

**COOK CITY COUNCIL
SPECIAL MEETING MINUTES
2012 AUDIT
MAY 23, 2013 – COOK CITY HALL – 4:30 PM**

TIME AND PLACE: A special meeting of the Cook City Council was held at 4:30 PM on Thursday, May 23, 2013 at the Cook City Hall.

CALL TO ORDER: Mayor Harold Johnston called the meeting to order at 4:30 PM.

ATTENDANCE: Present were Mayor Harold Johnston and City Councilors Kim Brunner, Karen Hollanitsch and Elizabeth Storm. Absent was Councilor Jody Bixby. Also present was Administrator-Clerk/Treasurer Theresa Martinson, Deputy Clerk/Treasurer Cindy Palm, Bill Paulson CPA-Walker, Giroux and Hahne, Ltd. and The Timberjay.

As required for the 2012 Bond Refinancing with Northland Securities, a Limited Disclosure Dissemination Agent Agreement, Resolution 130523, is required as part of the audit beginning 2013.

Motion by Storm, second by Hollanitsch approving Resolution 130523 - Limited Disclosure Dissemination Agent Agreement, as required by Northland Securities, as part of the 2012 Bond Refinancing, for the 2013 audit. **MOTION CARRIED**

Bill Paulson of Walker, Giroux and Hahne, Ltd. presented the 2012 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.

Bill Paulson reviewed the city's types of inventory to audit such as fuel, liquor, water and sewer. In performing the audit, the city has protection procedures in place and avoids carelessness.

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. This is a non-qualified opinion in the audit report.

General Fund

Over the course of the year, the city council did not revise the city's general fund budget. Actual expenditures were \$7,102 above the final budget amounts.

Enterprise Funds

Mayor Johnston asked how the city is financially protected with enterprise funds if there were a major catastrophe within the city. Bill Paulson stated that by the council adopting a 2012 liquor store cash transfer of \$381,605 to reduce negative cash in the water enterprise fund, the city now has positive cash in the water enterprise fund. Also transferred was \$36,180 from the old refuse to the water/sewer line replacement fund.

In 2012, the council adopted a rate increase for the water, sewer and replacement funds as advised by Gary Giroux of Walker, Giroux and Hahne. Due to the economic hardship to the community, the council approved the use of liquor store funds to cover any water and sewer losses for 2012 and for the rate increase to take effect

January 1, 2013. At the May 23, 2013 rate review special meeting, the council chose to not raise rates for 2013 and will continue to review rates on an annual basis.

Now that the enterprise funds show positive cash for water and sewer, depreciation can be transferred to the replacement fund. Bill Paulson reviewed the cash and recommended \$15,000 for water and \$15,000 for sewer be transferred annually and that the cash balances be reviewed annually at each rate review meeting.

Motion by Hollanitsch, second by Storm to transfer \$15,000 for water and \$15,000 for sewer from depreciation to the replacement fund annually as long as the water and sewer funds show positive cash as reviewed on an annual basis. **MOTION CARRIED**

In 2012, the city refinanced the city debt on the water, sewer and debt service bonds saving the city approximately \$900,000 long term. The refinance also reduced the amount of interest expense in the water and sewer funds which will reduce the budget expense for 2013.

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.

ADJOURNMENT:

There being no further business brought before the Council, motion to adjourn at 6:50 PM was made by Councilor Hollanitsch and second by Councilor Storm. **MOTION CARRIED**

CITY OF COOK – Cook, MN 55723

Harold Johnston, Mayor

Recorder: Cindy Palm, Deputy Clerk/Treasurer

Attest: Theresa Martinson, Administrator-Clerk/Treasurer