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February 2, 2026

The Honorable Alan Overland  
Chair, Windemere Town Board of Supervisors  
316 Elm Avenue  
Moose Lake, Minnesota 55767

**TRANSMITTED VIA ELECTRONIC MAIL**

Dear Chair Overland:

The Office of the State Auditor (OSA) received concerns about the Town of Windemere (Town). Specifically, concerns were raised about the Town obtaining two quotes for Right of Way (ROW) clearing that cost the Town \$297,076.25, rather than soliciting bids as required by Minnesota Law for certain contracts that exceed \$175,000. In response to these concerns, the OSA reviewed the Town's approved claims lists and certain Town road maintenance contracts for the period from January 1, 2023, to July 31, 2024 (Period).<sup>1</sup> This review raised several questions about the Town's contracting processes.

During this review the OSA found:

- Many Town contracts did not include an amount for the cost to the Town.
- The Town appears to have made an unauthorized delegation of the Town Board's contracting power to a Town employee.
- It appears the Town failed to abide by proper contracting safeguards and requirements when it entered into a contract limited to a maximum of \$175,000 (thereby not following the sealed bid procedures required under the Uniform Municipal Contracting Law for contracts exceeding \$175,000), and then subsequently disregarded the contractual limit, and paid the contractor almost \$125,000 above the purported contractual limit of \$175,000 for the contract term.

This letter summarizes information obtained by the OSA and contains the OSA's findings and recommendations to the Town.<sup>2</sup>

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<sup>1</sup> The OSA requested and the Town provided copies of the Town contracts with contractors identified by the OSA from the Town's approved claims lists. The OSA reviewed these contracts, the Town's approved claims lists, and the Town Board meeting minutes.

<sup>2</sup> This letter covers certain issues reviewed by the OSA. Nothing herein should be interpreted to imply the absence of other issues or approval of any other act or transaction.

## Background

The Town is located in Pine County (County). According to the Town's website, the Town is governed by a three-member Board of Supervisors. During the period under review, the Town had a separately elected clerk and treasurer.<sup>3</sup> The Town reported to the OSA that its expenses for highways and streets were \$691,874 for the year ending December 31, 2024, and \$888,058 for the year ending December 31, 2023.<sup>4</sup>

## Minnesota Law

### Minnesota's Contracting Laws

The Uniform Municipal Contracting Law, Minn. Stat. § 471.345, establishes dollar thresholds that determine whether municipalities, including towns, shall or may enter into contracts on the basis of competitive bids, quotations, or purchase or sale in the open market.

The framework established by the Uniform Municipal Contracting Law applies to each "contract," defined as "an agreement entered into by a municipality for the sale or purchase of supplies, materials, equipment or the rental thereof, or the construction, alteration, repair or maintenance of real or personal property."<sup>5</sup>

Generally, the following thresholds apply:

If the amount of a contract is estimated to exceed \$175,000, the contract must be made by sealed bids, solicited by public notice, and awarded to the lowest responsible bidder.<sup>6</sup> Before a contract is let on bid, a town must give ten days' public notice of the time and place of receiving bids.<sup>7</sup>

If the amount of the contract is estimated to exceed \$25,000, but not to exceed \$175,000, a town may make the contract either upon sealed bids or by direct negotiation.<sup>8</sup> If the town chooses to use direct negotiation, then two or more quotes for the purchase or sale must be obtained when possible.<sup>9</sup>

If the amount of the contract is estimated to be \$25,000 or less, a town can make the contract either upon quotation or in the open market.<sup>10</sup>

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<sup>3</sup> The Town reported to the OSA that its total revenue and other financing sources for the fiscal years ending December 31, 2023, and 2024, were \$762,172.19 and \$831,894, respectively.

<sup>4</sup> See Windemere Township financial reports to the OSA for the fiscal years ending December 31, 2023, and 2024.

<sup>5</sup> Minn. Stat. § 471.345, subd. 2.

<sup>6</sup> Minn. Stat. § 471.345, subd. 3.

<sup>7</sup> Minn. Stat. § 365.37, subd. 3.

<sup>8</sup> Minn. Stat. § 471.345, subd. 4.

<sup>9</sup> *Id.*, "All quotations obtained shall be kept on file for a period of at least one year after receipt thereof."

<sup>10</sup> Minn. Stat. § 471.345, subd. 5, "If the contract is made upon quotation it shall be based, so far as practicable, on at least two quotations which shall be kept on file for a period of at least one year after their receipt."

### Town Board Powers

Local governments “possess only those powers that are conferred by statute or implied as necessary to carry out legislatively conferred powers.”<sup>11</sup> Individual town board members, including the board chair, usually do not have authority to act unilaterally on behalf of the town. Rather, Minnesota law confers powers to the town board as a whole and provides that “supervisors of each town constitute a board” and that “two supervisors shall be a quorum.”<sup>12</sup> “The supervisors shall have charge of all town affairs not committed to other officers by law.”<sup>13</sup> Town contracts must be made by the town board.<sup>14</sup> The OSA is not aware of any authority for the Town Board to delegate its contracting power to an individual.

