



AGENDA ITEM #10.1

REPORT TO CITY COUNCIL

Report Prepared by: Nancy Malecha

Date: July 2, 2019

Subject: 2018 Annual Financial Report

Report: Attached is the 2018 Annual Financial Report for Council review.
Copies of this Report are available upon request.

Council Action Requested: No Council action requested.



ANNUAL FINANCIAL REPORT

2018

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Pequot Lakes, MN 56472
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City of Pequot Lakes at a Glance

General Information	
Number of employees *	61
Volunteer positions **	60
Population	2,346
Budget	\$13,622,720
Police	
Calls for service	3,801
Arrests	126
Forfeiture cases	27
Training hours ***	381
Fire	
Number of calls	63
Training hours	72

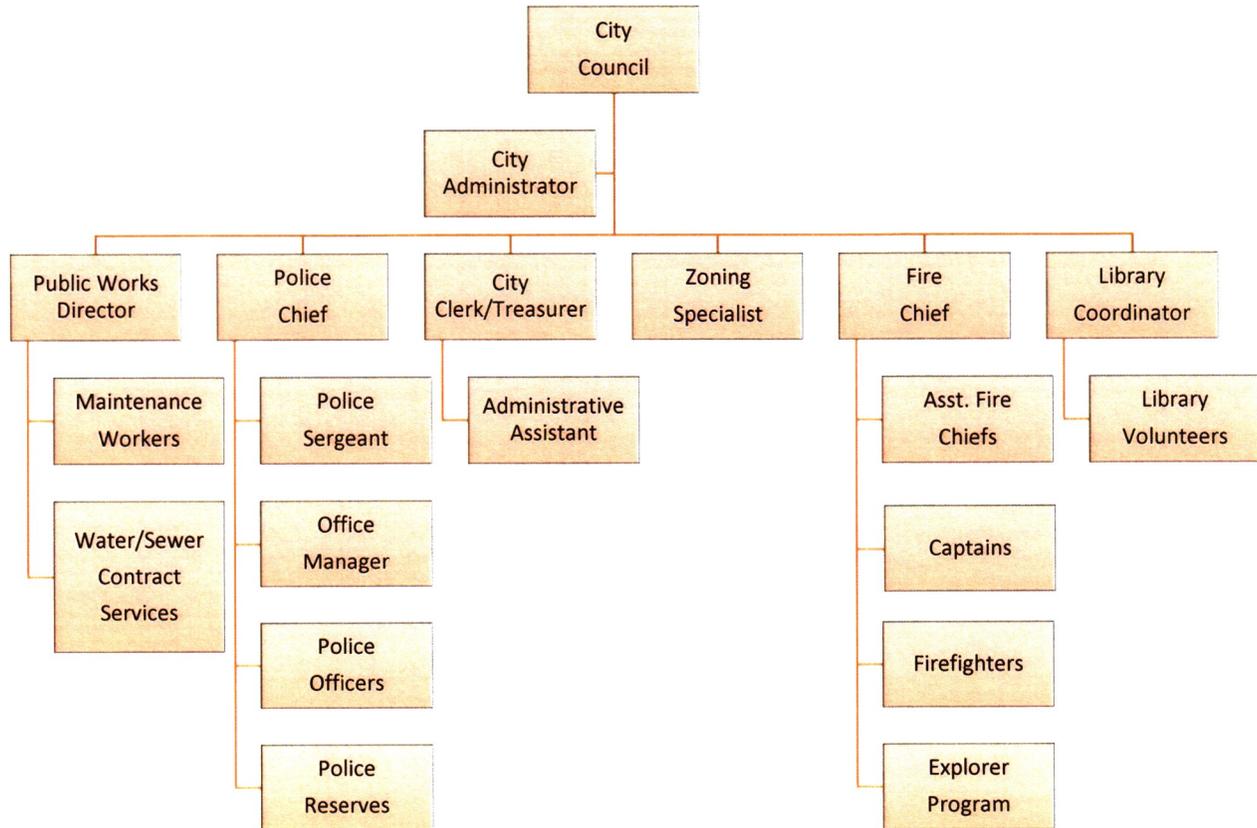
Parks	
Events & rentals	18
Band in the Park concerts	11
Public Works	
Miles of streets	41
Fire Hydrants	79
Drinking water pumped (gallons)	37,714,800
Wastewater pumped (gallons)	31,041,192
Water/Wastewater systems capacity	60%/69%
Planning & Zoning	
Permits issued	94
New home construction permits	8
Septic permits	15

* Includes full-time employees, part-time employees, firefighters, City Council, and Planning Commission.

