

**MINUTES**  
**SPECIAL JOINT BUDGET & FINANCE COMMITTEE & CITY COUNCIL**

**APRIL 11, 2011**

Jeff Thompson called the meeting to order at 5:34 p.m. Other members present were Dennis Zimmerman, Renee Eckerly, Kirk Johnson, Belinda Ludwig, Jean Soine, Jeff Bertram, and Gene Beavers. Also present were Jennifer Welling, Administrative Assistant; Kent Kortlever, Chief of Police; Ron Mergen, Public Works Director; Bill Ludwig, Liquor Store Manager; Stephanie Hormann, Cable Coordinator; and Sarah Utsch and Dennis Schmidt, LarsonAllen.

**Motion was made by Johnson to approve the minutes of the March 14, 2011 Budget & Finance Committee meeting. Seconded by Belinda Ludwig and unanimously carried.**

**2010 AUDIT**

Sarah Utsch and Dennis Schmidt from Larson Allen were in attendance to discuss the audit. It is the 2<sup>nd</sup> year that Larson Allen has done the audit and highlights include:

- Required communication under SAS 114
- Summary of Audit results
  - No single audit required for 2010, as the City did not spend in excess of \$500,000.00 in federal awards
  - Audit Report
  - Management's Discussion and Analysis
  - Financial Statements
  - The City's governmental funds reported a combined ending fund balance of \$5,083,954.00, which is an increase of \$1,305,895.00 from the previous year
  - The General Fund's ending fund balance was \$1,252,272.00 which was a decrease of \$53,469.00 from 2009
- General Fund Financial Highlights
  - Actual revenues were \$91,069.00 under budget
  - Actual expenditures were \$32,511.00 under budget
  - Transfers in and out of the fund were both over budget, causing the net change in fund balance to be \$79,144.00 under budget
  - The City has 11 months of expenditures built up in fund balance; the State Auditors office recommends about 5. This means that the City is sitting very well.
  - The graph of comparative governmental fund revenues shows Intergovernmental as the biggest difference because it includes state funds for Highway 23
  - The graph of comparative governmental fund expenditures shows Public Works-Capital Improvement as the biggest difference due to the Highway 23 project, Street Projects, Sewer Interceptor, and Wastewater Treatment Facility plan
- Governmental Fund Financial Highlights
  - Economic Development Revolving Loan Fund balance increased \$32,131.00 from the prior year
  - Two new loans were issued during the year
  - EDA Fund balance increased \$7,949.00 from the prior year and showed a large decrease in both revenues and expenditures from the prior year due to the 2009 Small Cities Development Program

- Other Governmental Funds showed that TIF District #8 was decertified and closed out to the General fund in 2010 and the Fire Reserve fund balance increased \$50,012.00 due to the annual transfer in
- Debt Service Fund Financial Highlights
  - Change in fund balance is based on the amount of transfers in and special assessment revenue received in comparison to the debt service requirements from the repayment schedule
  - 3 new bond issuances during the year. The refunded bonds (Series 2004 and 2004A) were closed to the 2009C issuance at year-end
- Capital Projects Fund Financial Highlights
  - New fund for 2010 includes the Sewer Interceptor and Wastewater Facility Plan
  - Lake Koronis Trail decrease in fund balance of \$67,129.00 this is due to timing of revenue received. Note that there is \$170,000.00 reported in deferred revenue
  - 2010 Improvements and Highway 23 Construction fund balance went positive in 2010 due to bond proceeds during the year
- Enterprise Funds
  - Water Fund Net Assets increased \$153,485.00
  - Sewer Fund Net Assets decreased \$603,751.00; Net assets had increase of \$285,148.00 before transfers out to other funds
  - Liquor Fund Net Assets increased \$48,773.00; Increase of \$77,145.00 before transfers out to the General Fund
- Water and Sewer Funds Financial Highlights
  - Water Fund
    - Net Income of \$183,480.00
    - Operating Revenues increased \$30,458.00 from 2009
    - Transfers out to Debt Service Funds same as in the prior year
    - Net cash provided by operating activities was \$247,251.00
  - Sewer Fund
    - Net Income of \$148,358.00
    - Operating Revenues decreased \$43,127.00 from 2009
    - Transfers out increased over \$800,000.00 from the prior year due to funding of the Sewer Interceptor Project and Wastewater Facility Project
    - Net cash provided by operating activities was \$156,844.00
- Liquor Fund Financial Highlights
  - Operating income of \$73,566.00
  - Gross profit margin of 23.04%
  - Year-end inventory balance of \$121,534.00 (20% increase from 2009 year-end balance)
  - Transferred \$27,500.00 to General Fund from Operations
  - Net cash provided by operating activities was \$50,582.00
  - Based on comparisons from the previous two years, five components increased, including liquor inventory, sales, cost of sales, operating income, and the transfer to general fund. The only decrease was gross profit, which went from 24.42% to 23.04%
- Internal Control Deficiencies
  - Data recovery process has already been resolved
  - Internal control over the Financial Reporting Process; required communication as the City has elected to have LarsonAllen draft their financial statements

