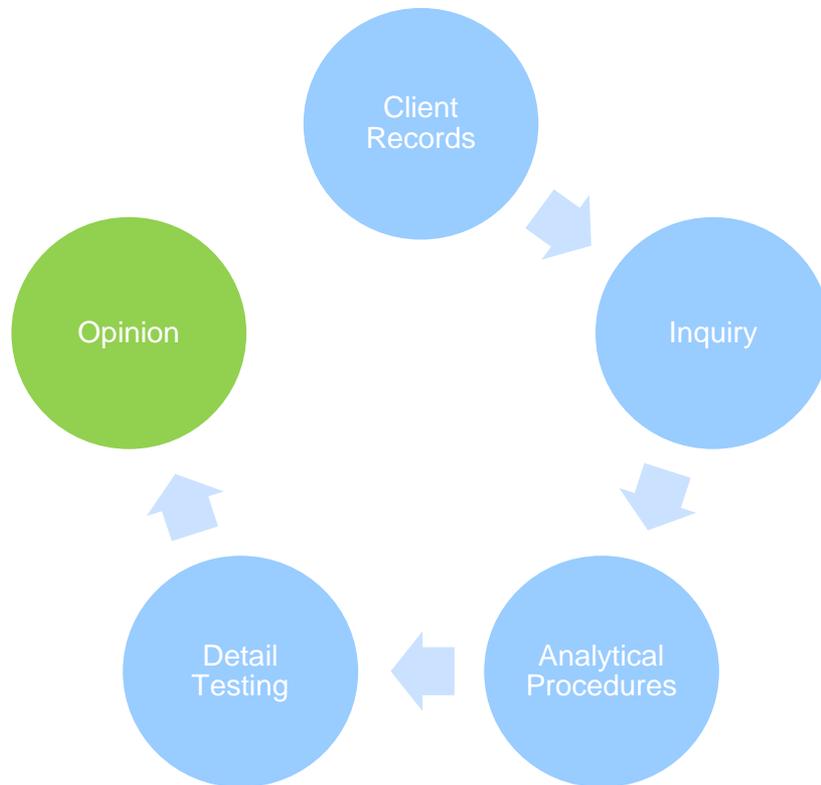


# City of Pequot Lakes, Minnesota

Presentation of the Audited Financial Statements

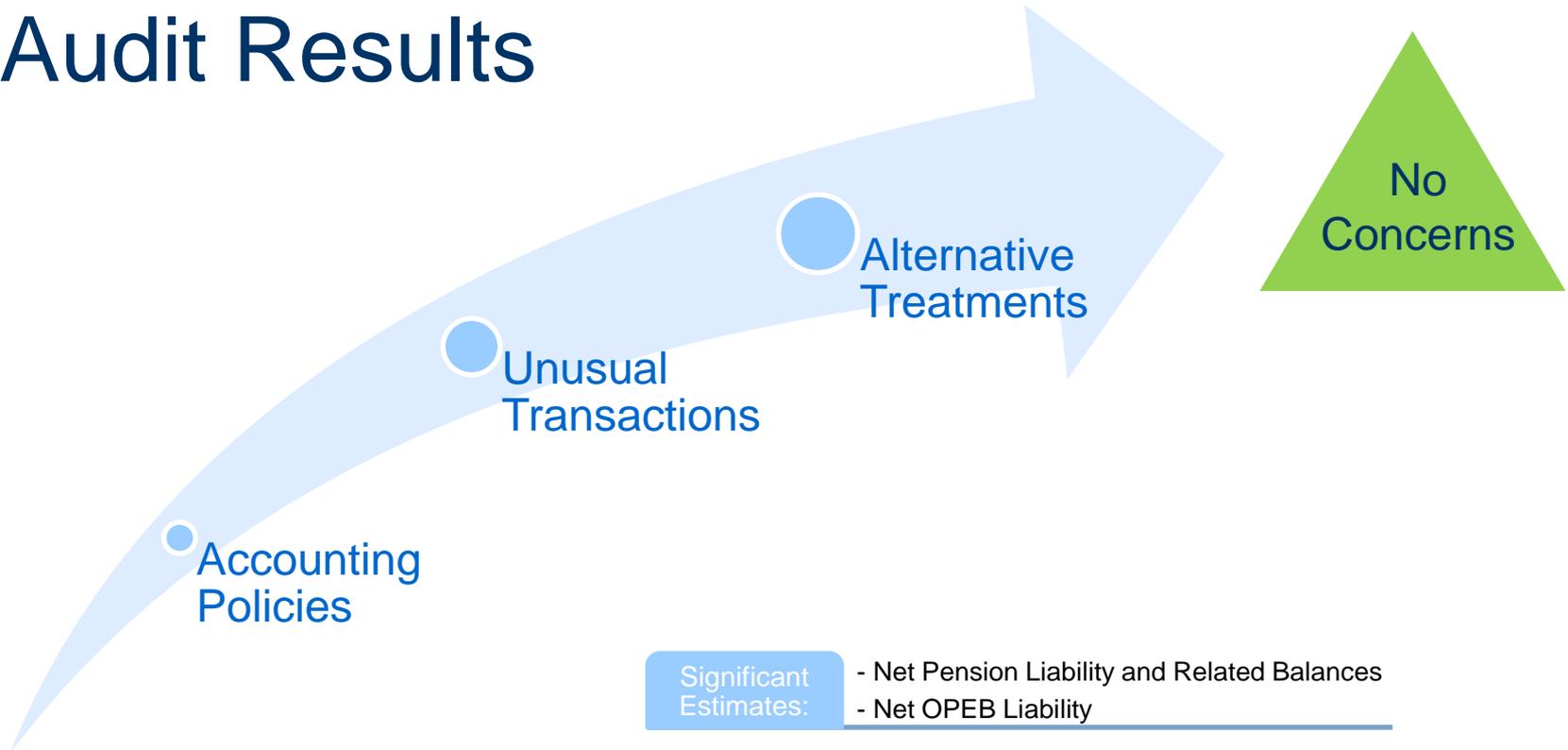
December 31, 2018

# Audit Process



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

