

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
MONDAY, APRIL 9, 2018
6:00 P.M. – CITY HALL

The Council for the City of Crosslake met in a Special Session on April 9, 2018. The following Council Members were present: Mayor Patty Norgaard, Gary Heacox, Dave Schrupp, Brad Nelson and Dave Nevin. Also present were City Administrator/Treasurer Mike Lyonais, City Clerk Char Nelson, Public Works Director Ted Strand, Police Chief Erik Lee, Fire Chief Chip Lohmiller, Northland Press Reporter Bill Monroe, and Mary Reedy of Clifton Larson Allen.

Mayor Norgaard called the meeting to order at 6:00 P.M. and turned the meeting over to Mike Lyonais. Mike Lyonais reported that the audit team was at City Hall the first week of March and introduced Mary Reedy to present the results.

Mary Reedy of Clifton Larson Allen (CLA) appeared before the Council to present the results of the audit of the financial statements for the year ended December 31, 2017 which includes determining the fairness of the statements and making sure internal accounting controls are working as intended. There were no significant changes from 2016 to 2017. One immaterial correction was made regarding capitalized interest in the Sewer Fund in the amount of \$6,735. CLA gave the City a clean opinion on the audit which is the highest level of accuracy.

Mary Reedy noted that there is limited segregation of duties relating to financial transactions but that is common based on the amount of staff that is available to do the work. 99% of clients in this area have the same limitation. Ms. Reedy found one compliance issue regarding the IC 134 Form. This form is a withholding affidavit for contracts and is required by MN Statute 270C.66 to be submitted before final payment is made to the contractor. It has been the City's past practice to submit this form for projects that require to be competitively bid. Ms. Reedy stated that many cities are being cited for this violation this year..

Ms. Reedy reviewed various graphs with the Council depicting the financial condition of the City. The 2017 financial statement included the EDA Revolving Loan Fund, which was transferred to Crow Wing Power's loan program in February 2017. Much of the information was consistent with prior year results, which Mary Reedy said was good. The Sewer Fund showed positive income which was due to a large sewer connection fee. Dave Nevin asked if the City could charge a sales tax to pay for sewer costs. Gary Heacox replied that this would eliminate competitive prices at our stores. Sales tax could be an option.

Approximately \$1M of property taxes were prepaid in 2017 to Crow Wing County for property in Crosslake. This is almost a third of all taxes due in the City. The County holds this money until June 2018. Bill Monroe of 37313 County Road 66 asked if net position was the same as net worth and how long Ms. Reedy has been auditor for the City. Ms. Reedy said they are similar and that CLA has been working for the City for 14 years. When asked if this is the strongest financial report in that time, Mary Reedy replied yes.

MOTION 04S1-01-18 WAS MADE BY BRAD NELSON AND SECONDED BY DAVE SCHRUPP TO ACCEPT AND APPROVE THE AUDIT OF THE 2017 FINANCIAL STATEMENTS FOR THE CITY OF CROSSLAKE. MOTION CARRIED WITH ALL AYES.

There being no further business at 6:40 P.M., Mayor Norgaard adjourned the meeting.

Respectfully Submitted,



Charlene Nelson
City Clerk