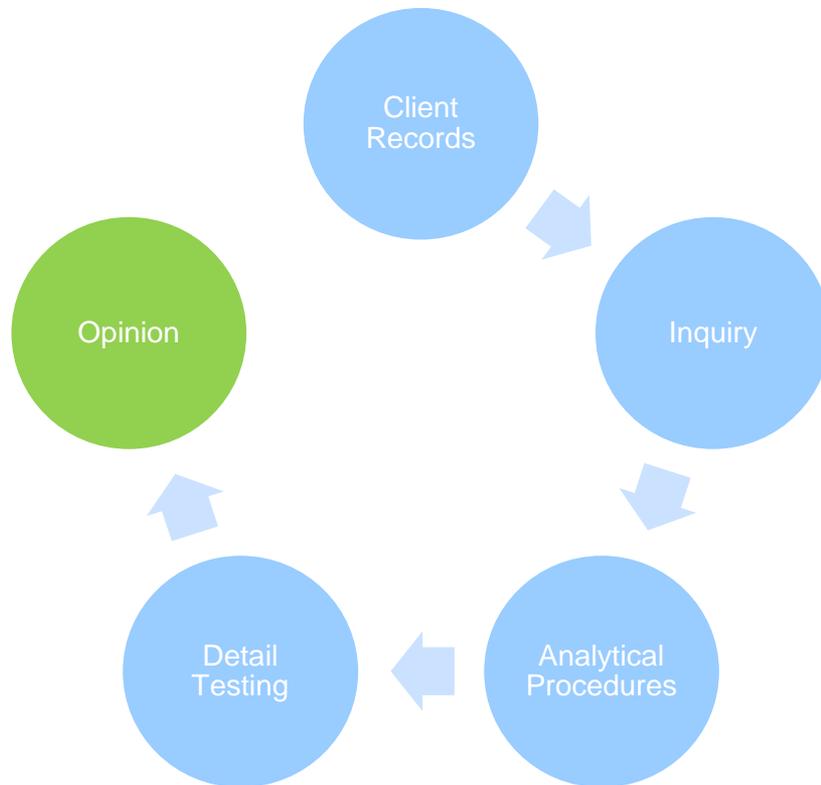


City of Pequot Lakes, Minnesota

Presentation of the Audited Financial Statements

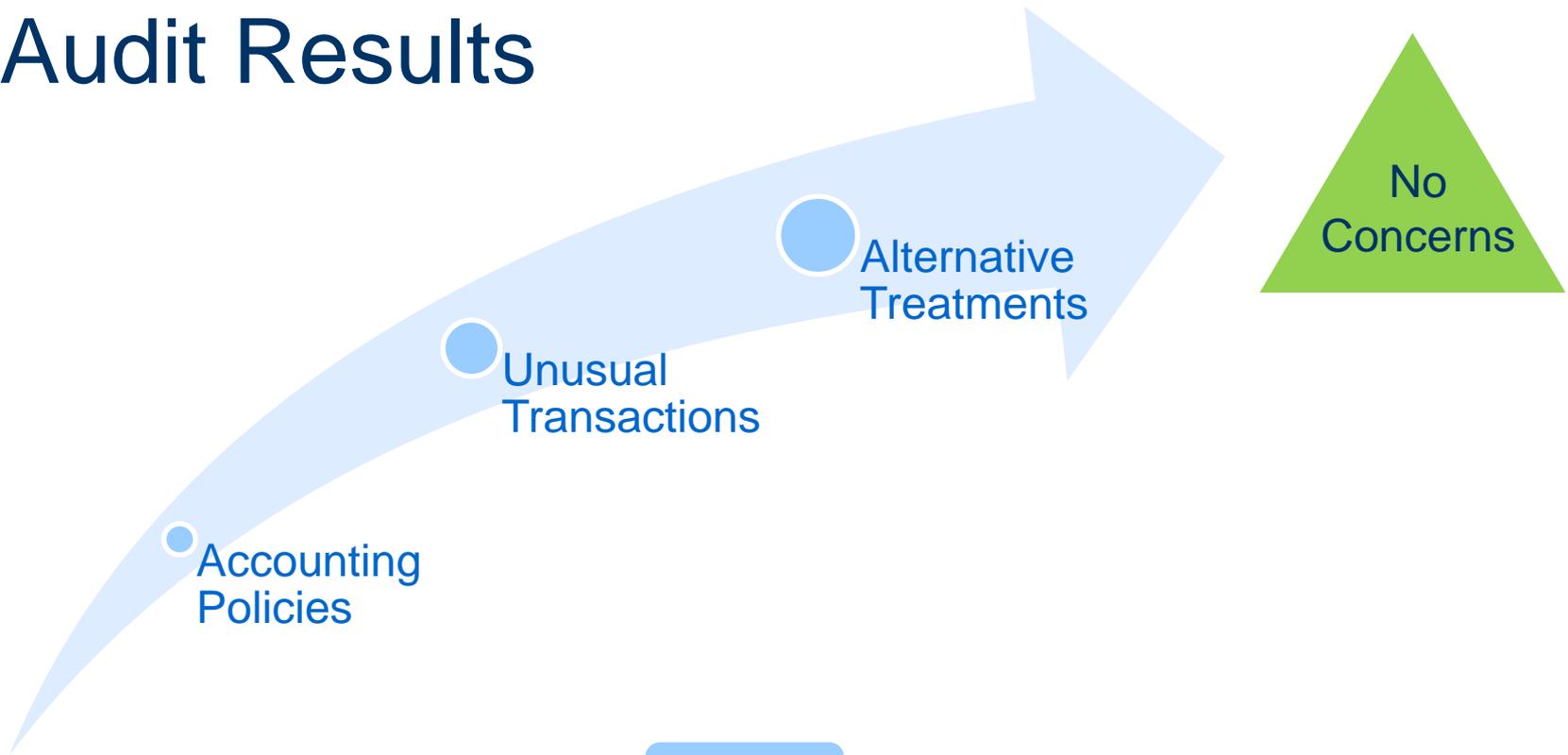
December 31, 2017

Audit Process



- We are expressing an unmodified (clean) opinion on your City's financial statements

