

Council Proceedings

Special Meeting/Work Session

February 14, 2005

Pursuant to due call and notice, a Special Meeting/Work Session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, February 14, 2005, at 5:30 p.m. in the Conference Room of City Hall, Mayor Lehmann presiding.

The following Council members were present: Hellquist, Meuers, Lehmann, Downs, Erickson, Markeson. Absent: Johnson.

Staff Present: Minke, Eischens, Sherman,

Others: Auditor, Sandy Nelson

Lehmann opened the meeting at 5:30 p.m. and presented a request for travel reimbursement for himself and Councilmember Johnson to attend some upcoming legislative meetings/hearings on issues such as the property tax adjustments/tax abatement districts, BSU events center, etc. Motion by Meuers, second by Markeson to authorize travel reimbursement for Lehmann and Johnson to attend meetings/hearings on current 2005 legislative issues impacting the City. Motion carried by unanimous vote.

Lehmann noted that the purpose of tonight's meeting was to give the Council an opportunity to review the audit procedures in preparation for the 2004 audit, and to discuss any particular concerns with the auditor prior to March 16th, when the audit is scheduled to begin.

Auditor Sandy Nelson provided an overview of the procedures involved in a Financial Statement Audit. She noted that random tests are performed on information provided by management, to determine whether the information appears reasonable. The audit determines the financial stability of the City, but is not an indication as to whether the City is doing everything right. She noted that preparations are underway for the 2004 audit and asked if the Council had any particular concerns or areas that they want the auditors to look at while they are here.

Minke reviewed the new gas card system, which was implemented in late 2004. He noted that the new cards are issued to individual key employees as opposed to being placed in City vehicles, and all receipts are matched to the employee's card and reviewed by the supervisor.

The new GASB34 accounting system was reviewed. The primary purpose of the system is so that financial statements for public agencies will better reflect the financial condition of the organization. Minke asked Nelson what the Council would see in the 2004 audit that will help them make a better assessment of the organization. Nelson explained that the most significant change will be in governmental funds – fixed assets and debt - which will look more like business funds with investments, fixed assets and depreciation. She also noted that the income statement will be reversed - to begin with expenses and then show how those expenses will be paid – grants, income, charges for services, etc.

Eischens noted that the Council has been doing GASB-like budgeting for equipment for the past two years – setting aside funds each year in the budget to pay for aging equipment that will need to be replaced a number of years down the road. In the past when a piece of equipment needed to be replaced, the City issued equipment bonds. Now, when the purchase of a large piece of equipment is due, the City has the cash to pay for it.

Nelson was asked about her experience as a member on the City audit review task force. She explained that the task force meets once a year and is randomly assigned a number of audits from another part of the state. The auditor's critique each other's work, looking for ways to improve. She noted that 99% of the audits reviewed have very few issues of concern.

Nelson was asked what a Councilmember should look for and what they should expect to get from the audit. She noted that it is difficult to use the audit as a management tool, however, Councilmembers should look at the amount of debt, tax revenue, and the mix of tax revenue versus non-tax revenue. Nelson suggested a follow up visit with

Councilmembers after they have had an opportunity to review the audit report and written findings. The follow up visit was scheduled for July.

ADJOURN

There being no further business for discussion, motion by Hellquist, second by Downs to adjourn. Meeting adjourned 6:25 p.m.

Respectfully submitted,

Shirley Sherman
City Clerk