

**COOK CITY COUNCIL
SPECIAL MEETING MINUTES
2017 AUDIT
MAY 24, 2018 – COOK CITY HALL – 4:45 PM**

TIME AND PLACE: A Special Meeting of the Cook City Council was held at 4:45 PM on Thursday, May 24, 2018 at the Cook City Hall.

CALL TO ORDER: Mayor Harold Johnston called the meeting to order at 4:45 PM.

ATTENDANCE: Present at roll call was Mayor Harold Johnston and City Councilors Jody Bixby, Karen Hollanitsch, Kim Brunner, and Elizabeth Storm. Also present were Administrator-Clerk/Treasurer Theresa Martinson, Deputy Clerk/Treasurer Stephanie Beaudry, Bill Paulson CPA-Walker, Giroux and Hahne, and The Timberjay.

2017 AUDIT PRESENTATION

Bill Paulson of Walker, Giroux and Hahne (WGH) presented the 2017 Financial Audit, touching on various pages:

Page 3 is summary of opinions. Note that the Fire Relief Association's net pension liability is not included in the governmental activities. This is not an unusual practice for a city. Also, the City hasn't allocated the PERA deficit to enterprise funds. Administrator Martinson asked if it is a true liability for the City of Cook. Paulson stated that yes, it is a real liability; however, it is not unusual for cities not to allocate their PERA deficits.

Page 6 is the balance sheet which shows governmental and business-type activities. Administrator Martinson inquired about the \$1,880,000 under "noncurrent liabilities". Paulson shared that on page 26 you can see what makes up the \$1,880,000. Two bonds were combined to get a better rate; although there is just one now, they have to be listed as two.

Page 9 shows a better breakdown of the balance sheet by fund. What is in the "Other Governmental Funds" column can be seen in more detail on page 41. Paulson shared that the large ambulance receivables number caught their eye; this number is rather high. The City is monitoring the receivables closely and working with the billing company to make sure accounts are billed.

Page 11 is revenue and expenditures by funds. The General Fund had a profit of \$99,467. Paulson stated that Walker, Giroux and Hahne didn't see anything alarming. Martinson asked if a recommendation needs to be made to cover the Capital Projects Fund. Paulson stated that it does need to be covered; this could be done later. The liquor store is doing very well; it had a \$102,388 profit. Paulson shared that he visited the liquor store staff and discussed inventory and protecting the store from fraud.

Page 16 is footnotes and required disclosures.

Page 23 shows funds that did have deficits; there is nothing out of the ordinary.

Page 25 lists all capital assets. There isn't a large amount of additions. There wasn't a huge need for capital during the year.

Page 26 lists liabilities and page 27 shows principal and interest payments that are required. The rates are starting to go up but the City is locked in with a good rate.

Page 40 shows what makes up the funds. Administrator Martinson shared that the DTED balance will go down next year, reminding the council about the one-time exemption which the state passed. The city had received a grant from DEED and loaned that money. The loan has been satisfied. The legislature approved cities to return 20% of the balance in the fund back to the state, allowing the city to retain the remaining 80%. The council can determine how to utilize those funds. The council has made some great financial decisions.

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*.

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

One deficiency was noted:

1) Several capital project funds with cash or negative cash balances had no activity in the year of the audit. It is recommended that such projects be closed upon completion.

Motion by Brunner, second by Hollanitsch to approve the 2017 audit as presented. **MOTION CARRIED**

ADJOURNMENT:

There being no further business brought before the Council, motion to adjourn at 5:18 PM was made by Councilor Hollanitsch and second by Councilor Storm. **MOTION CARRIED**

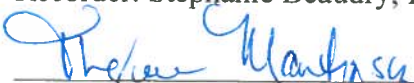
CITY OF COOK – Cook, MN 55723



Harold Johnston, Mayor



Recorder: Stephanie Beaudry, Deputy Clerk/Treasurer



Attest: Theresa Martinson, Administrator-Clerk/Treasurer