

MAY 8, 2023

A Special Meeting of the Lake Benton City Council was held on Monday, May 8, 2023 at 2:00 PM in the Lake Benton Area Community and Event Center. Mayor Mike Carpenter presided. Trustees Rosie DeZeeuw, Patrick Haynes, Karen Lichtsinn and Scott Christensen were present. Nathan Kinner and Rebecca Towne with Kinner & Company, City Administrator/Clerk Eileen Christensen, and Kristina Hernandez with the Lake Benton Valley Journal were also present.

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

The purpose of the meeting was to review the 2022 audit for the City of Lake Benton.

Nathan informed the Council the completed 2022 audit had a clean opinion and reviewed the Management Letter which included the following comments and suggestions:

- Recommend the City implement plans for the Library and Fire funds to repay or forgive their portion of deficit pooled cash.
- Recommend the City increase their capital threshold to \$5,000.00 instead of the current \$1,000.00.

Nathan then presented and reviewed the graph analysis from 2018 through 2022 of the Assets, Liabilities, Revenues and Expenditures and the detail associated with the graphs.

Nathan then 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 is good, 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 2022. 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. Nathan stated that most small cities like Lake Benton choose not to get into the system.

Nathan then explained the Management's Discussion and Analysis, which as a whole the City's combined net position decreased by \$14,948.00 compared to an increase of \$161,496.00 in 2022. Of this decrease, business-type activities (enterprise funds) had a decrease of \$40,950.00 and governmental activities had an increase of \$26,002.00. The major factor in the change in governmental activities was due to additional revenues over expenses. The major factor contributing to the decrease in business-type activities relates to depreciation expense and additional maintenance.

As of the close of the current fiscal year, the City's governmental funds reported a combined fund balance of \$1,954,844.00 an increase of \$816,235.00 in comparison with the prior year. Approximately 15% of this total amount, \$301,294.00 is available for spending at the City's discretion. The remainder of the fund balance is restricted to debt proceeds, nonspendable for prepaid, assigned for special revenue or committed by the Council.

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 cast equivalent to \$1,725,820 with a total of \$4,089,882, which is a strong net position.

Restricted net position of \$828,289.00 (20%) relates to American Rescue Plan (ARP) funds and debt proceeds that the City has not spent as of the end of the fiscal year. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. There was a decrease of \$40,950.00 in net position reported in connection with the City's business-type activities. This decrease

was a result of the following funds: Sewer had a decrease of \$38,715.00, Water had a decrease of \$6,200.00 and Garbage had an increase of \$3,965.00 which is an extremely healthy net position.

The fund balance of the City's general fund decreased by \$34,222.00 during the fiscal year. The key factors in this decrease relate to additional capital outlay during 2022. The Fire fund has a total fund balance of \$410,482.00. There was an increase in fund balance during the current year of \$64,603. The increase was mainly due to a transfer from the General fund and higher donations during the year.

Nathan then explained the total net position for the year is \$2,390,065.00, and the total fund balance for the year is \$1,954,844.00. The change in fund balance is up from last year at a positive \$816,235.00. The capital outlay shows \$1,404,042.00 which \$480,000.00 is from the EDA alone. The net position of the Water, Sewer and Garbage showed a positive for the year.

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, 2022, the unassigned fund balance of the General Fund was 70% of the subsequent budgeted expenditures.

The long-term debt is comprised of the EDA GO Housing Revenue Bond for construction in progress. The pension plan is statewide with a very small percentage of the City's share. This is dictated to the City and is something the City cannot control. The Library fund has a negative fund balance of \$55,096.00.

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. The Material Audit Adjustments are effective without hiring an outside auditor. The City can employ someone or a firm to perform these duties but is not a benefit to the City.

Nathan then informed the Council that City staff are a fantastic team to work with and it was a privilege to work with Eileen. Rebecca also stated the City is fortunate to have Eileen as their Administrator/Clerk.

The Council inquired about the auditor's recommendation to forgive the interdepartmental loans to the Library and Fire funds and if this should be forgiven every year or every other year. Nathan informed the Council it is cleaner to be kept current and recommended the Council forgive the deficits on an annual basis. The Council can pass a supplementary budget with an adjustment at their last meeting in December.

The Council also inquired about their recommendation to increase the threshold and how to go about it. Nathan informed the Council to pass a motion to increase the threshold at a Council meeting and make it retroactive to January 1, 2023.

MOTION by Patrick Haynes, seconded by Scott Christensen to approve the 2022 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 Scott Christensen, seconded by Karen Lichtsinn and carried, the meeting adjourned.

MAYOR

ADMINISTRATOR/CLERK