

BUDGET WORK SESSION and BOARD OF AUDIT
HARRIS TOWN BOARD
Wednesday, January 29, 2014 - 7:30pm

The Harris Town Board met at 7:30pm on Wednesday, January 29, 2014 at the Harris Town Hall for the Board of Audit Meeting and a budget work session. The following officers of the board were present: Supervisors Gary Rosato, Dennis Kortekaas and Larry Key, Treasurer Becky Adams and Clerk Michele Smith. *Absent:* none.

Also in attendance: Resident, Dan Butterfield

1. Pledge to the flag, followed by the reading of the Harris Township mission statement

2. Board of Audit

- MN Township News Article "Town Audits and the Annual Board of Audit"

Clerk Smith read sections of this article aloud, as a reminder of the board's duties as the Board of Audit. She also noted that even though Harris Township has an outside CPA audit done each year, as mandated by the state because of its population and levy dollar amount, they are still required to meet as the Board of Audit just like every other organized township. During the board of audit, the financial records of the Treasurer and Clerk are reviewed to verify that their yearend totals match as required by Minn. State Statue #366.20 & 366.21.

- Review / Inspect Clerk's & Treasurer's reports of itemized of receipts and disbursements for 2013

Treasurer Adams explained her accounting system, and shared her books (spreadsheets) with the board; Clerk Smith did the same. Updated treasurer reports and bill lists were also shared with to the board, and balancing explained. And, as recommended by the MAT article, the town board pulled a few random bills to audit

- Audit Clerk's and Treasurer's 2013 Summary Statements, showing beginning account balances, audit adjustments, receipts, disbursements, and ending balances for 2013 calendar year. If figures match, consider approval and sign-off on reports.

After reviewing the summary statements of the Clerk and Treasurer, and deeming all to be in order, a motion was made by Supervisor Key, seconded by Supervisor Rosato , to declare that the Harris Township Board of Audit found the clerk's and treasurer's financial summary report totals to match for all funds, and for the 2013 year ending balances. Upon roll call, motion carried by a unanimous vote.

3. Audit suggestions from 2012 by Deborah Medlin from Wipfli, LLC.

- Fund Balance Policy

As recommended by the township auditor, the board reviewed a sample policy for fund balances. Treasurer Adams explained that fund balances can be classified as dedicated, non dedicated, committed, uncommitted, assigned, unassigned, etc. Currently, the board can move township money between funds, as that is not restricted by law or policy. If they would like to keep it that way, a policy could note that all funds are classified as 'movable';

However, perhaps there are funds that they'd like to "freeze", or put a minimum balance on. The board mentioned the Cemetery Fund balance is important because if the township is ever dissolved, it would act like a perpetuity fund to keep it going. For all other funds, the board likes the idea of having a "6 months operating amount" for the minimum of a fund. This works well, as apportionments are received twice a year, in July and December, and so the balance carries the township over in between payments.

Something else a policy could do, explained Adams, is list an order of resource use; so, if money runs out in one fund, what's the first fund they can tap into? And, in what order should funds be tapped, if needed?

The Board agreed they'd like to establish a fund policy, to formalize what they've been doing – with the exception of the Cemetery Fund, where they'd like to establish a perpetuity type fund - but not sure for how much. Smith shared that operating expenses for the cemetery are currently apx \$25,000/year.

Adams will work with the township auditor, to gain a better understanding of the definitions.

- Capitalization Policy

A Capitalization Policy was also recommended by the township auditor – to help determine the township’s total assets, including roads, buildings, and equipment.

The board discussed how they recalled the Engineering interns working on such a project for roads, but it was uncertain as to its completion status. Key recalled researching and providing asset value information last year for the equipment and buildings – but not roads.

Supervisor Rosato agreed to ask former SEH Engineer Julie Kennedy if she knew the status of the road asset project the interns had worked on.

4. Consider 2014 Letter of Support for Grant Request by the Itasca County Drift Skippers Snowmobile Club

Clerk Smith received a call from Carson Berglund, who requested a letter of support from the township to support the Drift Skipper grant request for a new trail groomer. This was a request that the board has received for the past several years; it was clarified that the township does *not* donate any money – but rather, just supports the grant request being made by the Drift Skippers. The board reviewed the letter of support that was sent in 2012.

Supervisor Rosato made a motion, which was seconded by Supervisor Key, to approve the clerk write a letter of support identical to that sent in 2012, for the Drift Skippers Snowmobile Club grant request. Upon roll call, motion passed by a unanimous vote.

5. Budget Discussions for 2015 by Fund (as time allows)

- Fire Fund - \$75,000 (a decrease of \$10K from 2014)

The 2013 fire contract was \$85,000. The 2014 fire contract will be \$75,000 – yet \$85,000 was budgeted (levied). Therefore, the Clerk recommended reducing the 2015 levy for the Fire Fund to \$75,000.

The board agreed.

- Cemetery Fund - \$0 (same as 2014)

The Cemetery Fund still has a healthy balance, at the end of 2013. And, while the levy for 2014 was zero, the estimated balance at the end of 2014 is also projected to be the equivalent of over a year’s worth of operating expenses. Therefore, the clerk recommended a zero levy again for 2015 – which, even if another \$10,000 is spent on improving the roads - will be apx 6 months worth operating expenses.

The board agreed.

- Equipment Fund – \$15,000 (an increase of \$15K from 2014)

The clerk reminded the board that this is an operating fund for equipment, and that new purchases come out of the Capital Improvement/Equipment dedicated fund.

The 2013 yearend balance in equipment was just over 2 years operating expenses (ax \$25,000 / year). However, a zero levy for 2014 will bring the projected yearend balance for 2014 to around \$26,000, a year’s operating expenses. Therefore, Smith recommended a \$15,000 levy for 2015 which will bring the yearend balance at the end of 2015 to apx 6 months worth of operating expenses.

The board agreed.

- General Fund – \$150,000 (an increase of \$150K from 2014)

This fund’s levy for the past 2 years was \$100,000. However, prior to that, it was \$150,000 (from 2005-2011).

When the balance was “too” healthy, the levy was lowered, and the ‘excess’ was used in the Road Fund – but on a temporary basis.

At the end of 2013, the balance in the fund is at 138,000 or about 80% of a year’s operating expenses. For 2014, the projected yearend balance for the Gen Fund is est. to be 91,000 – or right at the 6 month’s operating expenses amount. (Operating expense average \$170-\$175,000/year). Therefore, Clerk Smith recommended increasing the levy back to \$150,000, which will leave a balance of apx 40% of a year’s operating expenses at the end of 2015.

And important note: If the board goes to 5 members, this levy would not be enough. However, the board can increase the levy if needed, prior to certification in September 2014.

The board agreed to keep this fund and levy increase in mind – but may want to bump up a bit.

Due to the lateness of the evening, the following funds will be discussed at an upcoming budget work session:

- Building & Grounds
- Recreation
- Capital Improvement
- Road Fund

6. Adjourn

The meeting was adjourned upon a motion by Key at 9:47pm, and a second by Supervisor Rosato.

Respectfully submitted,

Michele Smith – Harris Township Clerk

Next budget meetings:

- Wednesday, February 5th, 2014.....7:30pm Harris Town Hall.....Roads (2014 & 2015) + other
- Wednesday, February 19th, 2014.....7:30pm Harris Town Hall.....Final review of all funds for 2015
proposed levy