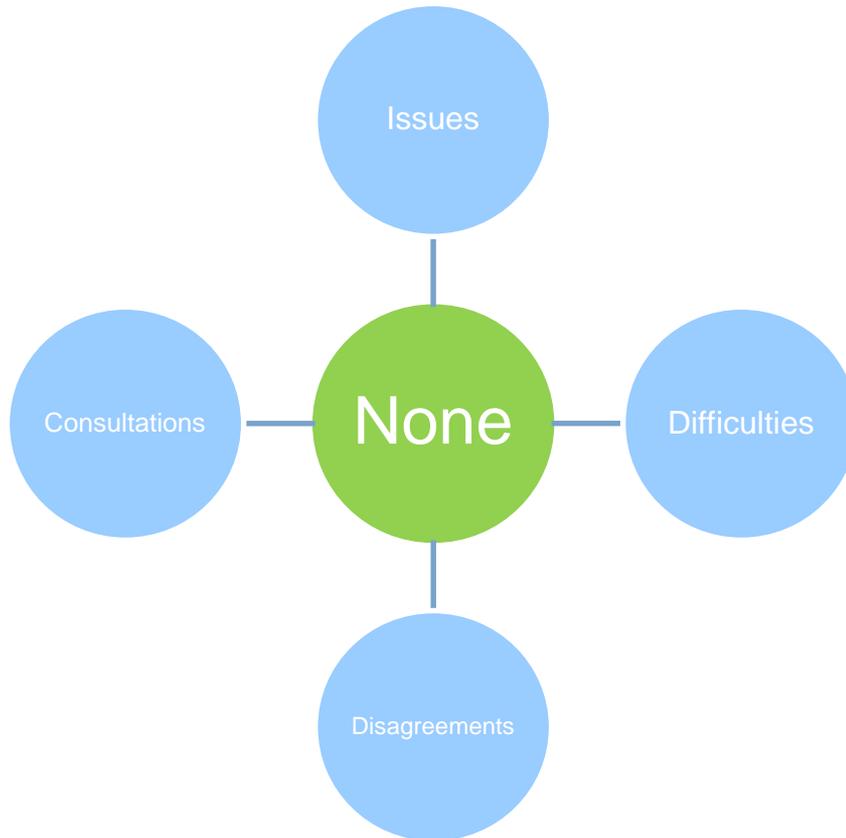
Audit Results



Significant
Estimates:

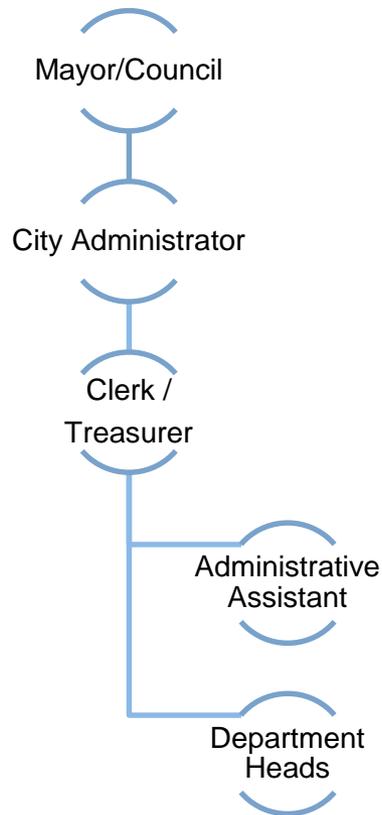
- Net Pension Liability and Related Balances
- Net OPEB Liability

Audit Results (Continued)



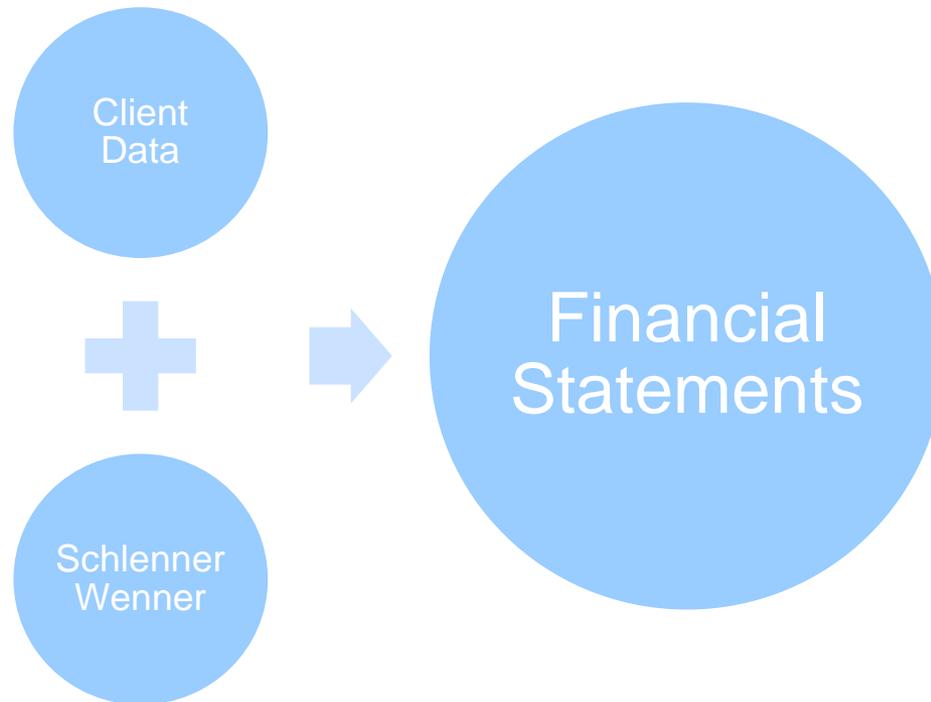
- We have a positive working relationship with the City's management and personnel.

