

City Council Proceedings

Regular Meeting/Work Session

July 10, 2006

Pursuant to due call and notice, a regular meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, July 10, 2006, at 5:30 p.m. in the Conference Room of City Hall, Mayor Lehmann presiding.

Upon roll call, the following Councilmembers were declared present: Lehmann, Meuers, Johnson, Downs, Hellquist, Markeson, Erickson.

Others Present: Sandy Nelson, Ron Eischens, Alan Felix, Kay Murphy-Schuett.

Mayor Lehmann stated that the purpose of the meeting was to review the audit report prepared by Miller McDonald, Inc.

AUDIT REVIEW:

Sandy Nelson, Miller McDonald, Inc., reviewed the 2005 Audit with the Council. The following items were highlighted:

- The assets of the City exceed liabilities by \$48,663,864. Of this amount, \$25,355,125 may be used to meet the government's ongoing obligations in accordance with the City's fund designations and fiscal policies.
- The City's governmental funds reported combined ending fund balances of \$11,522,530. Of this total amount, approximately 58%, or \$6,709,638 is available for spending at the City's discretion.
- At the end of the year, unreserved fund balance for general fund were \$3,655,314 of which the city maintains \$3,598,185 for cash flow which is equal to 50% the 2006 general fund budgeted expenditures of \$7,196,369.
- Total outstanding debt obligations were \$28,190,000 at the end of the year, of which \$14,990,000 was general obligation debt.

Audit Management Letter:

Nelson noted several issues as outlined in the audit management letter recommending the following improvements:

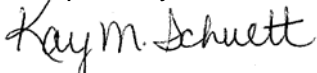
- Cash Disbursement Testing – The interest rate is 1.5% per month or part of a month. There were instances noted where an invoice was paid after the 35 day period was not adjusted for the interest due. The Auditor recommended the City pay all invoices within the time allowed or pay the additional interest charge.
- Journal Entries – All journal entries be filed numerically for easier retrieval.
- System Back-up – It was noted that the system is backed-up on a daily basis, however, the back-up tapes are being stored next to the computer used for the back-up. The Auditor recommended that back-up tapes be stored off-site or at a minimum placed in a fire resistant location.
- Blank Check Stock – Recommended that blank check stock be kept in a secure location and is accessed only by authorized personnel.
- Void Checks – All void checks have the entire signature block removed.
- Paul Bunyan Task Force – Noted that invoices for travel, fuel and fees were not always coded properly. Recommended that these expenditures be reviewed thoroughly to ensure proper coding. It was also noted that some payments are being made from copies of invoice from vendors and recommended that payment be made only from the original invoice. During 2005, membership fees were never billed, thus creating a larger receivable at year-end. The Auditor recommended that procedures be implemented so that fees are billed annually on a timely basis.
- Bank Accounts – Policy regarding changes in bank accounts be implemented.
- Electronic Funds Transfers – Policy be implemented regarding the use of electronic fund transfers.
- Credit Cards – Policy be implemented regarding the use of credit cards.
- Payroll – Recommend that the annual payroll summary by employee be run and retained. Also, recommended running the summary annual payroll report with breakdown by all categories.

Nelson stated that he City's growing tax base, with a measure of economic stability provided by the state university, sound financial operations and a debt burden with rapid amortization helped improve the City's bond rating from A3 to A2 status based on Moody's Investment Services analysis.

ADJOURN

There being no further business, motion by Markeson, second by Meuers, to adjourn the meeting. Motion carried. Meeting adjourned at 6:10 p.m.

Respectfully submitted,



Kay Murphy-Schuett
City Clerk