** Includes police reserves, Park Commission, Economic Development Commission, Library Board, and Library volunteers.

*** Includes full-time police staff only.

Organizational Chart



City Budget

The City develops an annual operating budget and a 10-year Capital Improvement Plan (CIP) that projects capital needs with a focus on administration, fire, parks, police, public works, water, & sewer. Both are adopted by the City Council on or before December 28th of each year. The operating budget and CIP represent the City's financial plan and define the limits of spending authority. Below are the calendar year budget amounts by fund for a five year period.

City Budget	2018	2017	2016	2015	2014
General	\$1,831,380	\$1,806,087	\$1,844,587	\$1,806,238	\$1,901,775
Library	\$21,900	\$22,500	\$18,000	\$22,225	\$11,430
Cemetery	\$850	\$700	\$1,200	\$1,100	\$1,100
Fire	\$246,740	\$209,670	\$211,240	\$193,680	\$175,190
G.O. Equip. Cert. 2010A	\$0	\$0	\$0	\$0	\$29,768
G.O. Equip. Cert. 2014A	\$43,350	\$43,293	\$43,785	\$43,995	\$0
G.O. Equip. Cert. 2017A	\$31,500	\$0	\$0	\$0	\$0
Business Park	\$1,300	\$1,200	\$294,500	\$1,500	\$1,500
Highway 371	\$4,531,630	\$741,100	\$71,100	\$27,400	\$23,800
Capital Improvement	\$6,460,000	\$2,006,000	\$1,200,000	\$180,000	\$905,000
Water	\$248,300	\$206,810	\$209,690	\$205,900	\$190,800
Sewer	\$205,770	\$123,620	\$519,160	\$118,630	\$131,750
Annual Operating Budget	\$13,622,720	\$5,160,980	\$4,413,262	\$2,600,668	\$3,372,113

Capital Improvement Plan

In 2018, the City of Pequot Lakes completed the following capital projects with a total value of \$105,206.

Project Name	Total Expenses
Akerson Road Resurfacing Project	\$75,097
Wilderness Road Resurfacing Project	\$7,965
Brown Street Lift Station Pump Replacement	\$6,299
Pequot Lakes Billboard Sign	\$13,166
Purchase of Branches Outlot A Property	\$2,679
Total	\$105,206

Revenues & Expenses

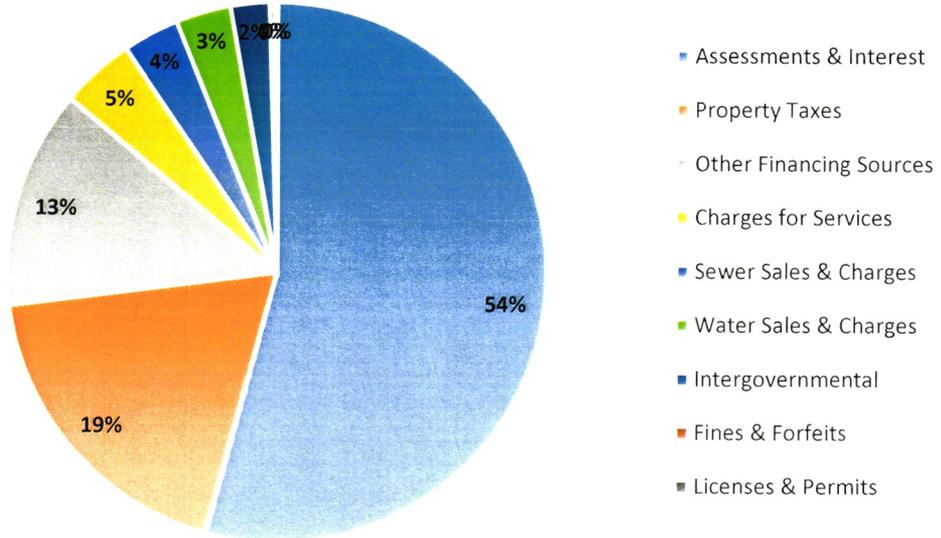
City funds are divided into two main categories – governmental activities and business-type activities.