Internal Controls – Significant Deficiency



- ❑ Your City has a lack of proper segregation of duties, which is very common for a City of your size.

Internal Controls – Material Weakness



- ❑ Schlenner Wenner and Co. prepares your City's financial statements and related year-end adjustments.

Minnesota Legal Compliance

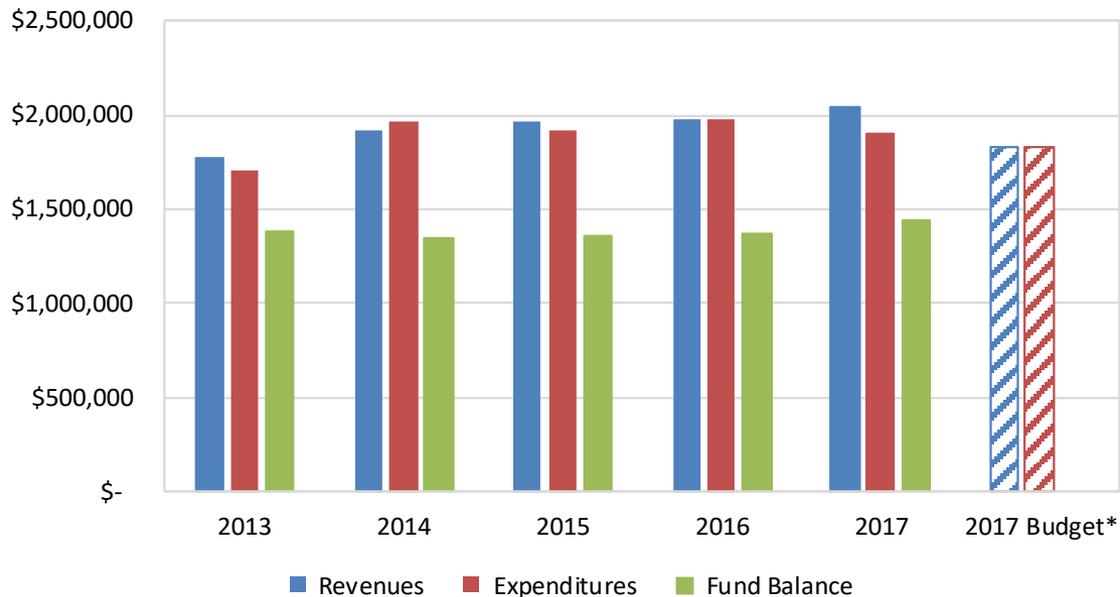


No Noncompliance Identified, except:

- Expenditure Lacking a Public Purpose – lack of statutory authority for payment to a nonprofit

Financial Highlights

General Fund – Revenues and Expenditures



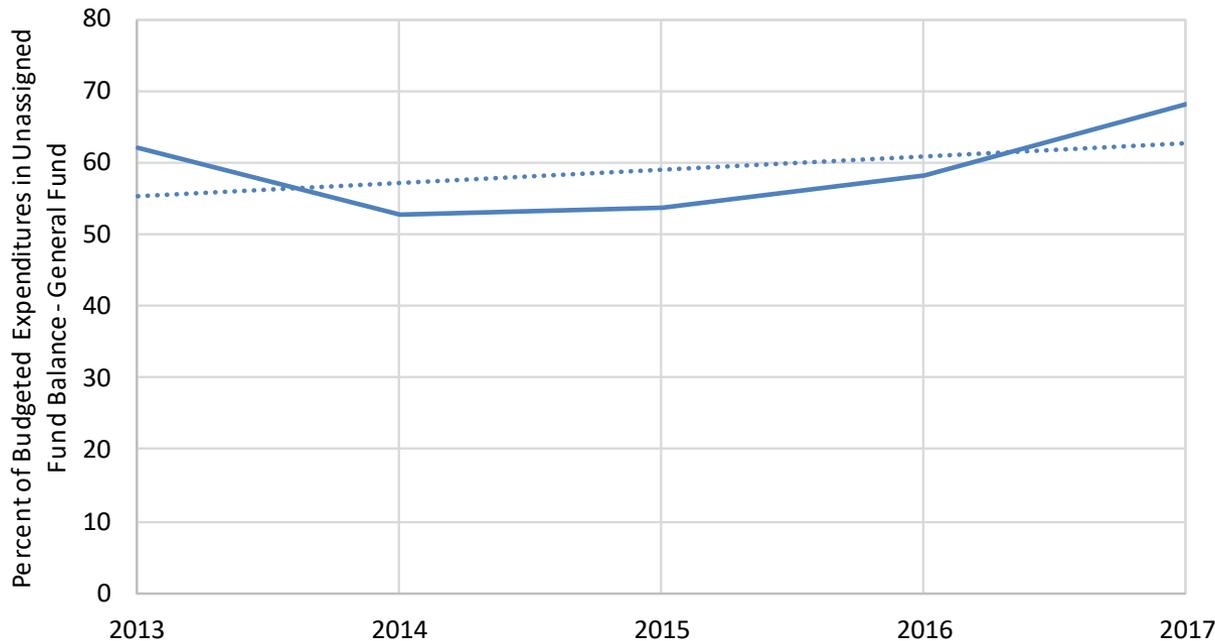
- Trend of growth in fund balance in recent years.
- Revenues from State Aids exceeded anticipated amounts.

* Budgeted revenues and expenditures shown here have been reduced for a \$2 million project that was originally scheduled to occur in 2017.