# Audit Results



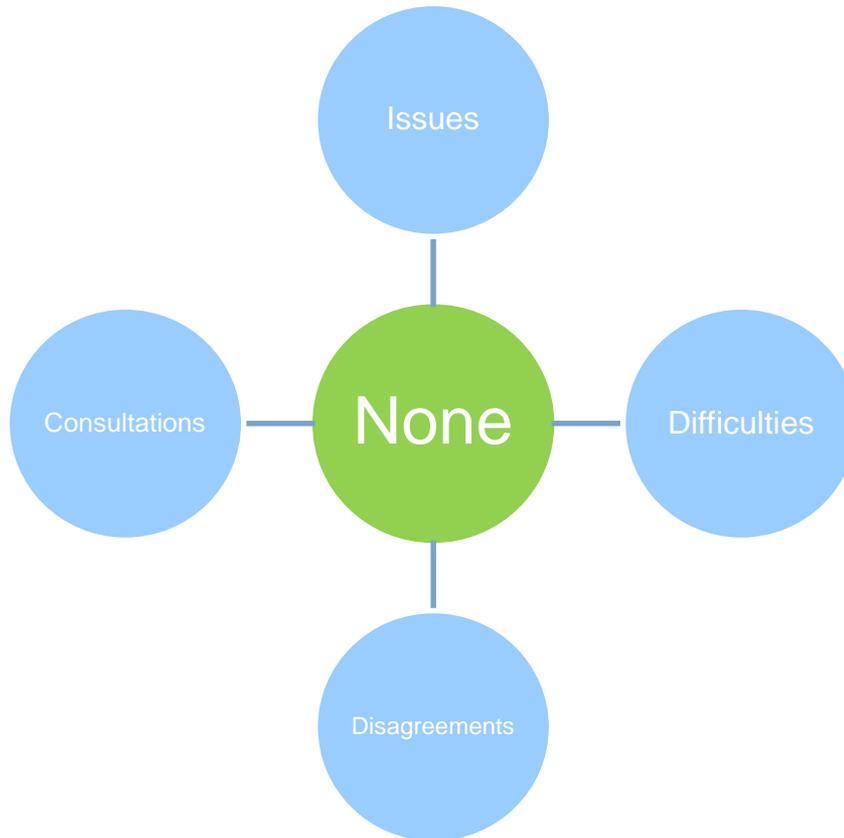
Significant Estimates:

- Net Pension Liability and Related Balances
- Net OPEB Liability

New Accounting Standards:

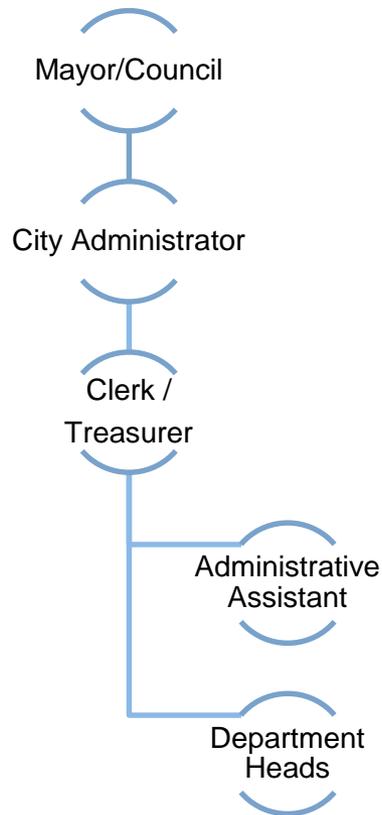
GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

