

## **SPECIAL COMMON COUNCIL MEETING**

**MAY 27, 2009**

The meeting was called to order at 5:15 p.m. by Mayor Heron with the following roll call:

Members Present: Ald. Hoy, Ald. Voss, Ald. Gering, Ald. Smith, Ald. Pasbrig, Ald. Moede

Members Absent: None

Others Present: Mayor Heron, Deanna Boldrey, Kathie Wild, Vern Hilker, Mike Kurutz, Sharon Chmiewlewski, Marge Sertich, Ryan Vossekuil, Christine Churchill, Victoria Wegmann, Christopher Tighe, Mary Breitreutz, Kathy Matuszewski, Marge Nitschke, Sally Kahlhamer, Dena Harris, Susan Smith, Adam Majerus, Don Rahn, John Rader

### **Discuss / Review 2008 Audit Report.**

Mayor Heron opened the discussion by reading his comments as attached. The floor was then opened to Don Rahn and John Rader of Virchow Krause & Company to discuss and review the 2008 Audit.

Don Rahn stated that Virchow Krause & Company has been doing the City of Mayville's audit report for several years. John Rader started with the Audit Opinion, stating the highest level of accounting rules, GASB, were followed. He discussed the balance sheet and pointed out the assets which showed that funds had borrowed from other funds. John Rader pointed out that the general fund is \$909,807 negative and the Tag Center shows a loss of \$390,218 which includes depreciation. John Rader pointed out that the City holds leases for the Golf Course. The City does not charge the Golf Course for use of those assets. There is an item listed for \$30,000 for land that was sold for improvements in the kitchen area at the golf course. This is noted as set aside but there is no money for this. Discussion ensued with questions from the Council to the auditors.

Ald. Hoy questioned why the Tag Center fund is an enterprise fund. Don Rahn answered that there are some funds that are required to be an enterprise fund, such as the utilities. It was determined by management to use an enterprise fund for the TAG Center but it is not required. For the TAG Center, it is a policy manner. Ald. Hoy asked if there would be any advantages or disadvantages to changing. Don Rahn answered that it would depend on what is meaningful to our budget process. At this point it is not an accounting problem at all. Mayor Heron asked if it was unusual that there have not been any transfers from the TAG Center fund. Don Rahn answered that when the TAG Center started it was not expected to fund its self from user fees. This becomes a budgeting issue.

Ald. Smith noted that there may be a deficiency in the audit report with the capital projects/improvements account. Ald. Smith believes that it was not given full attention in the audit. This item has accumulated deficits with cost overruns and costs not budgeted for. Should this be attributed to the appropriate fund in the next budget cycle? Don Rahn commented that using the capital project fund as a pass thru fund is not something that is familiar to him. To have a negative in the capital project fund is not unusual but to have it go on for this long is unusual. Ald. Smith questioned if these items should be amortized to the correct department? Don Rahn said that there is an existing accounting practice in place but is not currently being used in the City. Ald. Smith suggested charging the amortizing of capital improvements, accounting and buildings back to the appropriate departments.

Ald. Smith commented that with the lack of budget controls and inability to increase revenues has resulted in a cash flow crisis. Ald. Smith questioned the auditors if they agreed there is a cash flow crisis. Don Rahn commented that there is a need for a concern.

Ald. Smith also asked if the cash flow crisis has led to the co-mingling of funds which increases the workload of the financial officer and that a short term borrowing or a credit line of borrowing is imperative until the crisis diminishes. Don Rahn answered that certainly the situation has led to the co-mingling of funds and the City has done so which typically leads to higher workload. He offered that in government co-mingling of cash is the preferred method of accounting. Funds have not been co-mingled illegally that the auditors are aware of. This has basically led to interest free borrowing.

Ald. Hoy questioned the levy limit. Don Rahn answered her question and discussed levy limits and the history of levy limits.

Ald. Voss questioned where the \$30,000 for the Golf Course is. Don Rahn answered that the money is currently not available. Money was put in the General Fund and is noted in a specific account and would be spent on the appropriate project if there were money in the general fund. Currently the general fund is negative. Ald. Smith commented on the golf course agreement or contract and questioned the auditors if they encountered problem with the language of the agreement. John Rader answered that there may be issues with the capital assets language.

Ald. Smith commented that there is a statutory requirement for a balanced budget. The auditors answered that there is a rule to budget for all of the funds.

Ald. Smith commented that Kathie Wild had been in office for one month before the audit and has done an outstanding job. John Rader commented that Kathie Wild worked very hard before and throughout the audit.

Mayor Heron commented that solutions would be discussed very soon and questioned the auditors if there were a number that is feasible to move in the right direction for next year's budget. Don Rahn answered the city is three million dollars away from where it should be. He reminded that this situation did not happen overnight and it will take several years to get out of the situation. Would be a major undertaking.

Motion by Ald. Hoy, second by Ald. Smith to adjourn at 6:54 p.m. Motion carried 6-0.

Deanna Boldrey  
City Clerk