- Limited segregation of duties; limited number of City personnel to segregate accounting functions
- Material audit adjustments; proposed adjustments to record the refunding bond issue and record deferred revenue for revenues not received within the period of availability
- GASB 54- Implementation for 2011
  - Required to be implemented for year-ending December 31, 2011
  - Eckerly attended a training on this on March 4<sup>th</sup> and was provided with a sample fund balance policy and other resources to help implement
  - Fund balance will be presented in five classifications: non-spendable, committed, restricted, assigned, and unassigned
  - Fund balance policy must be adopted by Council prior to year-end

Eckerly reported that the audit would be put on the website to make the public more aware; she also mentioned that LarsonAllen has a 3 year contract and it will be put out for RFP's after next year.

### **REIMBURSEMENT POLICY & TRAVEL POLICY**

Eckerly reported that this was requested from the Fire Department regarding number nine in the policy, which states that mileage will be paid for the distance to and from the assigned destination. Mileage will not be paid while driving to and from entertainment locations. They would like the policy changed to cover all mileage while there. It was stated that the policy doesn't say everything and it needs to be clearer. Eckerly reported that Chris Whittrock, who books the hotels for conferences, tries to put people at the closest location to the event. Was stated that if someone asks for an exception to the policy, it can be discussed at that time, but he doesn't feel the whole policy should be changed. No action was taken and no change was made.

### **NEW COMPUTERS**

Eckerly reported that there are four old computers in City Hall, located in the Motor Vehicle, Administration, Public Works, and Police Departments that need to be replaced at the cost of \$644.81 each totaling \$2,579.24. Kortlever then stated that he bought the Police computer in 2006 and needs Intoxilize and to add programs. He would like to replace that computer with a ToughBook laptop for the squad with a warranty. Zimmerman then asked if there is a warranty on the computer now, which Kortlever answered no. Zimmerman also asked if anybody has wiped the computers' hard drives clean and reloaded their programs fresh to see if they run faster and to consider doing this before replacing them. He also stated that if they have to be replaced, he would like them to be replaced on a schedule. Eckerly reported that the computers have not been wiped clean and they wouldn't need to replace the monitors or software. Zimmerman then stated that the police programs should be checked to see if they are compatible with Windows 7 and that the printers might not work with new computers. Eckerly then stated that Stearns County will work on the Police computers and that these computers would be similar to Bill Ludwig's at the Liquor Store, and that Bennett will set the machine up. Kortlever then reported that the laptop would come from DWI funds. Zimmerman then stated that he's not impressed with state contracts and the City could get a better deal with Dell or HP. He also felt that the price is not bad, but could be better and that he will help and get numbers.

**Motion was made by Soine to purchase the laptop form the Police Department at a cost of \$2030.04 without a warranty. Seconded by Zimmerman and unanimously carried.**

**Motion was made by Zimmerman to add the warranty back on the laptop for a total cost of the computer and warranty of \$2,379.04. Seconded by Soine and unanimously carried.**

### **LIBRARY- CARPET REQUEST**

Eckerly reported that the Library is requesting new carpet and it would cost \$7,978.86 to do the whole area. It was stated that they may just need new carpet behind the counter. Eckerly then stated that this price is with an anti-fatigue mat. This is not a budgeted item, and they have an antifatigue mat on top of the carpet. It was asked what the staff is saying and Eckerly answered that they have medical issues due to no padding and want new carpet. It was stated that new carpet isn't budgeted, anti-fatigue mats are not used for the employees at City Hall and Liquor Store and the City is furloughing employees. It was also stated that the Library just went through air quality issues and it was suggested that they should get a stress mat. It was suggested that the staff manage with what they have and that the City should get more specifics and factor this into the 2012 budget.

### **PAYNESVILLE TOWNSHIP POLICE CONTRACT**

Kortlever reported that the 2010 contract was 1080 hours at an hourly rate of \$32.56 for a total of \$35,163.00 and the 2011 contract is 1080 hours at an hourly rate of \$32.48 for a total of \$35,078.00. It was mentioned that overall costs have gone up and need to be factored in to next year's contract. Kortlever then stated that they've used the same formula for a number of years. It was suggested to look at a new formula.

**Motion was made by Soine to approve the Paynesville Township Police Contract and recommend such to the City Council. Seconded by Zimmerman and unanimously carried.**

There being no further business, the meeting was adjourned at 6:45 p.m.

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Renee Eckerly, City Administrator