# Audit Results (Continued)



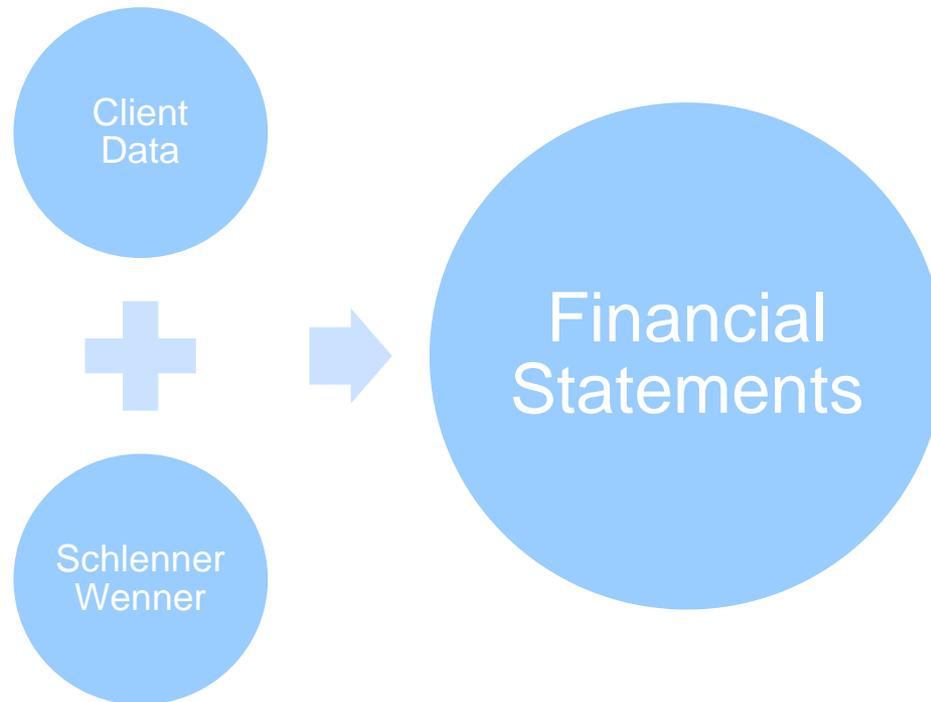
- We have a positive working relationship with the City's management and personnel.

# 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

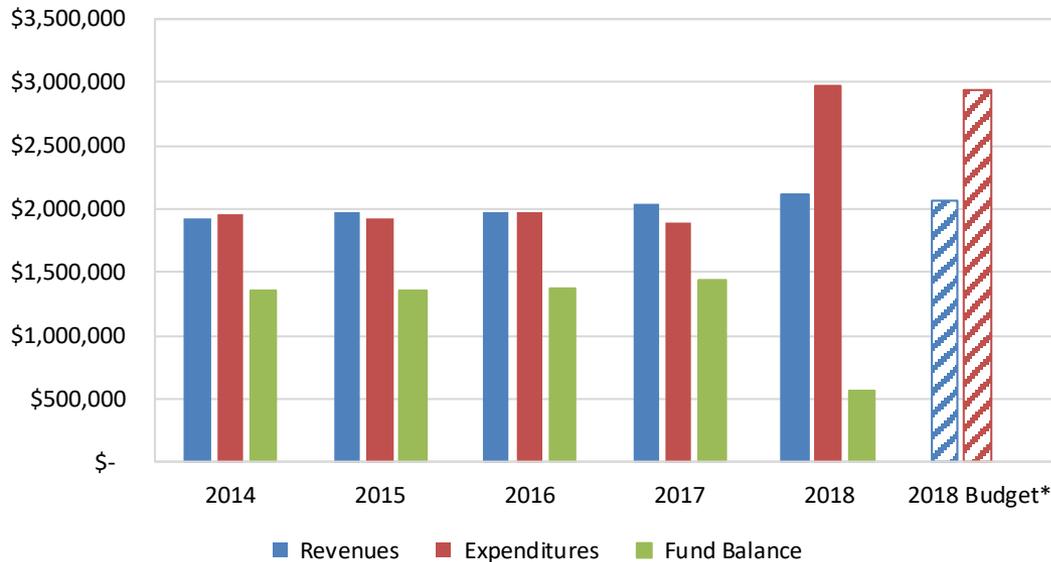


## Noncompliance Identified:

- ❑ Lack of Contractors Withholding Affidavit
- ❑ Late Fire Relief Payment

# Financial Highlights

## General Fund – Revenues and Expenditures



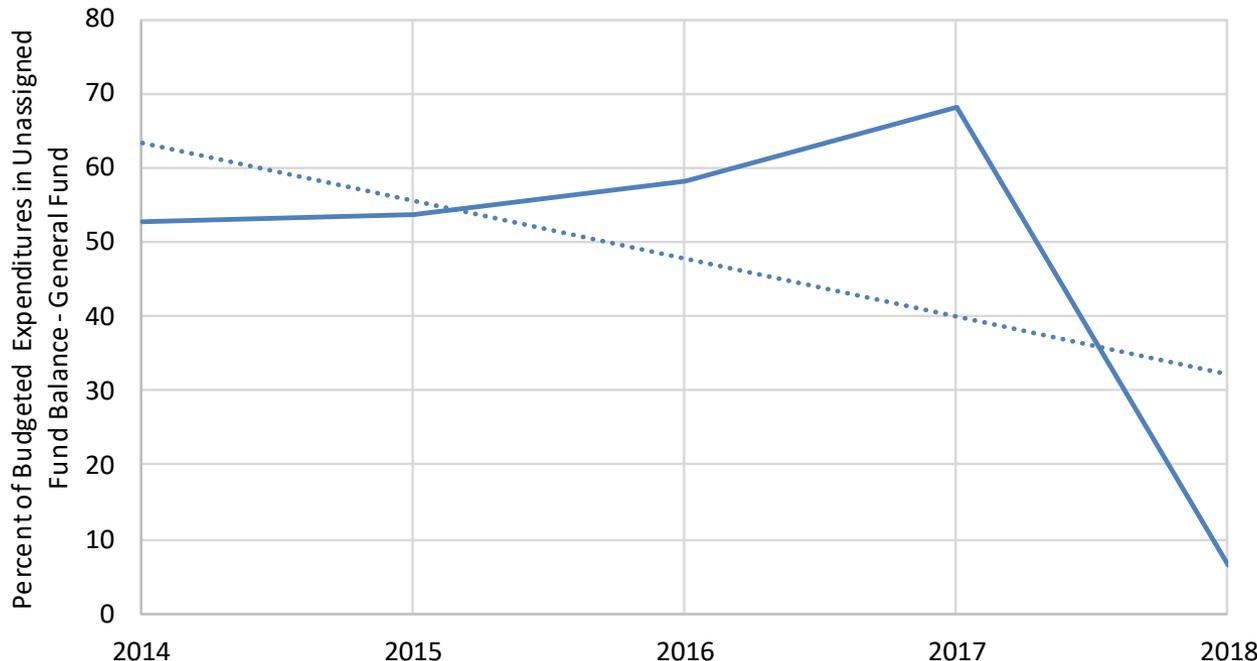
□ Decrease in fund balance due to capital improvement expenditures (maintenance facility).