- Governmental activities include multiple funds which include general, special revenue, debt service, and capital project funds. These funds include the basic services provided by the City including general administration, cemetery, parks, public safety, public works, and capital improvements. Property taxes, licenses & permits, intergovernmental revenues, charges for services, fines & forfeits, assessments & interest, and other financing sources fund these activities.
- Business-type activities include enterprise funds which include water and sewer services. The City charges fees to customers to help cover the cost of these services.

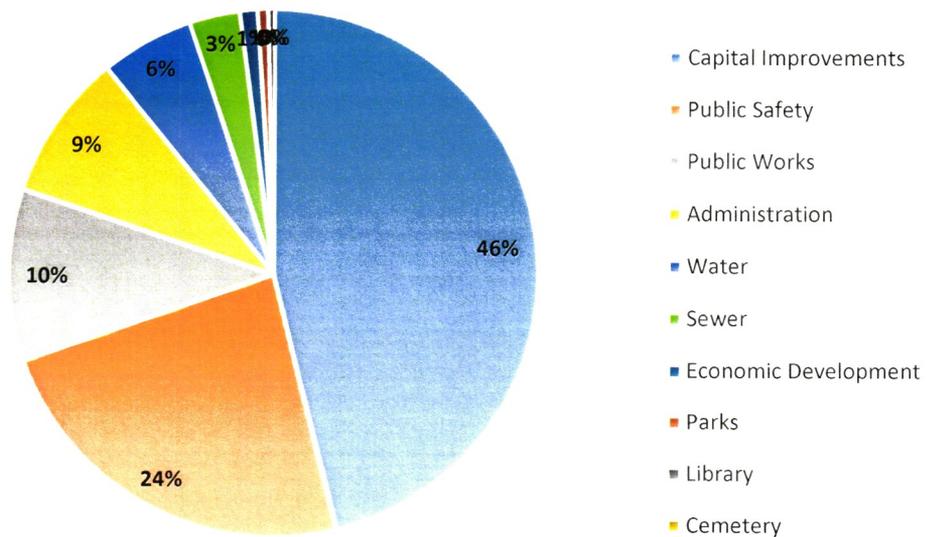
The following table illustrates the total revenue received for all City funds for the year including property taxes, land use fees, state aid, police & fire contracts, interest earnings, and water & sewer sales. Total expenses include the cost of all money spent for the year including staff salaries, supplies, services, and capital outlay.

Governmental Activities	2018	2017	2016	2015	2014
General Fund					
Revenues	\$1,834,682	\$1,925,972	\$1,970,405	\$1,919,126	\$1,871,625
Expenses	\$1,759,797	\$1,685,145	\$1,951,048	\$1,938,467	\$1,940,745
Special Revenue Funds					
Revenues	\$545,563	\$360,326	\$281,891	\$263,020	\$275,786
Expenses	\$411,053	\$483,629	\$270,351	\$286,058	\$257,157
Debt Service Funds					
Revenues	\$77,810	\$195,458	\$44,471	\$87,876	\$222,775
Expenses	\$56,313	\$180,453	\$42,867	\$76,982	\$222,914
Capital Project Funds					
Revenues	\$5,699,241	\$920,001	\$62,158	\$84,436	\$449,618
Expenses	\$2,277,826	\$224,361	\$173,656	\$170,304	\$424,530
Business-Type Activities					
Enterprise Funds					
Revenues	\$629,288	\$645,194	\$1,080,498	\$558,630	\$502,266
Expenses	\$434,930	\$350,630	\$321,188	\$349,375	\$357,560

