

Ely City Council Special Meeting June 14, 2011

The Ely City Council Special Meeting was called to order by Acting Mayor Salerno at 6:00 p.m. on June 14, 2011 at the Ely City Hall.

PRESENT: Council members Debeltz, Nikkola, Sheddy, Zupec and Acting Mayor Salerno (5)

ABSENT: Council member Omerza and Mayor Skraba (2)

ALSO PRESENT: Ely Utility Commissioners Wilmunen and Colarich

The purpose of the special meeting was to review 2010 Audit with City Auditor Gary Giroux.

Giroux presented the following information with regard to 2010 audit:

The Independent Auditor's report (pages 2-3) showed that the records are in good shape and there is continuity within the organization thanks to Terri Boese doing a great job, along with Dan Smith. The City has improved throughout the year with all of the fund balances going up. The only loss is in the Sewer Fund but with the recent rates increases he expects a change for the better in 2011. Again he stated management is doing a terrific job!

The Management Discussion and Analysis section (pages 4-11) is a summary of what's happening at various points. He pointed out the City's net assets went up by \$1,605,000. An increase in net assets is a move in the right direction.

Statement of Net Assets (page 12) lists assets less liabilities. The City's General Fund runs about \$4M a year and the city should have 90 to 120 days of cash on hand in to operate with in case of state cut backs. The city is doing well in that area with unrestricted net assets of \$2M.

Statement of Activities (pages 13-14) shows the cost of running city departments.

Fund Balance Revenue and Expenditures for the General Funds (page 17) shows a clear picture of cash vs. expenses. In 2010 after cash coming in and expenditures going out the City had a surplus of \$628,000. Capital Expenditures show a negative number but since capital expenditures roll from year to year that number will change.

Statement of Revenue and Expenditures for Enterprise Funds (page 20) shows the water fund had a profit of about \$15,000, sewer fund lost about \$43,000 and electric fund had a profit of about \$233,000. Enterprise funds should stand on their own as a small business and be able to make a profit. Depreciation needs to be reported as an expense which makes it hard for the sewer fund to show a profit. Giroux recommended keeping rates up and expenses down in order to break even or show a profit. The electric fund profit is where it should be in order to have the money to put back into the system for major repairs and expansion.

Notes to Financial Statements (pages 22-46) shows the City of Ely debt has about \$2.5M in government debt, \$4M debt in enterprise funds and \$4M in HRA debt. Limitation on debt is based on 3% of the market value of our property which comes out to be \$5-6M. Revenue sharing bonds do not fall into the total debt figure so the City of Ely is substantially under their debt limit.

HRA Assets & Liabilities were discussed as well as hospital bonds which are not a city financial liability.

Statement of the Budget (page 47) reflects the amount that management had budgeted for operation of the general fund showed the final budget was \$3,530,000 and the actual revenues were \$3,739,000 so the city was over budget by \$208,000 and total expenditures were \$38,000 under budget, which shows that the city's budgeting process is working well.

Individual fund balances are found in the report on pages 49-55.

Giroux went over the report on internal control over financial reporting, compliance and other matters (pages 58-61).

The Management Letter (page 62) in the report covered the following comments and suggestions to the City.

1. Invoices should be paid within 35 days
2. Health insurance reimbursements should be paid to the City one month in advance to match the City's payment to the insurance company.
3. Accounting department should have a checklist for processes each month to be pro-active in case of an emergency.

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4. Credit card charges should follow the four “W’s” – who/why/where/when for documenting charges. Gas should not be charged to city credit cards but should be follow city policy for reimbursement.
5. Recommend the City moving to one checking account.
6. Recommend the City review the new reporting requirements under GASB 54 with regard to fund balances and types.

Harold Langowski commented on the EUC budget reports on page 20. It was noted that the principal payments are not included on page 20 – only the interest is shown – principal is comparable to depreciation – principal payment are not recorded as an expense.

Note 10 – Interfund Balances and Activity on pages 39-40 were discussed.

Motion by Zupec and supported by Debeltz to authorize Clerk Boese to reduce the number of city checking accounts to one as recommended by Auditor Giroux. Motion carried unanimously.

Motion by Nikkola supported by Debeltz to adjourn meeting at 6:38 p.m. Motion carried unanimously.

Terri Boese
Clerk/Treasurer