



**AGENDA ITEM #10.3**

**REPORT TO CITY COUNCIL**

**Report Prepared by: Angie Duus**

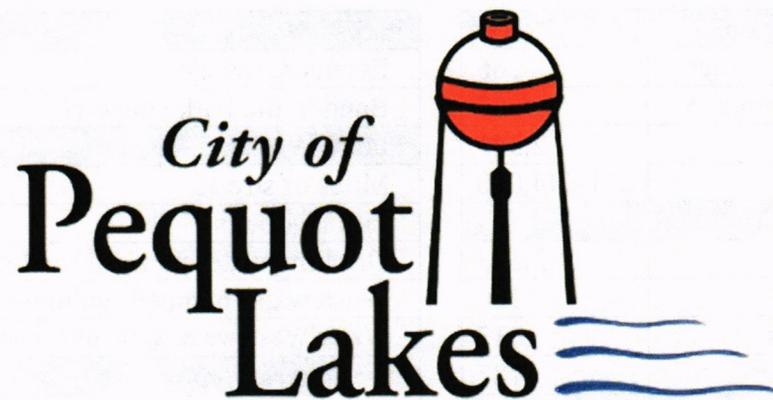
---

**Date:** July 7, 2020

**Subject:** 2019 Annual Financial Report

**Report:** Attached is the 2019 Annual Financial Report for Council review.  
Copies of this Report are available upon request.

**Council Action Requested:** No Council action requested.



# ANNUAL FINANCIAL REPORT

## 2019

4638 Main Street  
Pequot Lakes, MN 56472  
(218)568-5222  
[cityhall@pequotlakes-mn.gov](mailto:cityhall@pequotlakes-mn.gov)  
[www.pequotlakes-mn.gov](http://www.pequotlakes-mn.gov)

## City of Pequot Lakes at a Glance

General Information	
Number of employees *	66
Volunteer positions **	60
Population	2,341
Budget	\$11,044,010
Police	
Calls for service	3,543
Arrests	100
Forfeiture cases	17
Training hours ***	187
Fire	
Number of calls	80
Training hours	78

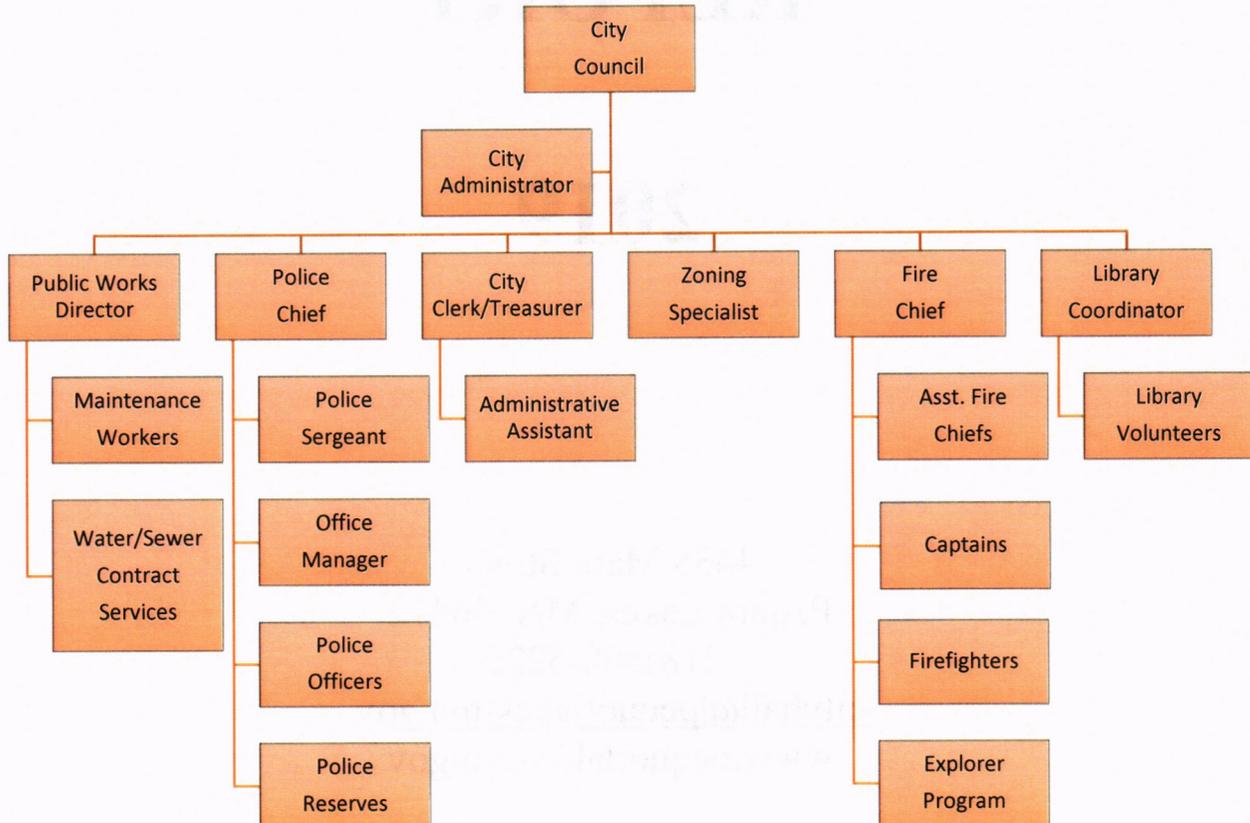
Parks	
Events & rentals	21
Band in the Park concerts	10
Public Works	
Miles of streets	43
Fire Hydrants	77
Drinking water pumped (gallons)	34,312,000
Wastewater pumped (gallons)	25,932,800
Water/Wastewater systems capacity	56%/77%
Planning & Zoning	
Permits issued	99
New home construction permits	12
Septic permits	25