2018 Revenues

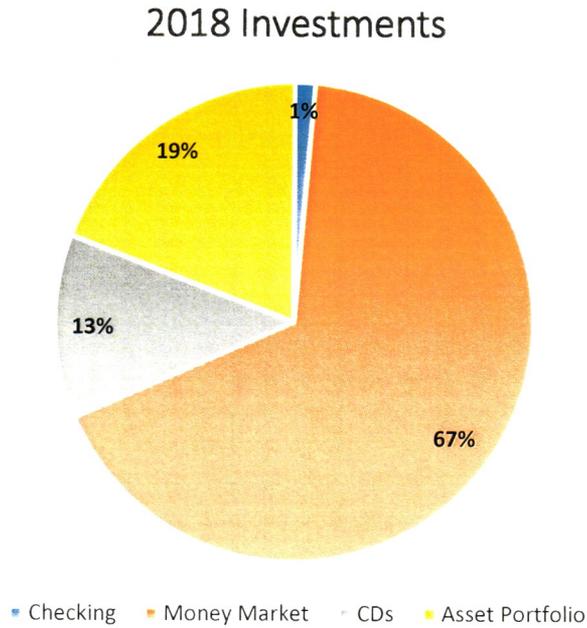


2018 Expenses

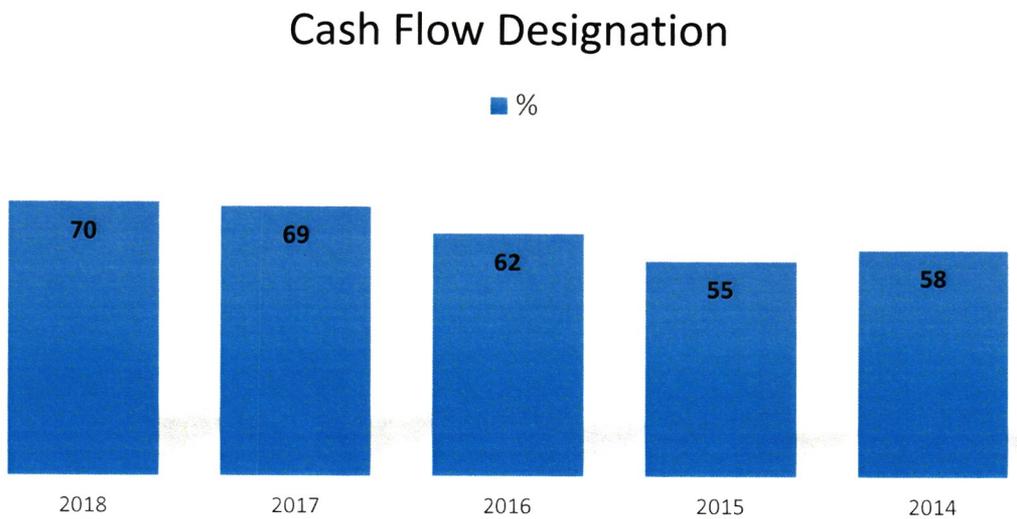


Cash Flow Analysis

The City's cash balance at the end of 2018 equates to \$8,382,446. The following chart illustrates the various investments the City utilizes for these funds.

