is impressed with the Neptune meters and the customer service. Motion by Storm, second by Brunner to accept the Ferguson bid of \$100,213.54. **MOTION CARRIED**

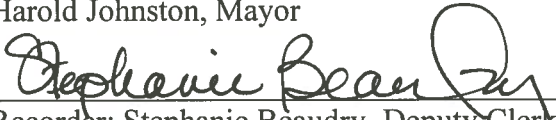
Councilor Bixby asked where the funds were coming from. Administrator Martinson stated that the funds will come from the operating accounts and the Meter Replacement Designated Fund.


**ADJOURNMENT:**

There being no further business brought before the Council, motion to adjourn at 5:50 PM was made by Councilor Storm and second by Councilor Brunner. **MOTION CARRIED**

CITY OF COOK – Cook, MN 55723

  
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Harold Johnston, Mayor

  
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Recorder: Stephanie Beaudry, Deputy Clerk/Treasurer

  
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Attest: Theresa Martinson, Administrator-Clerk/Treasurer