	2013	2014	2015	2016	2017	2017 Budget*
Revenues	\$ 1,775,904	\$ 1,923,722	\$ 1,967,562	\$ 1,971,678	\$ 2,039,840	\$ 1,829,887
Expenditures	1,706,272	1,964,596	1,919,223	1,981,655	1,900,055	1,828,587
Other Financing Sources/Uses (Net)	10,617	7,081	(37,417)	16,844	(66,590)	-
Change in Fund Balance	80,249	(33,793)	10,922	6,867	73,195	1,300
Fund Balance	\$ 1,384,636	\$ 1,350,843	\$ 1,361,765	\$ 1,368,632	\$ 1,441,827	

Financial Highlights

General Fund – Percent of Expenditures in Unassigned Fund Balance

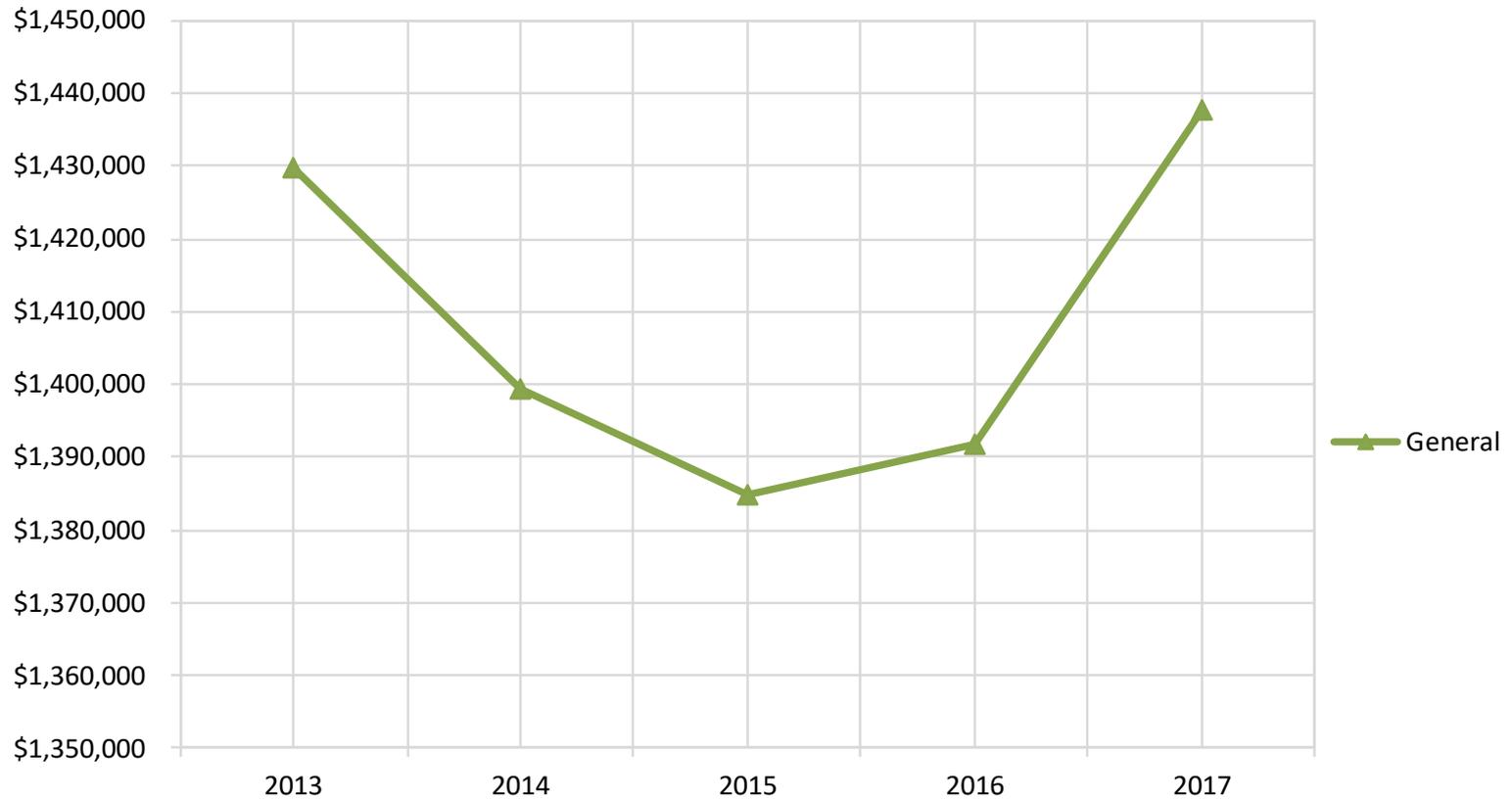


Year	%
2013	62.1
2014	52.6
2015	53.7
2016	58.3
2017	68.3

- City policy is to maintain a minimum unassigned general fund balance equal to approximately 50% of the following year's operating expenditures