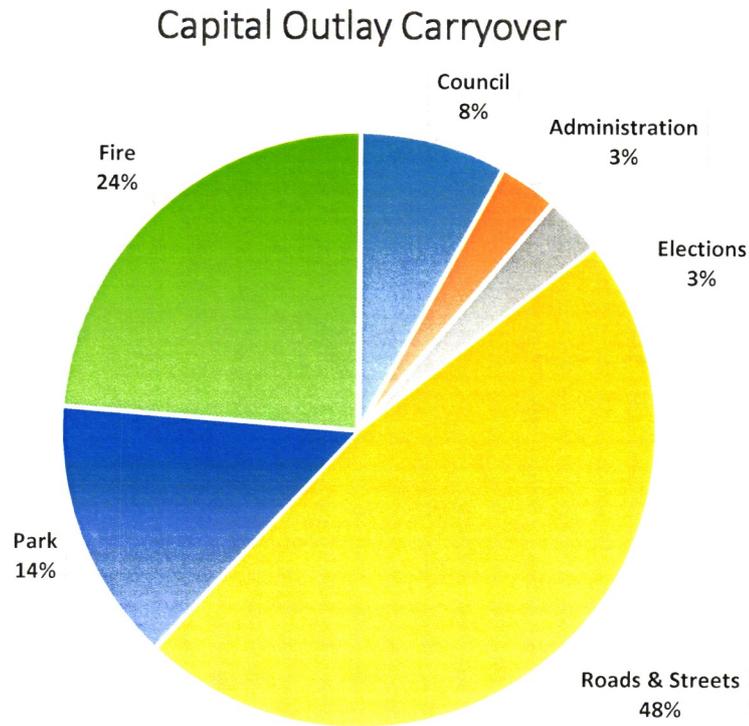


The Accounting and Reporting Policy requires the City to commit fund balance in the general fund of up to 50% of the following year's general fund budgeted expenditures for cash flow purposes. The following chart illustrates this designation for a five year period.



Capital Outlay Carryover

Capital outlay carryover is a budget line item for the purpose of designating monies for future City projects, programs, or equipment. Capital outlay carryover designations remaining at year end equate to \$204,756. The following chart illustrates these designations by City department.



Statement of Net Position

The Statement of Net Position illustrates the total assets and liabilities and is an indicator of the financial health of the City. This Statement, on the next page, is taken directly from the City's Audited Financial Statements and reflects a healthy financial condition as of December 31, 2018.

- Total assets are the investments, cash & cash equivalents, receivables, and capital assets of the City.
- Total liabilities are the financial obligations of the City including accounts payable, compensated absences, and long-term debt.
- Deferred outflows and inflows of resources are consumptions or acquisitions of net assets that are applicable to future reporting periods.

CITY OF PEQUOT LAKES, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Cash Equivalents and Investments	\$ 6,496,041	\$ 1,872,910	\$ 8,368,951
Property Taxes Receivable	136,693	-	136,693
Assessments Receivable	19,765	1,766	21,531
Accounts Receivable	4,587	139,046	143,633
Interest Receivable	39	-	39
Due from Other Governments	487	-	487
Debt Reserve Restricted Cash	14,436	-	14,436
Land Held For Resale	46,982	-	46,982
Noncurrent Assets:			
Capital Assets not Being Depreciated	2,552,816	181,539	2,734,355
Capital Assets Being Depreciated (Net)	6,550,517	2,661,353	9,211,870
Net Pension Asset	483,953	-	483,953
TOTAL ASSETS	16,306,316	4,856,614	21,162,930
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	612,929	5,572	618,501
LIABILITIES			
Accounts Payable	88,571	148,973	237,544
Accrued Salaries	29,725	1,402	31,127
Due to Other Governments	1,357	108	1,465
Accrued Interest	9,705	9,554	19,259
Other Liabilities	11,222	-	11,222
Noncurrent Liabilities:			
Long-term Debt, Due Within One Year	117,876	60,638	178,514
Long-term Debt, Due After One Year	485,634	852,304	1,337,938
Compensated Absences Due Within One Year	18,613	273	18,886
Compensated Absences Due After One Year	27,480	315	27,795
Net OPEB Liability	110,904	7,078	117,982
Net Pension Liability	613,091	29,068	642,159
TOTAL LIABILITIES	1,514,178	1,109,713	2,623,891
DEFERRED INFLOWS OF RESOURCES			
Pensions	913,804	8,318	922,122
NET POSITION			
Net Investment in Capital Assets	8,499,823	1,929,950	10,429,773
Restricted	126,453	-	126,453
Unrestricted	5,864,987	1,814,205	7,679,192
TOTAL NET POSITION	\$ 14,491,263	\$ 3,744,155	\$ 18,235,418