\* Budgeted amounts shown here have been revised to exclude bond proceeds of \$1.96 million and additional capital outlay expenditures of \$5.36 million that were originally scheduled to occur in 2018.

	2014	2015	2016	2017	2018	2018 Budget*
Revenues	\$ 1,923,722	\$ 1,967,562	\$ 1,971,678	\$ 2,039,840	\$ 2,107,259	\$ 2,072,080
Expenditures	1,964,596	1,919,223	1,981,655	1,900,055	2,978,496	2,939,495
Other Financing Sources/Uses (Net)	7,081	(37,417)	16,844	(66,590)	-	-
Change in Fund Balance	(33,793)	10,922	6,867	73,195	(871,237)	(867,415)
Fund Balance	\$ 1,350,843	\$ 1,361,765	\$ 1,368,632	\$ 1,441,827	\$ 570,590	

# Financial Highlights

## General Fund – Percent of Expenditures in Unassigned Fund Balance

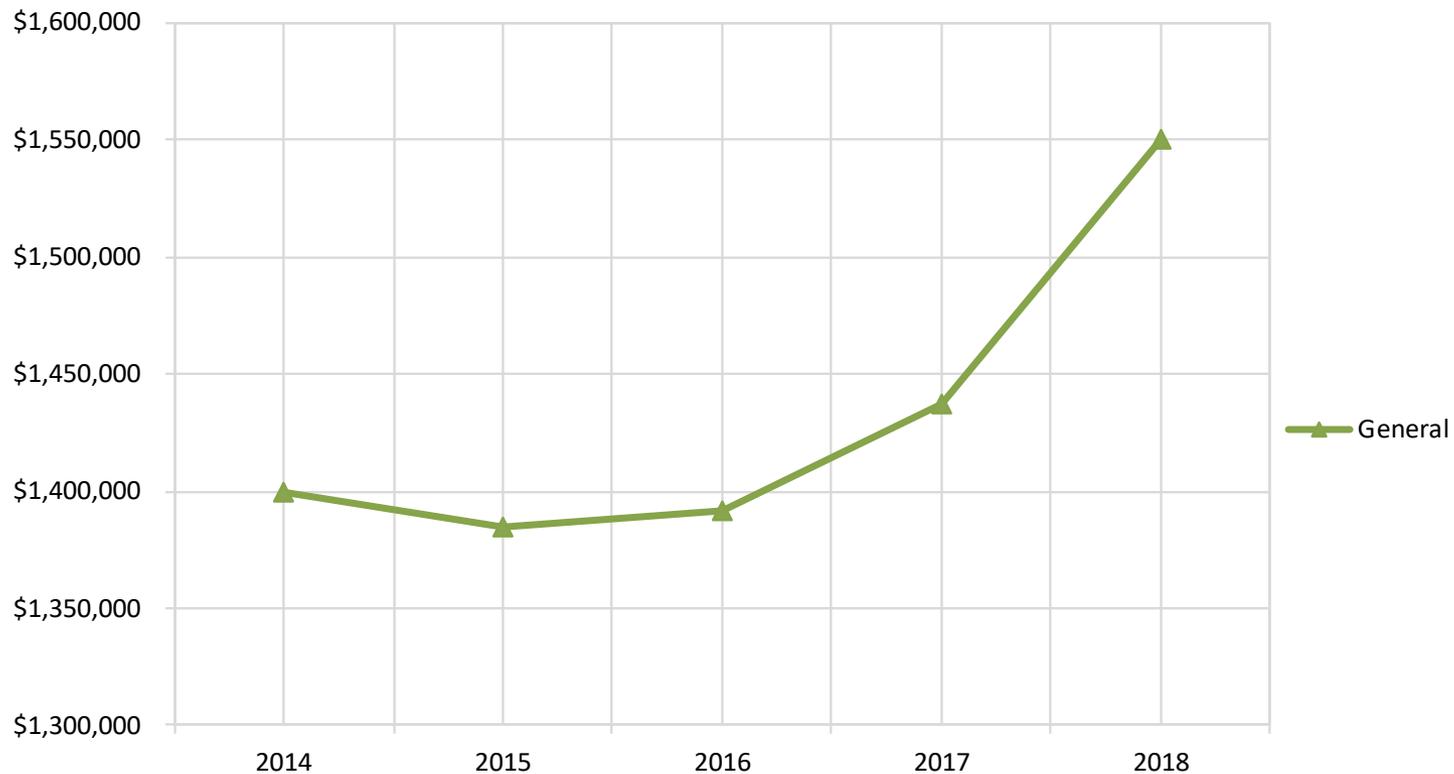


Year	%
2014	52.6
2015	53.7
2016	58.3
2017	68.3
2018	6.4

- City policy is to maintain a minimum unassigned general fund balance equal to approximately 50% of the following year's operating expenditures
- Amounts above include the 403 fund balance and activity

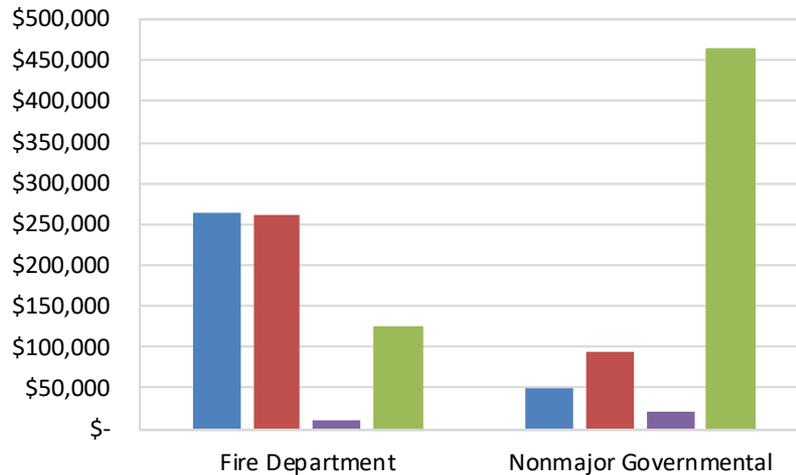
# Financial Highlights

## General Fund – Cash Trend Analysis

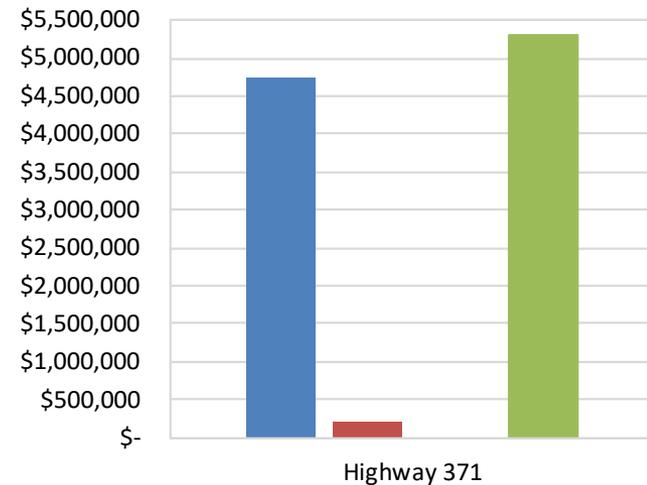


## Financial Highlights

### Remaining Governmental Funds – Revenues and Expenditures



■ Revenues                      ■ Expenditures  
■ Other Sources (Uses)   ■ Fund Balance