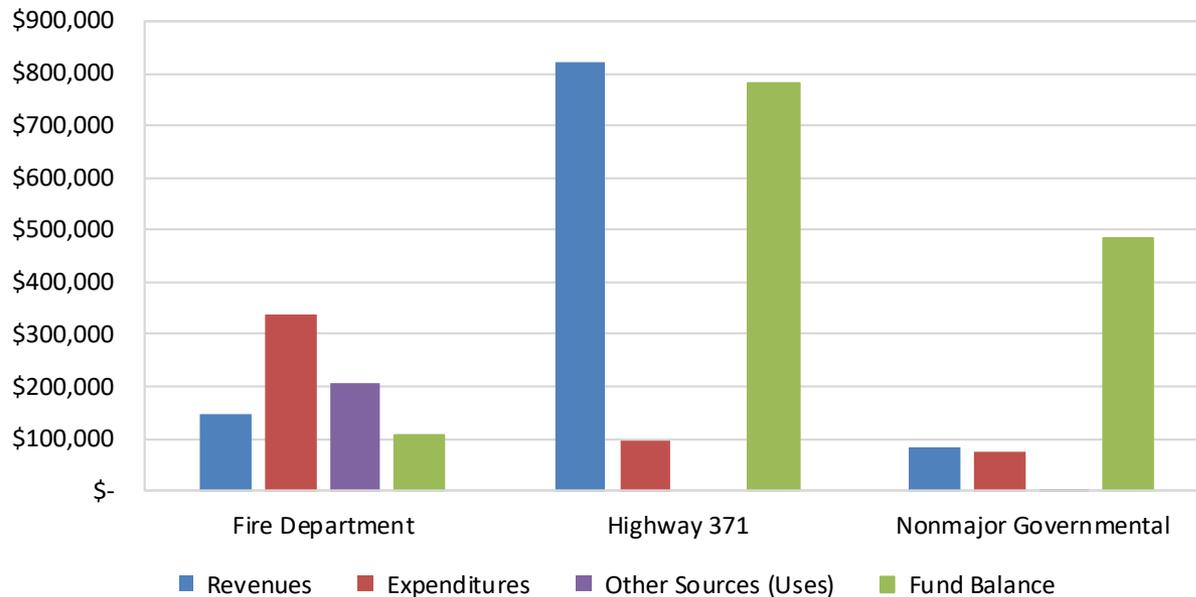
Financial Highlights

General Fund – Cash Trend Analysis



Financial Highlights

Remaining Governmental Funds – Revenues and Expenditures

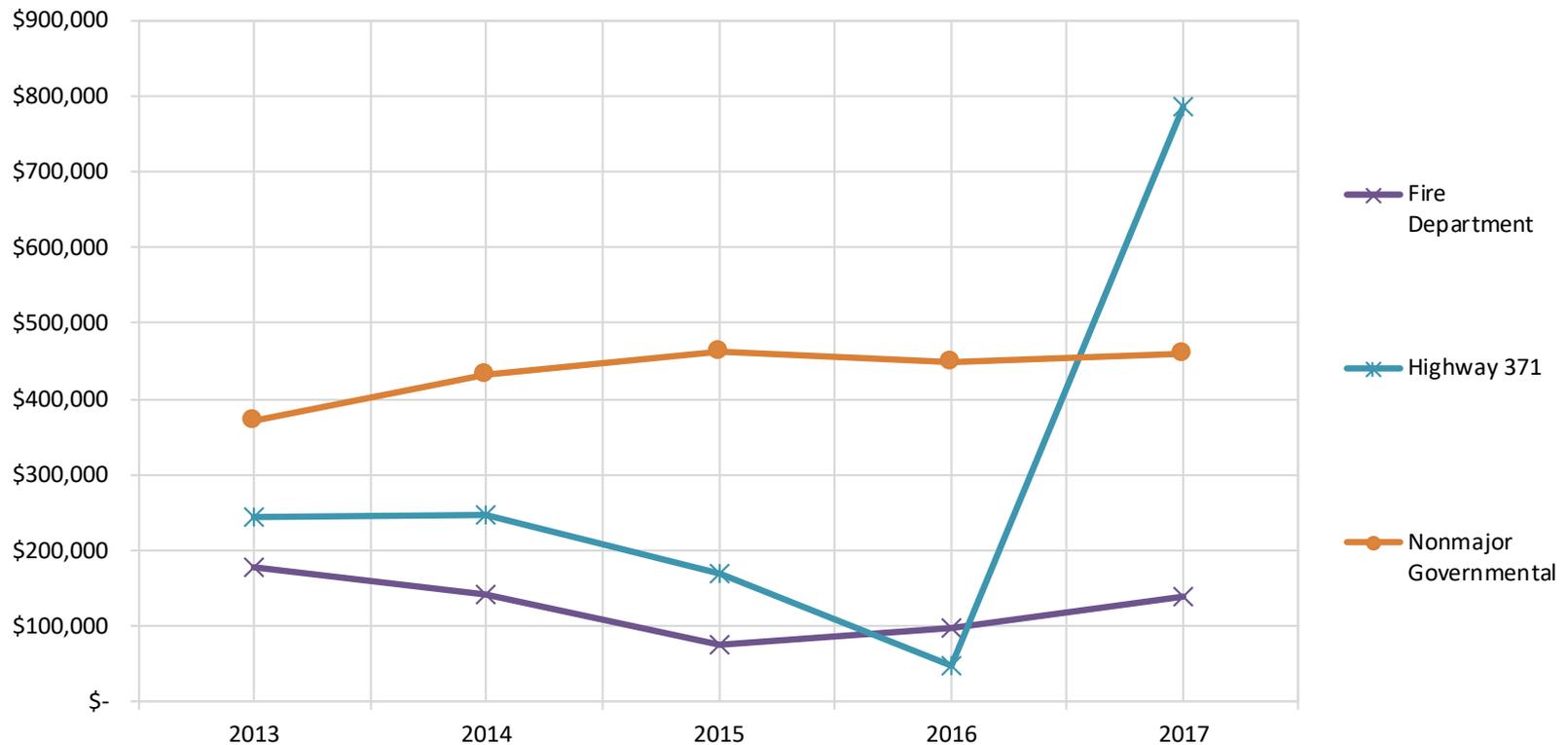


- Highway 371 Project Fund received reimbursements of \$776,000 from the County.
- Fire Department purchased turnout gear and equipment totaling \$175,000.

