

The Owatonna Public Utilities Commission met in regular session in the Commission Room. Present were Commissioners Stansberry, Schreiner, Emanuelson, Ihrke and Cosens. Also present were General Manager Shurts; City Administrator Busse; Director, Financial and Administrative Services Bruno; Director, Gas, Water, & Power Production Green; Director, Engineering, Electric & Meter Services Johnson; Manager, Energy Management & External Relations Warehime; Supervisor, Information & Financial Services Turnbull; Executive/HR Assistant Schmoll; and Accountant Teresa Hottman. Also present was Kim Pelzel from LarsonAllen, OPU's auditors. Harold Parsons from LarsonAllen also attended by teleconference.

Director, Financial and Administrative Services Bruno led the Pledge of Allegiance.

Minutes

The Minutes from the regular meeting of May 26, 2009 were presented to the Commission. Commissioner Schreiner moved to approve the Minutes as submitted. Commissioner Cosens seconded the motion. All Commissioners voting Aye, the motion passed. Commissioner Emanuelson abstained from voting due to his absence at the May meeting.

Committee Reports

Commissioner Stansberry reported Commissioners Cosens and Emanuelson will be Finance Committee members. Commissioners Ihrke and Schreiner will be the Personnel Committee members with Commissioner Schreiner acting as Chairperson.

Commissioner Schreiner reported the Personnel Committee did not meet in June due to a lack of agenda items.

Commissioner Ihrke reported the Finance Committee met, reviewed and approved Vouchers totaling \$3,925,424.94, cash flows, balance sheets, and income statements. He noted nothing was out of the ordinary. Director, Financial & Administrative Services Bruno report the Committee also approved an unbudgeted work order for a folding machine and a work order addition for \$7,300 for extra work put towards installing gas meters and equipment.

City Administrator's Report

City Administrator Busse discussed cuts being received in local government aid from the State of Minnesota and reported steps the City of Owatonna is taking to compensate for those cuts. Areas of reduction include an early retirement incentive package for six qualifying employees. Commissioner Emanuelson inquired if the State is reducing some of the mandatory requirements of cities. City Administrator Busse replied, the League of Minnesota Cities has been working to get mandate reductions but nothing has happened so far. Mrs. Busse further reported the Aquatic Center is open and attendance has been very good. Commissioner Stansberry thanked City Administrator Busse for the her and the City's hard work in trying to keep the budget balanced.

Audit Report

Director, Financial and Administrative Services Bruno introduced Kim Pelzel from OPU's auditors, LarsonAllen. Mr. Bruno distributed copies of the audit report to the Commission and staff members in attendance. Also at this time, Harold Parsons from LarsonAllen joined the meeting by teleconference. Ms. Pelzel discussed areas of the audit, including new standards and different auditor

opinions. She noted it is the auditors' job to provide an opinion of the utility's financial records and ensure they are in compliance with government standards. Ms. Pelzel indicated LarsonAllen is giving OPU a clean opinion. She also discussed a new standard implemented in 2008, GASB 45, which requires government agencies to report an implied health insurance benefit for retired employees who remain on OPU's health insurance. Ms. Pelzel added OPU showed significant improvement in reportable areas of Internal Control over Financial Reporting and Compliance. She noted there were only two items found this year and stated staff was well prepared for the audit. One item included two journal entries the auditors recommended and the other was the development and drafting of the financial statements. She added, these are two very common findings. As far as the opinion on Legal Compliance, Ms. Pelzel reported there were no findings for 2008. In conclusion, Ms. Pelzel reported there were no disagreements with management on standards or accounting practices. Mr. Parsons thanked the Commission for doing business with LarsonAllen. General Manager Shurts informed the Commission this was the third audit performed by LarsonAllen and that concludes the contract OPU had with them. Mr. Shurts and Mr. Bruno will be recommending to the Commission to continue using LarsonAllen as OPU's auditor at a future meeting. Commissioner Emanuelson inquired as to the helpfulness of OPU's new financial system to the audit process. Ms. Pelzel replied this year was much better as the accounting department was able to easier extract information in a usable format. Commissioner Cosens inquired about additional expenses and liabilities associated with drafting the financial statements in house. Ms. Pelzel replied, about 98% of her clients have LarsonAllen draft their financial statements. It is standard in the industry. In bonding situations, the bond rating agencies recognize that so there really isn't a down side or a liability associated with having the audit report prepared by the auditors. Ms. Pelzel added, there is a 60 page checklist that can be provided to the utility to help them prepare the audit report themselves if they so choose. Commissioner Ihrke inquired if all municipal utilities are required to follow the same guidelines, and if so, are there recognition awards for clean audits. Ms. Pelzel replied all municipal utilities are required to follow the same governmental accounting standards and, as far as recognition awards she felt different agencies like APPA or MMUA may have such programs. Commissioner Emanuelson inquired about OPU's financial health in regards to other utilities. Ms. Pelzel replied OPU's health is consistent with other utilities she has seen. Commissioner Stansberry thanked Ms. Pelzel and Mr. Parsons for their work on the audit.

Ms. Pelzel, Mr. Parsons and accountant Teresa Hottman left the meeting.

Contributed Services

The Contributed Services report as of May 31, 2009 was presented to the Commission. The Commission signed the report.

General Manager/Staff Report

General Manager Shurts reported the MMUA Summer Meeting will occur during the regularly scheduled August Commission meeting and requested to move the date of the August meeting to Thursday, August 27 or Tuesday, August 31. The Commissioners will check their calendars and discuss at the July Commission meeting.

General Manager Shurts reported three OPU lineworkers and vehicles were sent to Austin to help them restore power after the storm that went through their city.

Director, Engineering, Electric & Meter Services Johnson reported OPU will be required to move our gas lines on 26th Street as they are in the way of the construction being conducted on 26th

Street. Mr. Johnson noted this will be an unbudgeted expense for OPU. Mr. Johnson also reported OPU did not have any outages reported from the last storm. Commissioner Cosens inquired as to why the gas line move is OPU's expense. Mr. Johnson explained we are not in an easement but in their right-of-way and therefore they can require us to move it. Mr. Johnson further reported we will not be replacing the pipe, but simply moving it.

Commission Roundtable

Commissioner Ihrke congratulated OPU and staff on the good audit.

Commissioner Cozens expressed his appreciation of OPU's management and their foresight.

Commissioner Schreiner echoed Mr. Ihrke's compliment of the audit and inquired on the relationship between SMMPA and Austin and Rochester since the ending of the law suit. General Manager Shurts discussed the relationships and next steps SMMPA will be taking to pursue sanctions for frivolous items involved in the lawsuit.

Commissioner Emanuelson thanked staff for their work on the audit and noted he witnessed an OPU employee help out during an accident earlier in the day.

Commissioner Stansberry thanked staff for getting things cleaned up from the previous year's audit.

Adjournment

There being no further business to come before the Commission, Commissioner Emanuelson moved to adjourn the meeting. Commissioner Ihrke seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:05 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant