

City Council Proceedings

Regular Meeting/Work Session

July 11, 2005

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 11, 2005, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Pro-tem Downs presiding.

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

Mayor Pro-tem Downs stated that the purpose of the meeting was to review the audit report prepared by Miller, McDonald, Erickson & Moller, Ltd.

AUDIT REVIEW:

Sandy Nelson, Miller, McDonald, Erickson & Moller, Ltd., reviewed the 2004 Audit with the Council. The following items were highlighted:

- Auditor suggested that the airport and city have separate audits. Currently, the airport is a component fund of the City. This may be less expensive.
- Reviewed net changes in fund balances which totals a decrease of \$206,810.
- General Government this year compared to last year is up \$181,904; primarily due to capital outlay for data processing equipment and increase in salaries.
- Public Safety – biggest increase \$3.6 million – increased \$886,206, salaries up, capital outlay and supplies
- Other major change under permanent improvements - \$380,390 due to Middle school road project
- Equipment Escrow – the City has now set up fund to replace equipment – there was a lot of capital equipment purchased and roads built this year.
- Refuse Department had a net income loss of \$21,822.
- Liquor Store: Gross sales and profit sales were down. Expenses about the same. There was more money transferred out in 2004.
- Revenues for Northview Manor were up slightly. Contribution from the City in the amount of \$440,681. This was a transfer from the UDAG fund which has been on the books for a number of years. That will not be a reoccurring loan. Erickson commented that she has suggested in the past to condo vacant apartments. Nelson responded that she did not know of any other cities that have done this but it is an option to explore.

Audit Management Letter:

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

- City should establish policies and procedures to ensure the validity of expenses paid from charge slips. Finance staff to organize training for department heads and other staff.
- All receipts should be forwarded to the City immediately for deposit. Finance staff will address this issue as part of the department head training.
- All journal entries should be approved prior to entry. All supporting evidence for the journal entry should be readily accessible, with detailed descriptions and notes added when necessary. The Finance Director is going to review this process in detail with the auditor.
- All travel should be on a reimbursement basis and paid by check along with the regular accounts payable. Staff is going to develop a revised travel policy. The draft policy will be ready for Council review by September 1, 2005.
- Pledged Collateral – The audit noted that there was one instance where improper collateral was used. Staff has communicated the requirements to the bank and the bank is in the process of formally responding to our notice. The second issue is relating to the amount of the collateral. Staff is going to notify the banks in advance of large deposits so they can have the appropriate collateral pledged.
- LEC staff will receipt the funds and remit to the City on a weekly basis. This will reduce the amount of time the funds remain un-deposited. The Finance Director has met with the Police and Sheriff Department staff regarding this finding. The new

CODY software allows for tracking of receipts, periodic reporting, and generating of receipts. Procedures to eliminate the duplication of efforts will be implemented by August 1, 2005.

UPCOMING MEETINGS:

- Consensus of the Council to call a special meeting on July 18 – 5:15 p.m. – to meet with Jim Strommen, Attorney with Kennedy & Graven, who specializes in gas and electric utility franchises
- July 14 – 8:30 a.m. - John Carlson, user of the arena, meeting on Thursday, July 14 at 8:30 a.m.
- Staff will arrange for a tour of the arenas and conclude with a meeting with users at City Hall. Tour/Meeting will be scheduled within the next two weeks.

ADJOURN

There being no further business, motion by Hellquist, second by Erickson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:50 p.m.

Respectfully submitted,

Kay Murphy-Schuett
Deputy City Clerk