	Fire Department	Highway 371	Nonmajor Governmental
Revenues	\$ 147,901	\$ 822,114	\$ 82,632
Expenditures	336,705	94,678	72,870
Other Sources (Uses)	<u>204,400</u>	<u>-</u>	<u>2,182</u>
Change in Fund Balance	15,596	727,436	11,944
Fund Balance	\$ 108,445	\$ 782,468	\$ 485,846

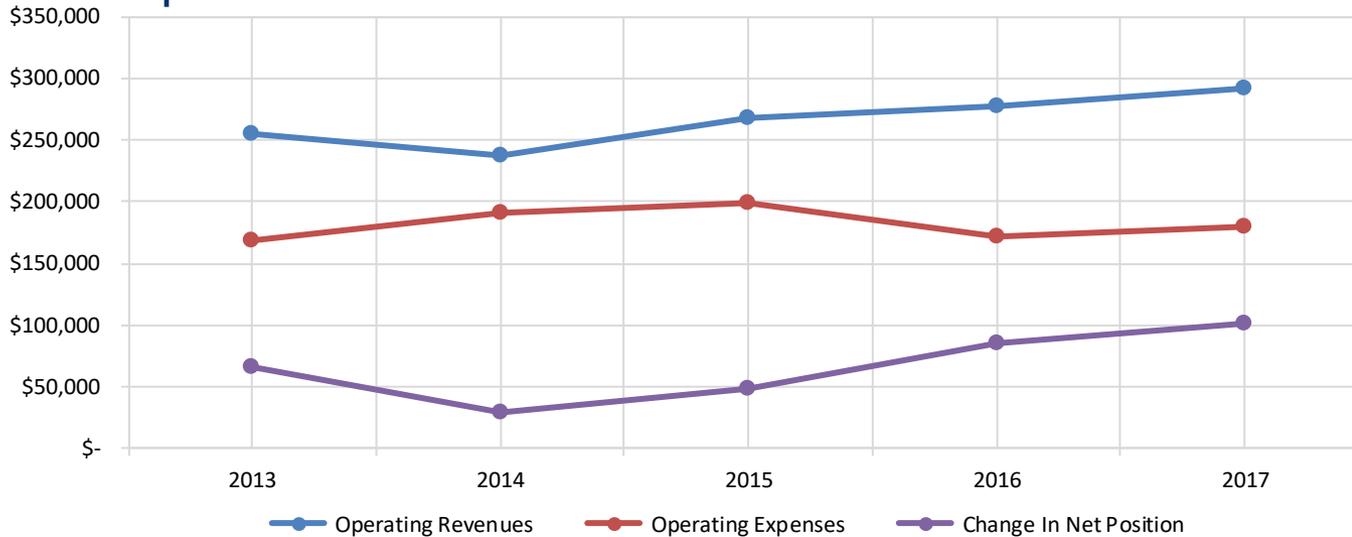
Financial Highlights

Governmental Funds – Cash Trend Analysis



Financial Highlights

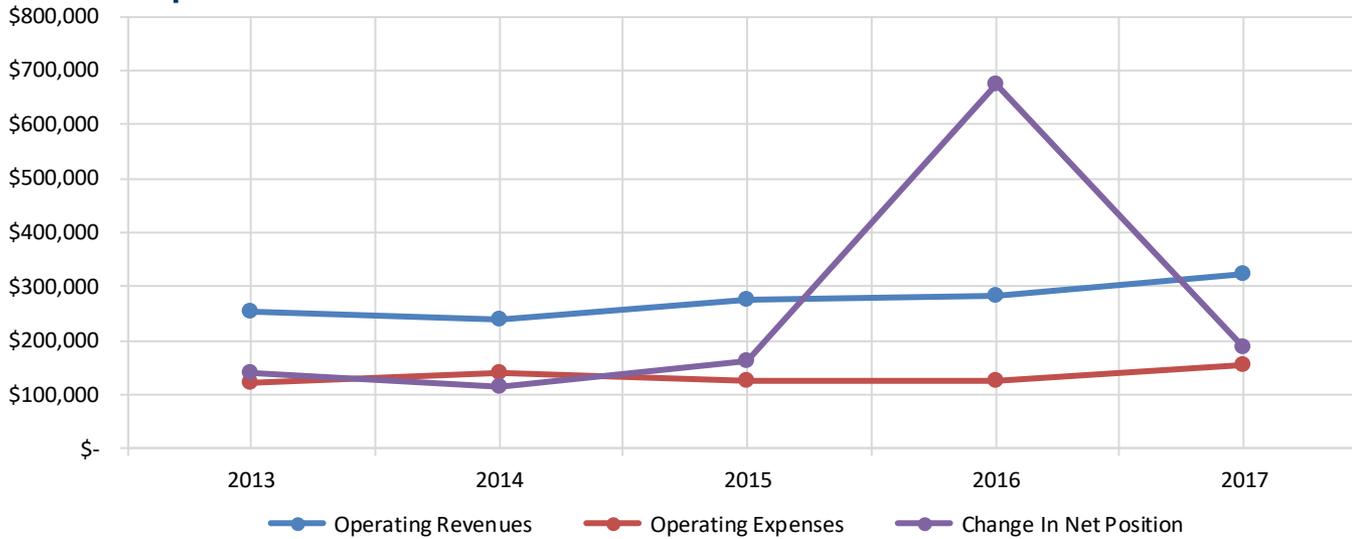
Water Enterprise Fund – Historical Trends



	2013	2014	2015	2016	2017
Operating Revenues	\$ 254,761	\$ 237,320	\$ 268,244	\$ 278,250	\$ 291,739
Operating Expenses	167,852	191,027	199,399	171,502	179,698
Operating Income (Loss)	86,909	46,293	68,845	106,748	112,041
Nonoperating Revenues & Transfers In	4,918	8,185	5,377	3,144	13,949
Nonoperating Expenses & Transfers Out	25,786	25,474	25,143	24,621	24,081
Change in Net Position	\$ 66,041	\$ 29,004	\$ 49,079	\$ 85,271	\$ 101,909
Ending Net Position	\$ 765,428	\$ 794,432	\$ 828,121	\$ 913,392	\$ 1,015,301