Additionally, actions of a governing body, such as a town board, including contracting, typically must take place in a meeting open to the public.<sup>15</sup>

### **OSA Review and Findings**

In response to the concern received by the OSA, the OSA reviewed the Town’s approved claims lists and certain Town road maintenance contracts for the Period. The Town provided the OSA more than thirty contracts in response to this request.<sup>16</sup> The OSA reviewed these contracts, the Town’s approved claims lists, and the Town Board meeting minutes.

Based on this review the OSA found:

### **Many Town contracts did not include an amount for the cost to the Town**

It appears the Town has taken the Minnesota Association of Township’s (MAT) Sample Contract for Services from the MAT website and used it as the template for its contracts. However, in several instances the Town failed to indicate in contracts the dollar amount of the contract as the Sample Contract indicates should be done. Therefore, the majority of the contracts the Town sent the OSA do not document the dollar amount of the contract. The contracts under review involved the maintenance of real property. Further, the Town failed to follow the MAT Sample Contract recommendation to reference dollar amounts in the contract terms. In section 8 of the MAT Sample Contract, MAT provided guidance to towns suggesting the town “[d]etail the amount or rates of payment for the services

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<sup>11</sup> *Breza v. City of Minnetrista*, 725 N.W.2d 106, 110 (Minn. 2006).

<sup>12</sup> Minn. Stat. § 366.01, subd. 1.

<sup>13</sup> *Id.*

<sup>14</sup> “Notwithstanding other law, a town board may enter into any contract it considers necessary or desirable to use any town power.” Minn. Stat. § 365.025, subd. 1. This is generally consistent with contracting authority of Minnesota local government entities. *See, e.g., City of Geneseo v. Utilities Plus*, 533 F.3d (8<sup>th</sup> Cir. 2008) (“Minnesota law expressly limits the authority of any agent to contractually bind a city, county, or - in this case - a municipal agency without council or board approval, regardless of any such proprietary-governmental distinction. *See* Minn. Stat. §§ 412.201 (cities), 373.02 (counties), 453.54 (municipal power agencies), 453A.04 (municipal gas agencies)”).

<sup>15</sup> *See* Minn. Stat. § 13D.01.

<sup>16</sup> It appears a few of the contracts the Town provided the OSA as separate PDFs may be duplicate contracts in that all the information in the contract is the same as another provided by the Town.

provided.”<sup>17</sup> MAT added that towns should “[b]e clear as to whether the amounts stated are unit prices (per hour, per ton, etc.) or the total amount of the completed service.”<sup>18</sup>

### **Recommendation**

Because compliance with the Uniform Municipal Contracting Law is based on the estimated dollar amount of the contract, a reasonable estimate of the amount of the contract should be made as an initial contracting step. When that estimate exceeds the bidding threshold, formal bidding is required. In such cases, the amount of the successful bid becomes the dollar amount of the contract and, since it is a basic term of the contract, it should be documented in the contract itself.

In addition, including the amount of a contract in the contract itself (which should be approved by the town board as a whole) provides an important internal control for a town by giving town board members information needed to appropriately review and approve claims paid under the contract. This problem is illustrated by the documents the Town sent the OSA. Because contracts lacked an amount, and the Town made several monthly payments to the same vendor that appear to relate to the various contracts, the OSA found it is difficult to tie each invoice back to an individual contract.

The OSA recommends the Town include a rate (and reasonable estimate of the total) and/or dollar amount of the contract in each contract it approves. Each “contract,” as that term is defined in Minn. Stat. § 471.345, subd. 2, should be based on a reasonable estimate of the amount of the contract. If formal bidding is required, the amount bid by the successful bidder should be stated in the executed written contract.

### **The Town appears to have made an unauthorized delegation of the Town Board’s contracting power to a Town employee or a single Town Board member**

The Town Board approved a motion to authorize a Town employee or a single Town Board member to contract for the Town. However, only the Town Board (as a whole) has the authority to obligate the Town to a contract. The June 22, 2023, Town Board special meeting minutes document that the Town Board approved, with one board member voting against, a motion “to authorize the road supervisor...or the Asst to the Road Sup [Town employee] to be able to contract each road project individually, not to exceed \$25,000 per each project.”<sup>19</sup>

As noted above, town contracts must be made by the Town Board. The OSA is not aware of any authority for a town board to delegate its contracting authority to an individual.