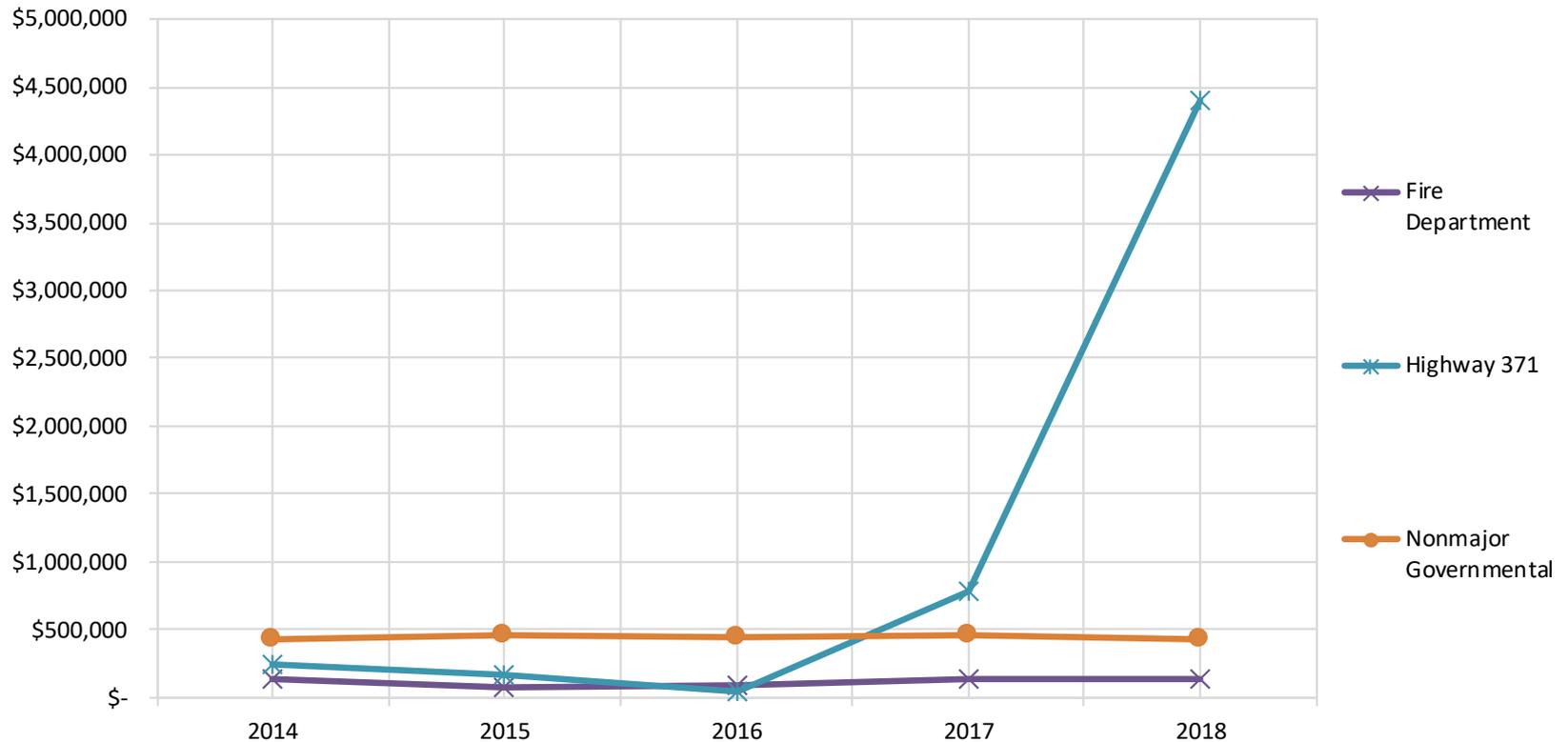
■ Revenues                      ■ Expenditures  
■ Other Sources (Uses)   ■ Fund Balance

	Fire Department	Highway 371	Nonmajor Governmental
Revenues	\$ 265,104	\$ 4,744,056	\$ 50,187
Expenditures	260,246	215,293	93,322
Other Sources (Uses)	10,941	-	22,119
Change in Fund Balance	15,799	4,528,763	(21,016)
Fund Balance	\$ 124,244	\$ 5,311,231	\$ 464,830

- Highway 371 Project Fund:
  - \$4,604,000 from State/County for road transfer agreement