Financial Highlights

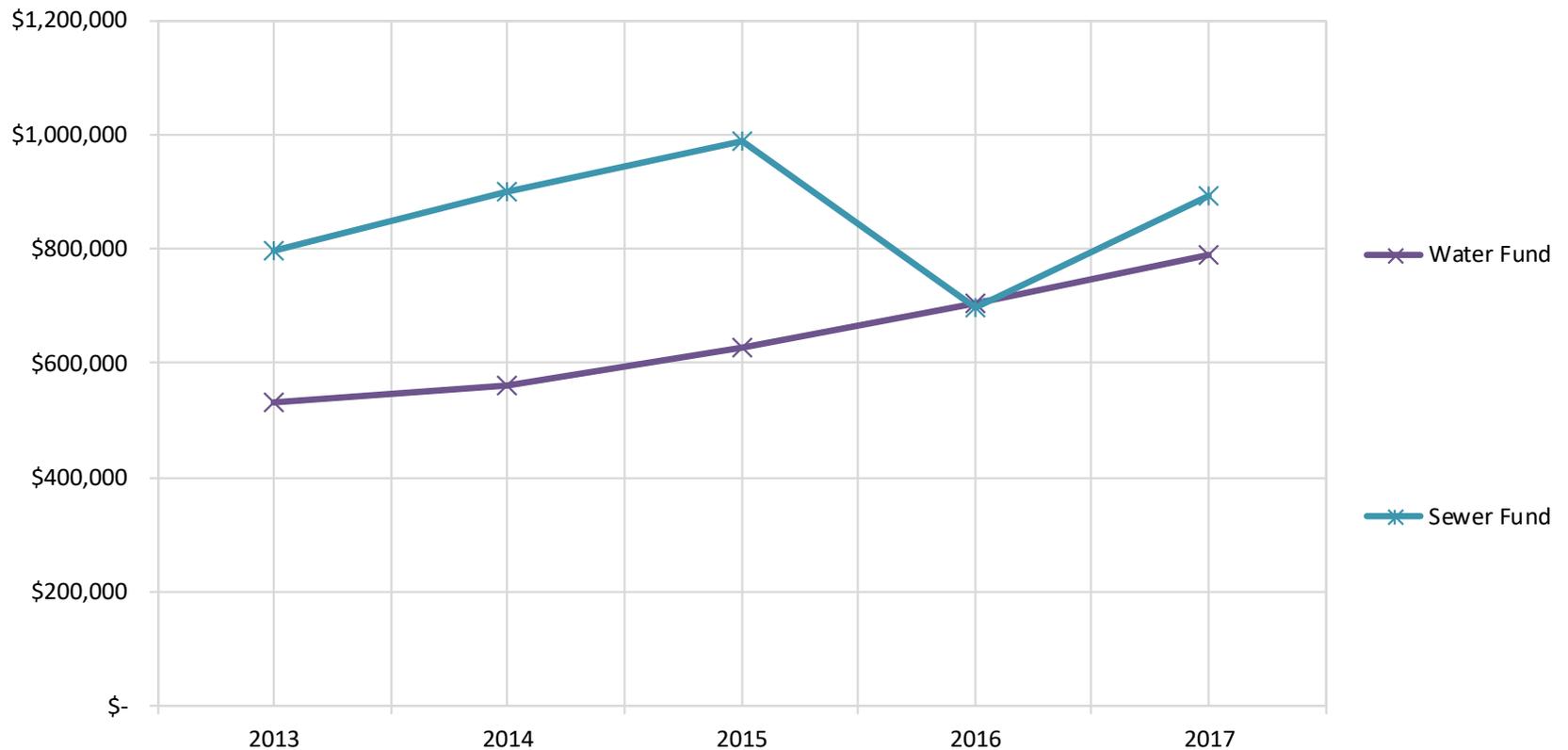
Sewer Enterprise Fund – Historical Trends



	2013	2014	2015	2016	2017
Operating Revenues	\$ 254,167	\$ 237,671	\$ 276,342	\$ 283,340	\$ 322,796
Operating Expenses	122,765	141,057	124,832	125,180	156,107
Operating Income (Loss)	131,402	96,614	151,510	158,160	166,689
Nonoperating Revenues & Transfers In	7,318	19,088	8,788	515,877	22,727
Nonoperating Expenses & Transfers Out	-	-	121	-	946
Change In Net Position	\$ 138,720	\$ 115,702	\$ 160,177	\$ 674,037	\$ 188,470
Ending Net Position	\$ 1,404,760	\$ 1,520,462	\$ 1,665,249	\$ 2,339,286	\$ 2,527,756