\* 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 28<sup>th</sup> 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.

<b>City Budget</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
General	\$1,921,425	\$1,831,380	\$1,806,087	\$1,844,587	\$1,806,238
Library	\$62,510	\$21,900	\$22,500	\$18,000	\$22,225
Cemetery	\$850	\$850	\$700	\$1,200	\$1,100
Fire	\$222,035	\$246,740	\$209,670	\$211,240	\$193,680
G.O. Equip. Cert. 2010A	\$0	\$0	\$0	\$0	\$0
G.O. Equip. Cert. 2014A	\$40,500	\$43,350	\$43,293	\$43,785	\$43,995
G.O. Equip. Cert. 2017A	\$33,870	\$31,500	\$0	\$0	\$0
Business Park	\$1,000	\$1,300	\$1,200	\$294,500	\$1,500
Highway 371	\$2,810,000	\$4,531,630	\$741,100	\$71,100	\$27,400
Capital Improvement	\$5,408,820	\$6,460,000	\$2,006,000	\$1,200,000	\$180,000
Water	\$276,620	\$248,300	\$206,810	\$209,690	\$205,900
Sewer	\$266,380	\$205,770	\$123,620	\$519,160	\$118,630
<b>Annual Operating Budget</b>	<b>\$11,044,010</b>	<b>\$13,622,720</b>	<b>\$5,160,980</b>	<b>\$4,413,262</b>	<b>\$2,600,668</b>

## Capital Improvement Plan

In 2019, the City of Pequot Lakes purchased the following equipment and completed the following capital projects with a total value of \$1,244,538.

<b>Equipment &amp; Project Information</b>	<b>Total Expenses</b>
Police Squad & Equipment	\$41,103
Police Squad Video System	\$4,041
Police Lucas CPR Device	\$16,222
Roads & Streets Mower/Mulcher	\$11,740
Roads & Streets 22' Trailer	\$8,332
Roads & Streets Wash Bay	\$4,866
Fire Transport Skid Unit	\$11,000
Water Plant Control Software Upgrade	\$93,123
Utility Billing Software Upgrade	\$3,261
Brown Lift Station Upgrade	\$23,141
Maintenance Department Facility	\$980,825
Generator	\$46,885
<b>Total</b>	<b>\$1,244,539</b>

## Revenues & Expenses

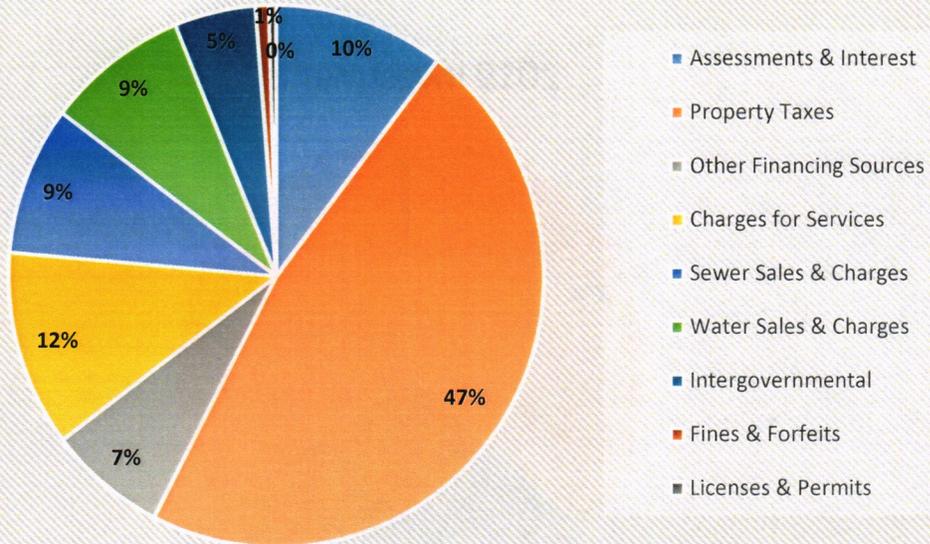
City funds are divided into two main categories – governmental activities and business-type activities.