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<sup>17</sup> Minnesota Association of Townships, Sample Contract for Services. See [https://drive.google.com/file/d/1N2TzWIW7w\\_lab9FA3PaktnDaG\\_HL880WI/view](https://drive.google.com/file/d/1N2TzWIW7w_lab9FA3PaktnDaG_HL880WI/view).

<sup>18</sup> *Id.*

<sup>19</sup> It appears the Town Board voted to approve the special meeting minutes “as amended” to clarify that the Town Board intended for both the Town Board Member and the Town employee to be authorized to contract on behalf of the Town. See the July 13, 2023, Town Board meeting minutes.

## Recommendation

The OSA recommends that in the future, the Town Board award Town contracts at meetings open to the public. Based on the circumstances described in this letter, the OSA recommends that the Windemere Town Board should, whenever possible, authorize contracts including contract amounts in advance of their performance.<sup>20</sup>

**It appears the Town failed to abide by proper contracting safeguards and requirements when it entered into a contract limited to a maximum of \$175,000 (thereby not following the sealed bid procedures required under the Uniform Municipal Contracting Law for contracts exceeding \$175,000), and then subsequently disregarded the contractual limit and paid the contractor almost \$125,000 above the purported contractual limit of \$175,000 for the contract term**

The Town accepted a quote for ROW clearing during the April 13, 2023, Town Board meeting.<sup>21</sup>

The Town provided the OSA a contract it entered into for the ROW clearing on June 1, 2023, and a second contract it entered into on June 9, 2023.<sup>22</sup> It appears the June 9, 2023, contract supplants the June 1, 2023, contract. Even though the June 9, 2023, contract documented “a maximum of \$175,000 per contract period ...” and the contract period was to “[s]tart on or about June 9, 2023, End date on or about December 31, 2023.” The Town paid the contractor a total of \$297,076.25 during this contract period. The Town’s approved claims lists document two payments made to this vendor dated July 13, 2023, and August 10, 2023, for \$128,290.75 and \$162,581.50, respectively.<sup>23</sup> It appears a Town Board Supervisor raised concerns about the contract exceeding \$175,000 when the Town Board approved these claims during the July 13, 2023, and the August 10, 2023, Town Board meetings. It therefore appears that although the contract purported to be limited to \$175,000, the Town paid \$297,076.25 on the contract during the contract period without following the sealed bid procedures required by the

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<sup>20</sup> The OSA acknowledges that “where official action is insufficient, a board or municipal corporation may ratify or adopt that which it could have done to begin with.” See *Edwards v. Metler*, 129 N.W.2d 805 (citing 10 McQuillin, Municipal Corporations (3d ed.)).

<sup>21</sup> See April 13, 2023, Town Board meeting minutes which document a “[m]otion [...] to accept the [Contractor] bid at \$293 per hour for a three-man crew including the required chain saws, hand tools, dump truck and chipper, second [...] Motion carried unanimously. The contractor will meet with the road supervisor to determine best methods for the completion of the ROW clearing.” It appears the Town’s former Road Supervisor gave the Town Board an “early estimate of \$100,000” in February of 2023, and noted that “with the spring R.O.W. tree clean-up it may actually be more than that.” See February 9, 2023, Town Board meeting minutes.

<sup>22</sup> The June 8, 2023, Town Board meeting minutes document, “Recommendation to add a 4th person to Forward Crew, and add a Mechanical Crew with a grapple truck with operator and follow-up truck with operator with container behind to pickup brush/material, add Skidster with high flow and Feecon head for edges/ditch areas to improve speed. Motion ... to approve [the Contractor’s] recommendation for Forward Crew add one person (\$93.00 increase) to 4 people total of \$386.00 per hour, Mechanical Crew (grapple truck with followup truck and 2 operators) same as Forward Crew at \$293/hour, Skidster has high flow with feecon head attached (\$50.00 increase) at \$195/hour, to pickup cut pieces from ROW along with chips and move to the Windemere Township Pit, second [...] Motion carried.”

<sup>23</sup> Another payment for \$6,204 was made to this vendor in October of 2023.

Uniform Municipal Contracting Law. A town cannot avoid the requirements of formal bidding by including but disregarding a purported contractual dollar limitation.

**Recommendation**

The dollar amount of each contract (or a rate and reasonable estimate) should be determined as an initial step in the contract process. This is important because compliance with Uniform Municipal Contracting Law is based on the dollar amount of contracts.

Additionally, the OSA recommends the Town Board follow the Uniform Municipal Contracting Law, and when required for contracts that exceed \$175,000, should award such contracts based on formal bids solicited by ten days' public notice.

If you have questions regarding this matter, please feel free to contact me, or Nichole Bjornrud, CPA, CFE, at (651) 296-2551 or [Nichole.Bjornrud@osa.state.mn.us](mailto:Nichole.Bjornrud@osa.state.mn.us).

Sincerely,

/s/

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