

MAY 12, 2022

A Special Meeting of the Lake Benton City Council was held on Thursday, May 12, 2022 at 4:00 PM in the Lake Benton Area Community and Event Center. Mayor Mike Carpenter presided. Trustees Rosie DeZeeuw, and Patrick Haynes were present. Trustees Mark Dunn and Daryl Schlapkohl were absent. Nathan Kinner and Becki Towne with Kinner & Company, and City Administrator/Clerk Eileen Christensen were also present.

Mayor Mike Carpenter called the meeting to order. The Pledge of Allegiance was recited by all present.

The purpose of the meeting was to review the 2021 audit for the City of Lake Benton.

Nathan explained the Independent Auditor's Report and Management Comment Letter for non-public data which explains the report on governmental activities and GASB standards. The qualified opinion on government activity present fairly, and the unmodified opinion is positive for the business-type activities. Nathan informed the Council the volunteer fire relief association affiliated with the City has not complied with the GASB standards relating to pensions for 2021. Therefore, the City is unable to report pension amounts related to the relief association in the government-wide governmental activities. The effects on the accompanying financial statement of the noncompliance have not been determined. The state would prefer the fire relief association switch over to the state's PERA system and make more investments through PERA. This finding does not affect the City, but if the fire relief association were to go through the state, they would not have to hire an outside auditor to complete their annual financial statements. It was suggested to talk with Daryl Trigg to request a PERA representative speak to the fire relief association so they can gather information on the PERA system investments. Should the fire relief association agree to invest in PERA, they will not be able to pull out at a later date.

Nathan then explained the Management's Discussion and Analysis, which as a whole the City's combined net position increased \$161,496.00 in 2021 and increased \$195,913.00 in 2020. In 2021 and 2020, business-type activities increased the City's net position by \$54,862 and increased by \$7,064, respectively.

Revenue for the City's governmental activities decreased 3% in 2021 and increased 37% in 2020, while total expenses increased by 5% in 2021 and increased 12% in 2020. The change in revenue relates largely to FEMA and Cares funding received in 2020. Expenses increased due to street milling and grant expenses related to DSI.

Revenues in the City's business-type activities increased by 18% in 2021 and increased by 1% in 2020 and expenses increased 7% in 2021 and decreased by less than 1% in 2020. The increase in revenue relates to American Rescue Plan funds in 2021 while the increase in expenses relates to additional depreciation and water leaks during 2021. As the City completed the year, its governmental funds reported a combined fund balance of \$1,138,607.00 and \$1,047,353.00 in 2021 and 2020. The increase in fund balance relates to excess revenues over expenditures.

In 2021 and 2020, the City had \$4,361,391.00 and \$4,345,302.00 respectively invested in a broad range of capital assets, net of accumulated depreciation. The Statement of Net Position shows the governmental wide activities cash equivalent to \$2,364,062, and the business-type activities cash equivalent to \$1,725,820 with a total of \$4,089,882, which is a strong net position.

The Statement of Net Position for the Fire Fund Balance shows \$345,878.00 where the majority of this is in CDs to purchase a fire truck; the EDA Fund Balance is positive and the Library Fund Balance is negative. The Statement of Net Position for the Water, Sewer and Garbage funds is \$1,725,820.00 as a whole. Nathan informed the Council the water, sewer and garbage funds were positive. The Statement of Cash Flow shows cash went down \$154,168.00 but continues to show a healthy cash position. The Council reminded Nathan and Becki the City charges a \$20.00 base fee for water and a \$20.00 base fee for sewer and inquired that since the water fund has more expenses if the City can change the base fees to \$25.00 for water and \$15.00 for sewer. Nathan stated the City can definitely do that or they can do an interdepartmental transfer.

Nathan then reviewed the General Fund versus the Actual showed the City received \$22,703.00 for federal and state grants that the City is not going to budget. There were variances in expenditures but nothing major. Overall, the Fund Balance at the end of 2021 was \$694.00 which is a positive for the City.

Nathan and Becki discussed the Library Fund having a cash deficient of \$58,207.00 and is not a long term debt. There is no value for the property and no expenses for debt. The general fund has advanced the Library fund \$90,000.00 over the past years. The City's allocation covers the salary, and the County allocates \$14,000.00 which is not enough to cover the expenses. It was suggested the Council approve forgiving the advanced \$90,000.00 and forgive the expenses over the allocations in the future.

The net position classification is displayed in three components: Net investment in capital assets, restricted net position, and unrestricted net position. The City's policy is to maintain a minimum unassigned fund balance between the ranges of 35%-50% of budgeted operating expenditures for cash flow needs. On December 31, 2021, the unassigned fund balance of the General Fund was 79% of the subsequent budgeted expenditures.

Nathan then explained the comments on the current year findings which consisted of an inadequate segregation of duties among its accounting personnel due to the fact the City has a limited number of employees to perform financial reporting duties. This is the same finding as the prior year.

MOTION by Rosie DeZeeuw, seconded by Patrick Haynes to approve the 2021 audit completed by Kinner and Company. Motion carried.

There being no further business to come before the Council at this time, a **MOTION** was made by Patrick Haynes, seconded by Rosie DeZeeuw and carried, the meeting adjourned.

MAYOR

ADMINISTRATOR/CLERK