- 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.

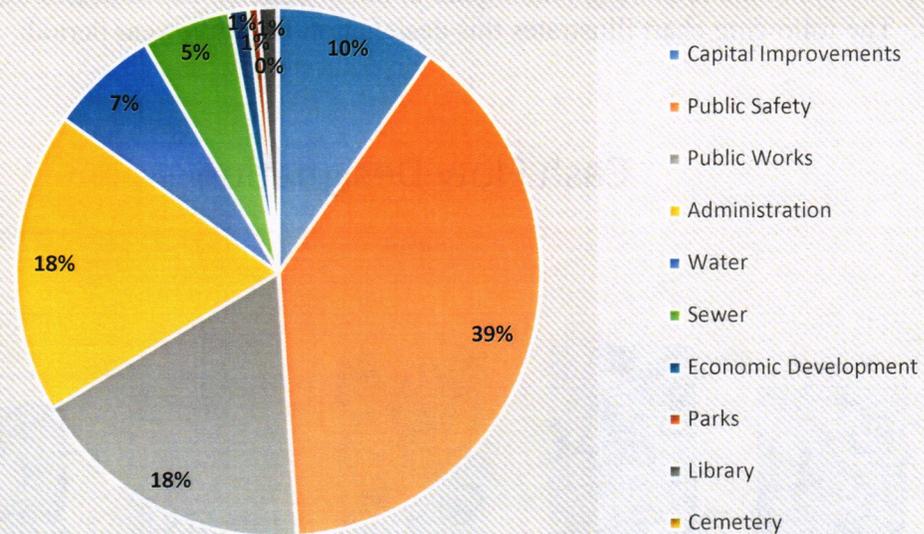
The following table illustrates the total revenue received for all City funds for the year including property taxes, land use fees, state aid, police & fire contracts, interest earnings, and water & sewer sales. Total expenses include the cost of all money spent for the year including staff salaries,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

<b>Governmental Activities</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>General Fund</b>					
Revenues	\$1,867,329	\$1,834,682	\$1,925,972	\$1,970,405	\$1,919,126
Expenses	\$1,930,535	\$1,759,797	\$1,685,145	\$1,951,048	\$1,938,467
<b>Special Revenue Funds</b>					
Revenues	\$391,430	\$545,563	\$360,326	\$281,891	\$263,020
Expenses	\$361,524	\$411,053	\$483,629	\$270,351	\$268,058
<b>Debt Service Funds</b>					
Revenues	\$35,915	\$77,810	\$195,458	\$44,471	\$87,876
Expenses	\$74,804	\$56,313	\$180,453	\$42,867	\$76,982
<b>Capital Project Funds</b>					
Revenues	\$524,030	\$5,699,241	\$920,001	\$62,158	\$84,436
Expenses	\$297,799	\$2,277,826	\$224,361	\$173,656	\$170,304
<b>Business-Type Activities</b>					
<b>Enterprise Funds</b>					
Revenues	\$685,023	\$629,288	\$645,194	\$1,080,498	\$558,630
Expenses	\$367,702	\$434,930	\$350,630	\$321,188	\$349,375