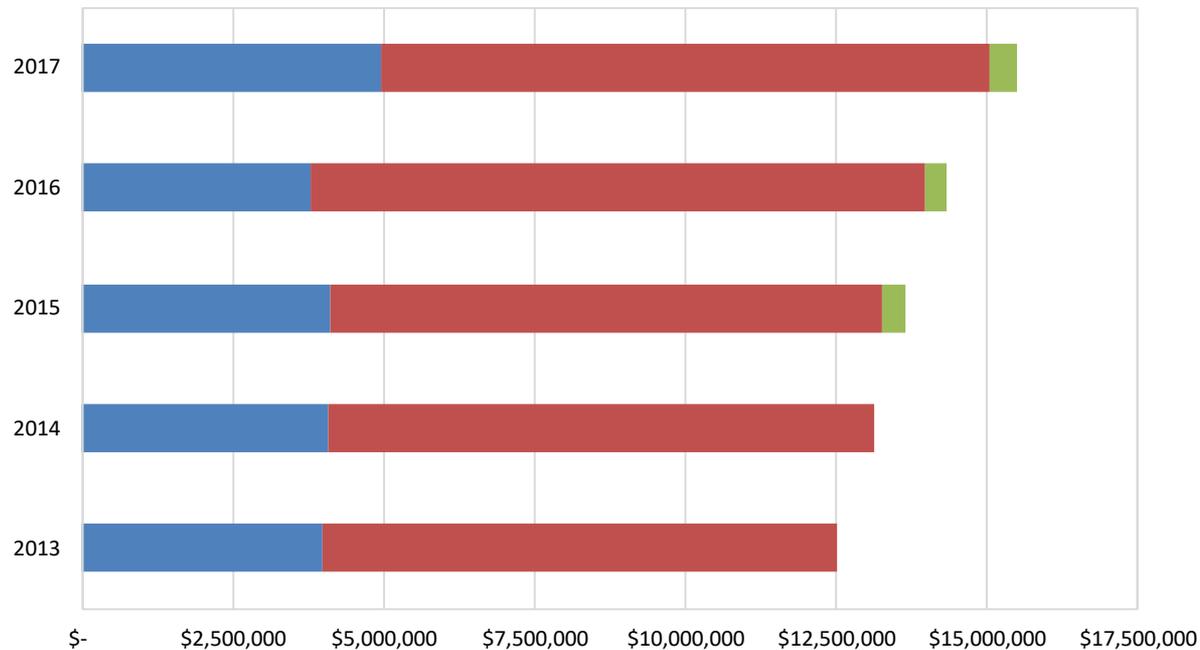
Financial Highlights

Business-Type Funds – Cash Trend Analysis



Financial Highlights

Total Government-Wide Assets



	2013	2014	2015	2016	2017
■ Current Assets	\$3,993,785	\$4,068,918	\$4,097,501	\$3,789,772	\$4,951,837
■ Capital/Noncurrent	\$8,524,304	\$9,087,506	\$9,180,743	\$10,211,115	\$10,105,451
■ Net Pension Asset	\$-	\$-	\$382,292	\$336,750	\$469,991

Financial Highlights

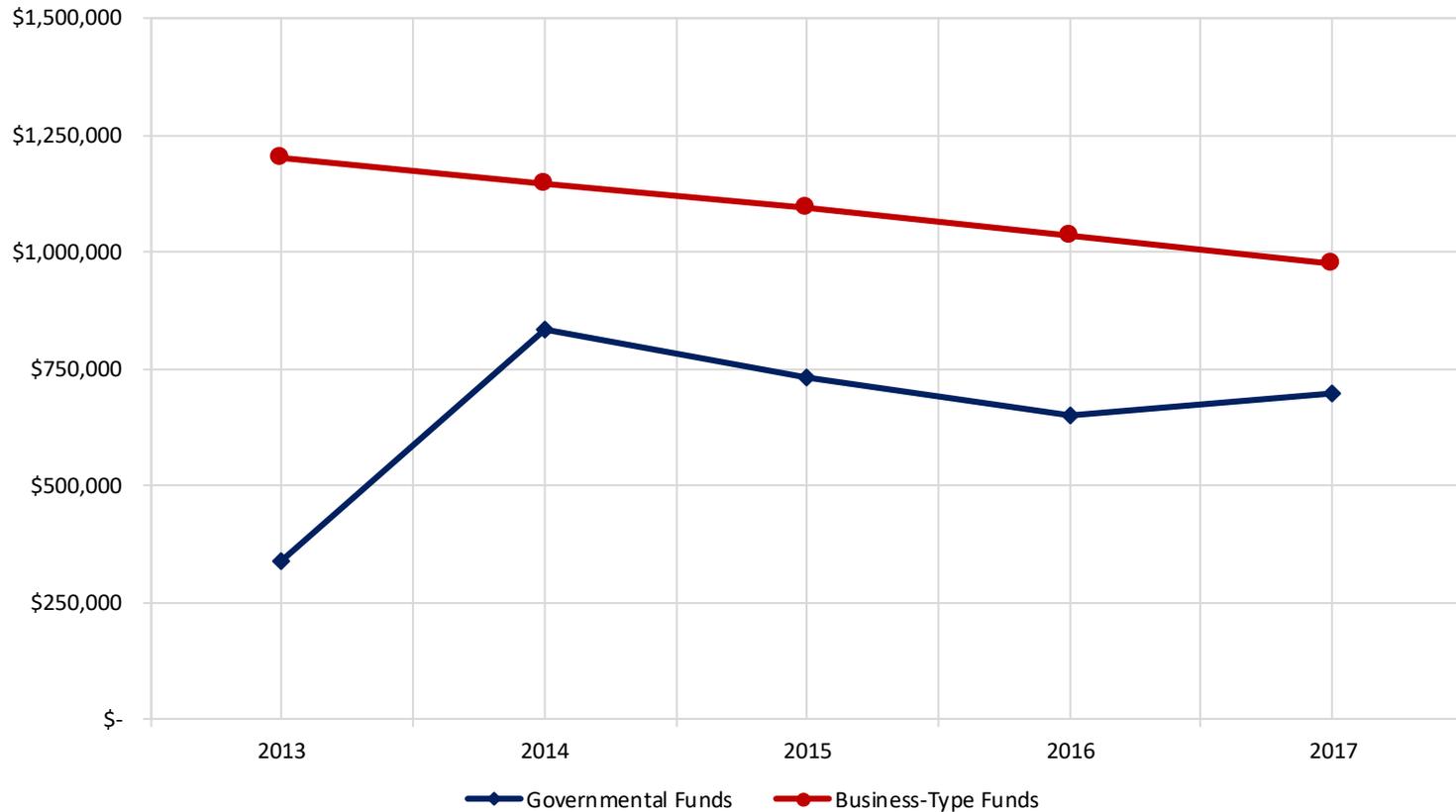
Total Government-Wide Liabilities



	2013	2014	2015	2016	2017
■ Current Liabilities	\$264,778	\$258,455	\$235,272	\$230,940	\$233,097
■ Debt/Noncurrent	\$1,584,486	\$2,021,836	\$1,868,600	\$1,732,483	\$1,723,157
■ Net OPEB Liability	\$130,820	\$148,682	\$166,623	\$183,896	\$200,409
■ Net Pension Liability	\$-	\$-	\$712,819	\$1,770,920	\$776,771

Financial Highlights

Long-Term Debt Outstanding



Questions?

Ryan Schmidt, CPA
Manager

Ph. 320-251-0286

rschmidt@swcogas.com