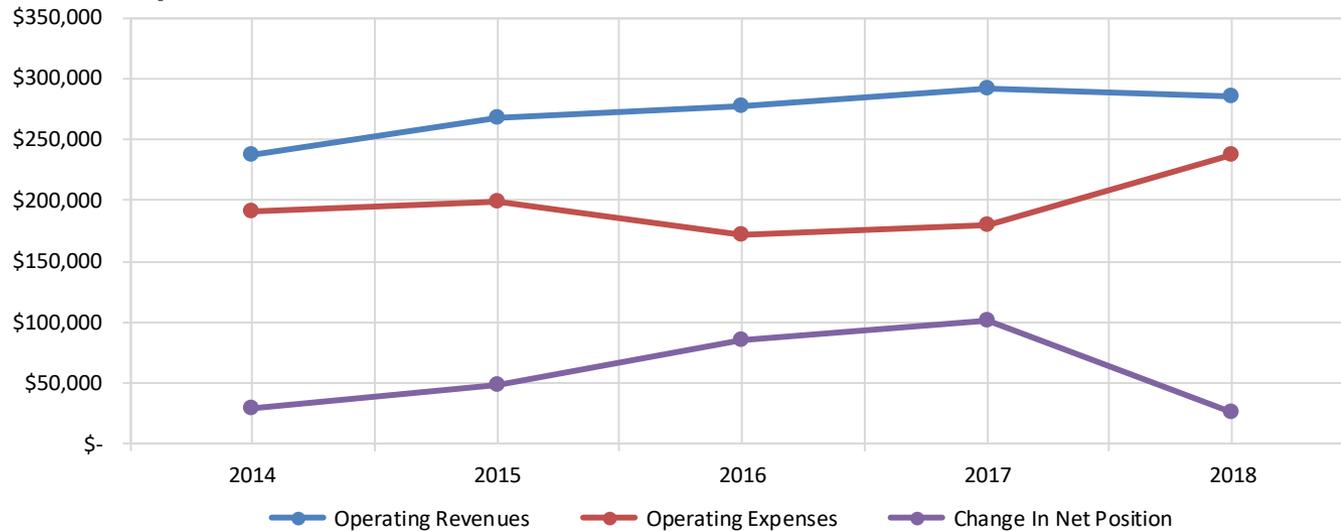
# Financial Highlights

## Governmental Funds – Cash Trend Analysis



# Financial Highlights

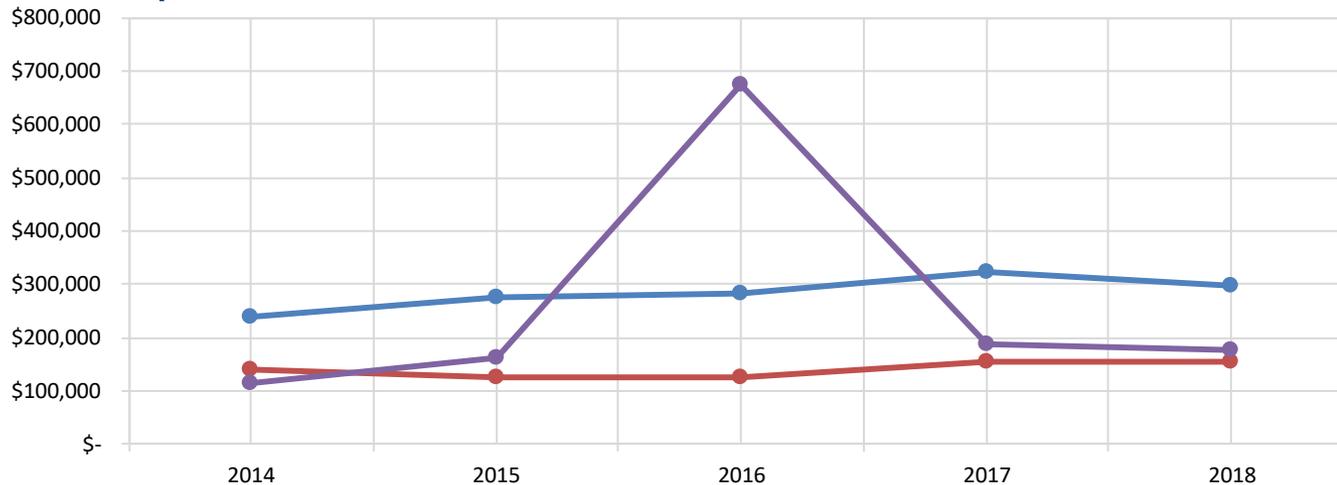
## Water Enterprise Fund – Historical Trends



	2014	2015	2016	2017	2018
Operating Revenues	\$ 237,320	\$ 268,244	\$ 278,250	\$ 291,739	\$ 285,341
Operating Expenses	191,027	199,399	171,502	179,698	237,397
Operating Income (Loss)	46,293	68,845	106,748	112,041	47,944
Nonoperating Revenues & Transfers In	8,185	5,377	3,144	13,949	19,420
Nonoperating Expenses & Transfers Out	25,474	25,143	24,621	24,081	44,555
Change in Accounting Principle	-	-	-	-	3,370
<b>Change In Net Position</b>	<b>\$ 29,004</b>	<b>\$ 49,079</b>	<b>\$ 85,271</b>	<b>\$ 101,909</b>	<b>\$ 26,179</b>
<b>Ending Net Position</b>	<b>\$ 794,432</b>	<b>\$ 828,121</b>	<b>\$ 913,392</b>	<b>\$ 1,015,301</b>	<b>\$ 1,041,480</b>

