

**MINUTES  
CITY OF ISANTI CITY COUNCIL  
WORK SESSION  
APRIL 17, 2012  
ISANTI CITY HALL**

Mayor Wimmer called the meeting to order at 5:45 p.m.

Members Present: Mayor Wimmer, Councilors Steve Lundeen, Jim Kennedy and Sue Larson.

Members Absent: Councilor Ross Lorinser.

Staff Present: City Administrator/City Clerk Don Lorsung, Human Resources/Deputy City Clerk Karissa Henning, Economic Development Director Sean Sullivan, City Engineer Brad DeWolf, Planning and Parks Director Lisa Wilson, Public Works Director Pat Meyer and City Auditor Steve McDonald.

Councilor Steve Lundeen arrived to the meeting at 5:50.

**Review of 2011 Annual Financial Report and Management Letter**

City Auditor, Steve McDonald, Abdo Eick & Meyers, LLP reviewed the 2011 Annual Financial Report and Management Letter with the City Council.

McDonald stated that two audits were done. The regular financial statement audit required by Statue and, because of the financial funds received, a single audit was done specifically for Federal expenditures. Both of the audits had clean reports and the objectives of the audit were met. There were no internal control deficiencies to report over major transaction cycles. However, McDonald noted that this could be a challenge in 2012 with the change in Finance Directors.

McDonald continued by reviewing the Management Letter.

McDonald outlined the figures provided on page 5 of the report with regards to the general fund. McDonald stated the fund balance increased slightly from 2010 to 2011. The City has done a good job at consistently maintaining a healthy level. McDonald stated that on page 6 it shows revenues and expenditures compared with the budget. The City held back on the revenue budget in anticipation of the State potentially cutting back. The State did cut back, but not as far as the City had planned, which gave a positive effect on the budget, contributing to the increase in the general fund balance.

McDonald stated on page 7 all of the revenue sources are categorized. Even with cuts, there is still a significant amount of revenue coming in from the State, which is in total about 81% of general fund revenue. On page 8, the general fund expenditures are categorized by program. The per capita numbers look strong in comparison to peer group numbers.

McDonald outlined the special revenue funds on page 9. McDonald noted that the park fund is the largest. McDonald stated that Municipal expansion has a deficit; however, each year the City can levy \$50,000 to buy down the deficit – with good planning this could eliminate the deficit over time.

McDonald reported that page 10 shows the debt service funds of the City. McDonald stated that there are positive cash and asset balances for debt service funds and outstanding bond obligations.

McDonald outlined the City's water utility fund on page 12. There are a number of outstanding bonds. McDonald made comment that rate studies are done by the City every couple of years which helps ensure that rates are managing the operating expense increases.

McDonald stated that on page 13 the sewer utility fund's cash balance has gone down for the last three years. There are a significant amount of outstanding bonds for the sewer utility fund like the water utility fund.

McDonald reported that the liquor fund on page 14 had a positive improvement in gross profit from 2010, stating a lot of this profit went to the bottom line. Operating expenses were seen as positive as well. The City is slightly higher in gross profit than the average of statewide off sale liquor stores in regards to income before transfers, which is outlined on page 15.

McDonald explained that on page 16 the table presents an analysis of similar size cities with key ratios showing key performance areas of the City in comparison to others, as well as trends over time. Overall, the trends and correlations are positive but there is a potential challenge seen for the City's debt service coverage moving forward. The current expenditures per capita are less than the peer group average.

McDonald noted that the accounting standards coming up in the next couple of years should not require a significant amount of effort on the City's part. The City implemented a significant accounting standard this past year which was required by GASB 54.

Mayor Wimmer asked if there were any questions. There were none.

### **Adjournment**

Motion by Kennedy, second by Lundeen to adjourn. Motion carried unanimously. The Work Session adjourned at 6:00 p.m.

Respectfully submitted,

Karissa Henning  
Human Resources/Deputy City Clerk