## 2019 Revenues

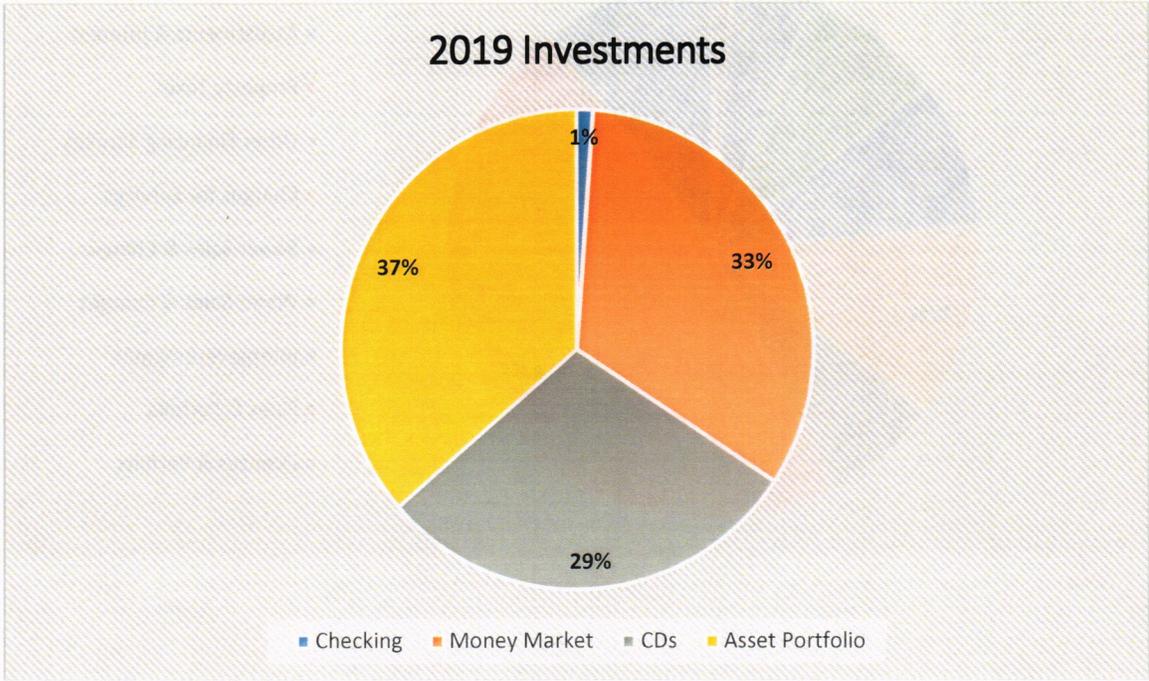


## 2019 Expenses

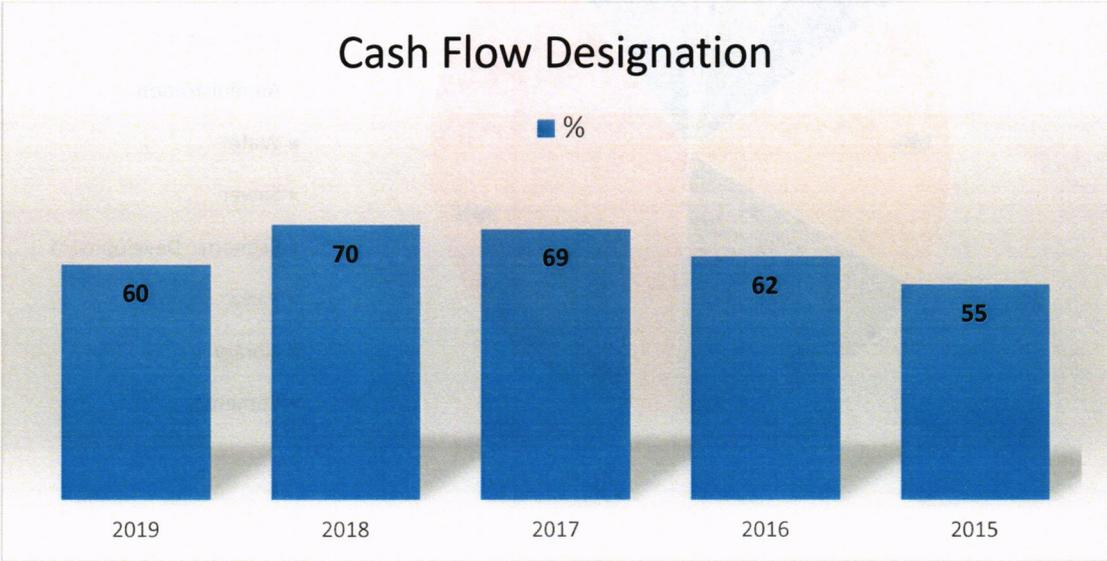


# Cash Flow Analysis

The City's cash balance at the end of 2019 equates to \$8,821,864. The following chart illustrates the various investments the City utilizes for these funds.