## Financial Highlights

### Sewer Enterprise Fund – Historical Trends

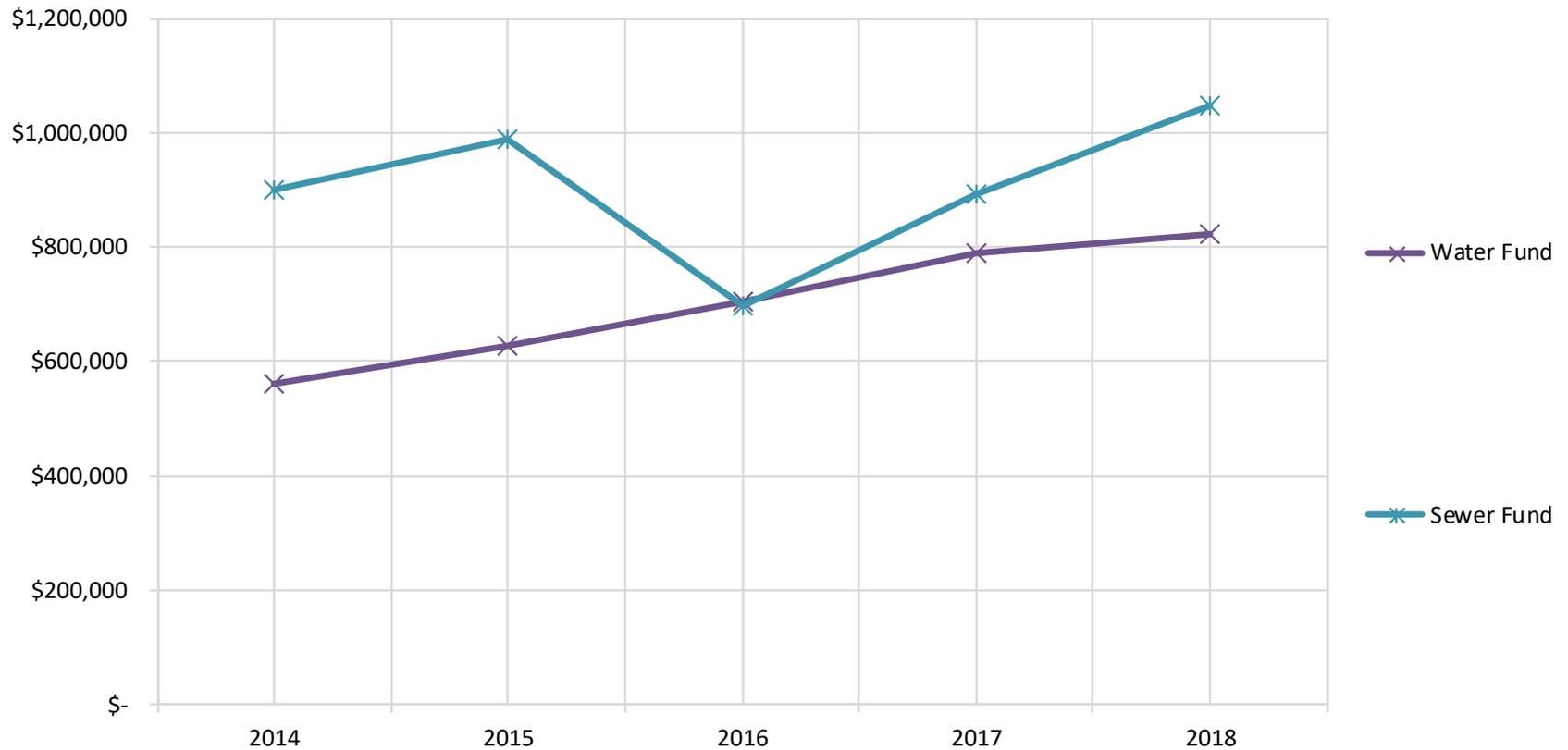


— Operating Revenues — Operating Expenses — Change In Net Position

	2014	2015	2016	2017	2018
Operating Revenues	\$ 237,671	\$ 276,342	\$ 283,340	\$ 322,796	\$ 298,740
Operating Expenses	141,057	124,832	125,180	156,107	152,977
Operating Income (Loss)	96,614	151,510	158,160	166,689	145,763
Nonoperating Revenues & Transfers In	19,088	8,788	515,877	21,781	25,786
