

**COOK CITY COUNCIL  
SPECIAL MEETING MINUTES  
2013 AUDIT  
APRIL 24, 2014 – 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, April 24, 2014 at the Cook City Hall.

**CALL TO ORDER:** Mayor Harold Johnston called the meeting to order at 5:04 PM.

**ATTENDANCE:** Present were Mayor Harold Johnston and City Councilors Jody Bixby, Kim Brunner, Karen Hollanitsch and Elizabeth Storm. Absent were none. Also present was Administrator-Clerk/Treasurer Theresa Martinson, Deputy Clerk/Treasurer Cindy Palm, Bill Paulson CPA-Walker, Giroux and Hahne, Ltd., The Timberjay and Cook News Herald.

Bill Paulson of Walker, Giroux and Hahne, Ltd. (WGH) presented the 2013 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 2013 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.

The airport fund has a cash deficit that continues to grow and the activity should be reviewed to see if cash flow can be improved or a transfer should be made to cover the deficit.

## **General Fund**

Over the course of the year, the city council did not revise the city's general fund budget. Actual expenditures were \$7,824 above the final budget amounts and this was funded by an available fund balance.

Bill Paulson reported that the City's financial position is good. He recommended the council consider utilizing liquor store funds with a positive cash balance to eliminate negative cash balances dating back many years and to allocate funds for future projects. These funds are not being spent but reallocated to eliminate negative cash. Some funds are already allocated such as liquor store capital improvements, water and sewer line replacement and the library equipment funds. Mayor Johnston suggested creating an unrestricted capital account to be utilized as needed and not just specific to any one type.

Airport negative cash for 2013 is \$165,789 owed to the general fund as the airport is part of the general fund. A transfer from liquor store positive cash from the enterprise fund to the general fund will eliminate the negative liability.

Motion by Storm, second by Bixby to transfer \$165,789 from liquor store positive cash to airport negative cash and eliminate the liability to the general fund. **MOTION CARRIED**

At the January 23, 2014 Regular Council Meeting, the council approved transfers of \$150,778.77 for the following:

301 Debt Service – Storm Sewer	\$46,000.00	
420 River Street Streetscape	\$15,752.45	
424 Airport Land Acquisition / Taxi Crack Sealing	\$ 6,345.70	
425 Wastewater Improvements (Ponds)	\$69,962.35	
426 Commercial Demolition	\$12,718.27	
101 General Fund		\$150,778.77

The council should recommend transferring \$150,778.77 from the liquor store positive cash to cover the general fund deficit for this amount.

Motion by Bixby, second by Storm to transfer \$150,778.77 from the liquor store positive cash to the general fund deficit to cover the transfers. **MOTION CARRIED**

## **Ambulance Special Revenue**

The Cook Area Ambulance Service is finding difficulty in staffing daytime call and losing revenues by not having the ability to take daytime transfers. This issue is not just specific to the City of Cook as times are changing as more people are required to work elsewhere. The service is actively trying to recruit volunteers and considering staffing a full time position dependent on funding resources. Bill Paulson reviewed the ambulance financials and does not feel that there is a sufficient level of funding for continuous staffing. Multiple funding sources should be considered and the position annually reviewed.

## **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.

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.

Motion by Storm, second by Hollanitsch to accept the 2013 Audit for the City of Cook as prepared by Walker, Giroux and Hahne Ltd. **MOTION CARRIED**

**ADJOURNMENT:**

There being no further business brought before the Council, motion to adjourn at 5:45 PM was made by Councilor Bixby 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: Cindy Palm, Deputy Clerk/Treasurer

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Attest: Theresa Martinson, Administrator-Clerk/Treasurer