

Pursuant to due call and notice thereof, a special joint meeting of the Kenyon City Council and the Kenyon Municipal Utility Commission was duly held in the City Hall council chambers at 5:30 p.m. on the 18th day of May, 2011. The following members were present: Mayor Diane Barrett; Council members Bryan Haugen, Fred Barsness, Brian Paulson and Commissioner/Council member Richard Nielsen and KMU Commissioner Mike Engel. Also present were City Administrator Chris Heineman, Operations Superintendent Randy Eggert, and Bookkeeper Sue Dodds.

### **2010 Audit Review**

Thomas Wentz representing the auditing firm of Smith, Schafer & Associates was present to review the 2010 financial audit.

Wentz noted the findings included the normal audit notation concerning small administrative staff limiting the ability to segregate duties and the inventory at the liquor store.

State Market Value Credit revenue decrease – Wentz explained that the State of Minnesota dropped market values assuming they would participate more, but they did not. This resulted in a \$41,000 shortage for Kenyon along with a levy reduction of \$70,717 from 2009 to 2010. He noted that in most of the cities they work with when the Local Government Aid decreased the taxes increased. Kenyon's taxes have remained steady due to cuts made in the city's spending.

Municipal Building Fund deficit – The City's municipal building fund has carried a deficit balance of more than \$385,000 since 2002. Wentz felt this should be resolved by combining this with the general fund and restating the previous year's general fund balance. The result of this changed the general fund unreserved fund balance to \$245,184 for the year ended 2009, which is 20% of general fund expenditures. The year ended 2010 shows unreserved general fund balance as 15% of general fund expenditures. The State recommends this to be between 30-50%.

Wentz continued on to review the enterprise funds and asked for questions from council or staff. Mayor Barrett asked his opinion on the overall audit process. He explained his main concern was the liquor store's inventory program. It would be beneficial to calculate a gross margin report monthly, but without a reliable inventory at the end of each month that would be impossible.

There being no further business, Barrett adjourned the meeting at 6:30 p.m.

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Sue Dodds, Bookkeeper

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Diane Barrett, Mayor