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Posted: August 28, 2014

CRYSTAL CITY COUNCIL FIRST WORK SESSION AGENDA

Tuesday, September 2, 2014

6:30 p.m.

Conference Room A

Pursuant to due call and notice given in the manner prescribed by Section 3.01 of the City Charter, the first work session of the Crystal City Council was held at _____ p.m. on Tuesday, September 2, 2014 in Conference Room A located at 4141 Douglas Drive, Crystal, Minnesota.

I. Attendance

Council members

____ Hoffmann

____ Libby

____ Peak

____ Selton

____ Adams

____ Budziszewski

____ Deshler

Staff

____ Norris

____ Therres

____ Hansen

____ Revering

____ Gilchrist

____ Serres

II. Agenda

The purpose of the work session is to discuss the following agenda items:

- Extension of audit services
- Closing the GO Improvement Bonds, Series 2004A Debt Service Fund

III. Adjournment

The work session adjourned at _____ p.m.



Memorandum

DATE: August 27, 2014

TO: Mayor and Council Members
Anne Norris, City Manager

FROM: Charles Hansen, Finance Director

SUBJECT: Discuss Extension of Audit Services with KDV

Background

According to the City of Crystal's Charter, the City is required to undergo an annual audit of its finances. The annual audit is a critical element in the City Council's control over the city and the City Council must make the final decision on the auditors.

Discussion

Kern, DeWenter, and Viere (KDV) has audited the city's financial statements for the years 2004 through 2013. Audit engagements normally last for several years so that the costs of setting up files in the first year can be spread over several additional audits. The current engagement letter ends with the 2013 audit.

I recently contacted Matthew Mayer, Partner in KDV, to discuss extending the audit engagement. Mr. Mayer responded with the attached proposal that extends the engagement for another five years. Under this proposal, the fees will be as follows:

Year ending December 31, 2014	\$29,200
Year ending December 31, 2015	\$29,550
Year ending December 31, 2016	\$30,000
Year ending December 31, 2017	\$30,525
Year ending December 31, 2018	\$31,100

This proposal represents increases in the audit fee of from 1.0% to 1.9% per year.

Conclusion

Of course we would not be considering an extension unless we felt that KDV had performed well in past audits. The City Council must be confident that the audit firm is meeting the City's needs.

I recommend that the City Council consider extending the engagement for five years, through the audit of the year ending December 31, 2018.

If the City Council is satisfied with extending the engagement with Kern, DeWenter, and Viere, then a resolution can be prepared for an upcoming City Council meeting. The resolution would appoint KDV for the audit of the year ended December 31, 2014 and approve the proposed extension for the years 2015 through 2018.

The engagement for each audit must be approved as that year comes up and the relationship may be ended before 2018 if the City becomes dissatisfied with the audit. A copy of the proposal from KDV is attached.

July 10, 2014

Honorable Mayor and Members of the City Council
 Mr. Charles Hansen, Finance Director
 City of Crystal
 4141 Douglas Drive N
 Crystal, MN 55422

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 3800 American Blvd W.
 Suite 1000
 Minneapolis, MN 55431
 T (952) 563 6800
 F (952) 563 6801

St. Cloud
 220 Park Ave S.
 St. Cloud, MN 56301
 T (320) 251 7010
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Honorable Mayor, Members of the City Council, and Mr. Hansen:

Thank you for the invitation to continue providing audit services to the City for the next five years. The following quotes assume the City will continue drafting its own Comprehensive Annual Financial Report. With a five-year commitment we are able to keep inflationary increases between one and two percent.

Year Ending December 31, 2014	\$29,200
Year Ending December 31, 2015	\$29,550
Year Ending December 31, 2016	\$30,000
Year Ending December 31, 2017	\$30,525
Year Ending December 31, 2018	\$31,100

If during these years the City expends more than \$500,000 in Federal monies, a Single Audit in accordance with the provisions of OMB Circular A133 would be required. We would negotiate a separate fee with the City for this compliance audit based on the amount of activity involved.

Thank you again for the opportunity to continue to serve the City of Crystal. If this quote meets your needs please sign below and return this letter in the enclosed envelope. We will provide an engagement letter at the time of the audit.

Sincerely,



Matthew L. Mayer, CPA

The City of Crystal commits to the quotes above for audit service for the years ending December 31, 2014 through 2018

 Signature

 Title



Memorandum

DATE: August 27, 2014

TO: Mayor and City Council
Anne Norris, City Manager

FROM: Charles Hansen, Finance Director

SUBJECT: Discuss Closing the GO Improvement Bonds, Series 2004A Debt Service Fund.

BACKGROUND:

The City of Crystal sold the GO Improvement Bonds, Series 2004A to finance special assessments of the Phase 5 street reconstruction project. Debt service fund number 325 was set up to account for the payment of principal and interest on these bonds.

DISCUSSION:

The original amount of the bond was \$2,045,000 with principal and interest payments running from 2005 through 2020. These bonds have a call feature that allowed the City to call the remaining bonds for early payment beginning on February 1, 2014. Remaining bonds were called on August 1, 2014.

The final paying agent fee and arbitrage calculation fee remain to be paid. I expect there will be about \$40,000 of cash and \$355,200 of special assessments receivable remaining in the fund after settling all obligations.

The financing plan for the street reconstruction program has assumed that all of these assets will be transferred to the Street Reconstruction Fund as they become available.

CONCLUSION:

If the City Council is in agreement with the proposal to close the debt service fund and transfer the remaining assets to the Street Reconstruction Fund a resolution can be prepared for an upcoming City Council meeting to authorize those actions.