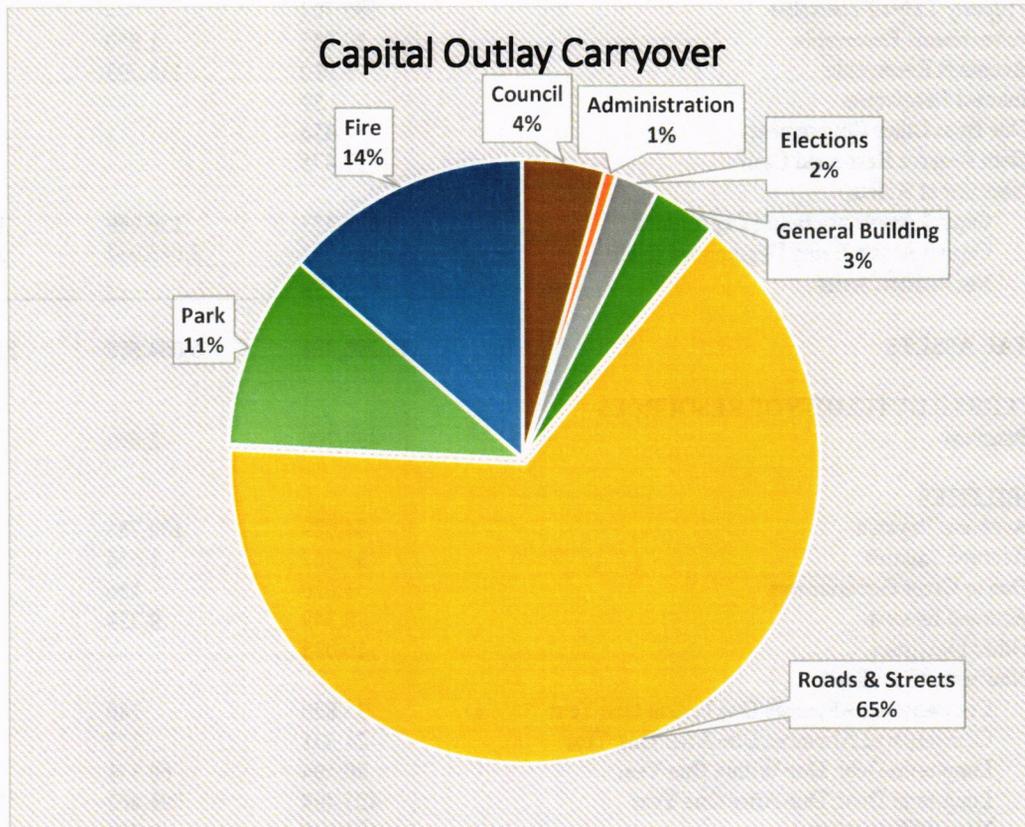


The Accounting and Reporting Policy requires the City to commit fund balance in the general fund of up to 50% of the following year's general fund budgeted expenditures for cash flow purposes. The following chart illustrates this designation for a five year period.



## 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 \$276,921. 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, 2019.

- 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, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 6,680,355	\$ 2,125,964	\$ 8,806,319
Property Taxes Receivable	185,797	-	185,797
Assessments Receivable	19,765	1,850	21,615
Accounts Receivable	6,910	136,793	143,703
Interest Receivable	39	-	39
Due from Other Governments	456	-	456
Debt Reserve Restricted Cash	17,475	-	17,475
Noncurrent Assets:			
Capital Assets not Being Depreciated	1,808,453	156,969	1,965,422
Capital Assets Being Depreciated (Net)	7,091,071	2,643,032	9,734,103
Net Pension Asset	480,160	-	480,160
<b>TOTAL ASSETS</b>	<b>16,290,481</b>	<b>5,064,608</b>	<b>21,355,089</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	490,200	2,690	492,890
<b>LIABILITIES</b>			
Accounts Payable	84,029	100,785	184,814
Accrued Salaries	33,367	1,656	35,023
Due to Other Governments	1,626	126	1,752
Accrued Interest	8,349	9,229	17,578
Other Liabilities	10,085	-	10,085
Noncurrent Liabilities:			
Compensated Absences Due Within One Year	15,820	240	16,060
Compensated Absences Due After One Year	24,351	277	24,628
Long-term Debt, Due Within One Year	80,504	60,351	140,855
Long-term Debt, Due After One Year	405,498	791,462	1,196,960
Net OPEB Liability	134,049	8,556	142,605
Net Pension Liability	610,891	25,384	636,275
<b>TOTAL LIABILITIES</b>	<b>1,408,569</b>	<b>998,066</b>	<b>2,406,635</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB	4,730	302	5,032
Pensions	711,255	7,454	718,709
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>715,985</b>	<b>7,756</b>	<b>723,741</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,413,522	1,948,188	10,361,710
Restricted	109,274	-	109,274
Unrestricted	6,133,331	2,113,288	8,246,619
<b>TOTAL NET POSITION</b>	<b>\$ 14,656,127</b>	<b>\$ 4,061,476</b>	<b>\$ 18,717,603</b>