

**COOK CITY COUNCIL
SPECIAL MEETING MINUTES
2014 AUDIT
APRIL 23, 2015 – COOK CITY HALL – 5 PM**

TIME AND PLACE: A Special Meeting of the Cook City Council was held at 5 PM on Thursday, April 23, 2015 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, Karen Hollanitsch and Elizabeth Storm. Absent were none. Also present were Administrator-Clerk/Treasurer Theresa Martinson, Deputy Clerk/Treasurer Cindy Palm, Maintenance Supervisor Bud Ranta, Bill Paulson CPA-Walker, Giroux and Hahne, The Timberjay and Cook News Herald.

Bill Paulson of Walker, Giroux and Hahne (WGH) presented the 2014 Financial Audit.

Internal Controls

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

Water and sewer enterprise funds recorded operating income in 2014 and WGH suggests the City Council continue to review rates on an annual basis so sufficient funds are obtained to cover the costs of operations and debt requirements.

An annual transfer from the General Fund to the Debt Service Fund should be budgeted annually to cover the principal and interest payments due each year. The transfer should be budgeted in each fund which has now been addressed in 2015.

General Fund

Over the course of the year, the city council did not revise the city's general fund budget. Actual expenditures were \$60,869 above the final budget amounts and this was funded by an available fund balance.

Bill Paulson reported that the City's financial position is strong. He recommended the council consider transferring funds out of general fund savings to eliminate negative general fund cash (\$1,073,782.51-2014) in checking. These funds are not being spent but reallocated to eliminate negative cash and also to eliminate borrowing from other funds as Due To and Due From.

Motion by Hollanitsch, second by Brunner to eliminate the negative general fund cash balance for 2014 of (\$1,073,782.51) by transferring from positive general fund savings. **MOTION CARRIED**

By transferring funds to eliminate negative cash the city could now analyze cash in each fund at year end and accumulate a savings for each fund. Bill recommends keeping positive cash balances to earn interest and distribute earnings annually at during the year end audit.

The council should also consider taking a portion of the liquor store cash and seeking opportunities to invest it in government secured investments for additional earnings.

Ambulance and Fire - Special Revenue Funds

Deficits in ambulance reflect the purchase of two new ambulances in 2014. These deficits are covered by Restricted Funds set aside for this purpose.

Capital Project Funds

Deficits in capital projects also reflect expenditures covered by grant funds received in previous years or yet to be received.

Enterprise Funds

Staff will continue to review water and sewer funds on an annual basis to monitor positive cash flow and adjust rates as necessary. As long as these funds show positive cash, depreciation can be transferred to the replacement fund for \$15,000 for each fund.

Water and Sewer show operating deficits for 2014 with the last rate increase to active users in 2013. The council should consider adding a monthly service maintenance fee of \$15 to inactive accounts that have service to the property. Research was also done with four neighboring communities and all charge this fee to inactive accounts.

Motion by Hollanitsch, second by Storm to add a \$15 service maintenance fee to inactive accounts that have service to the property, effective June 1st, 2015. **MOTION CARRIED**

Bill recommended the council consider changing the transfer of the annual Water/Sewer Line Replacement of \$12,250 to Water and Sewer Operating, to transfer out of Liquor Store Funds, allowing the Water/Sewer Line Replacement Fund to grow.

Motion by Hollanitsch, second by Storm to transfer \$12,250 from Liquor Store (instead of Water/Sewer Line Replacement) to Water and Sewer Operating starting 2015. **MOTION CARRIED**

Administration advised that the purpose of the liquor store enterprise fund is to supplement the city by funding projects that grants would not be available for. The liquor store funds are to be used conservatively as assets could decrease to a fluctuation in business.

Bill Paulson and Councilor Elizabeth Storm complimented staff on staying on top of the city financials.

ADJOURNMENT:

There being no further business brought before the Council, motion to adjourn at 5:55 PM was made by Councilor Hollanitsch and second by Councilor Bixby. **MOTION CARRIED**

CITY OF COOK – Cook, MN 55723

Harold Johnston, Mayor

Recorder: Cindy Palm, Deputy Clerk/Treasurer

Attest: Theresa Martinson, Administrator-Clerk/Treasurer