Nonoperating Expenses & Transfers Out	-	121	-	-	-
Change in Accounting Principle	-	-	-	-	3,370
<b>Change In Net Position</b>	<b>\$ 115,702</b>	<b>\$ 160,177</b>	<b>\$ 674,037</b>	<b>\$ 188,470</b>	<b>\$ 174,919</b>
<b>Ending Net Position</b>	<b>\$ 1,520,462</b>	<b>\$ 1,665,249</b>	<b>\$ 2,339,286</b>	<b>\$ 2,527,756</b>	<b>\$ 2,702,675</b>

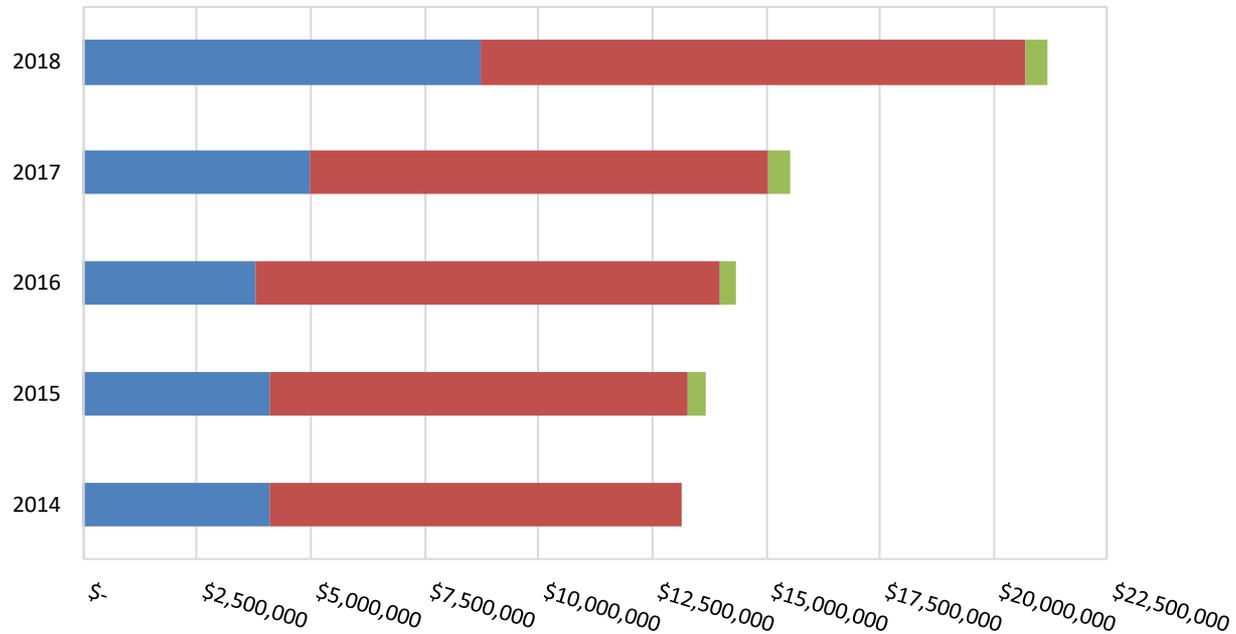
# Financial Highlights

## Business-Type Funds – Cash Trend Analysis



## Financial Highlights

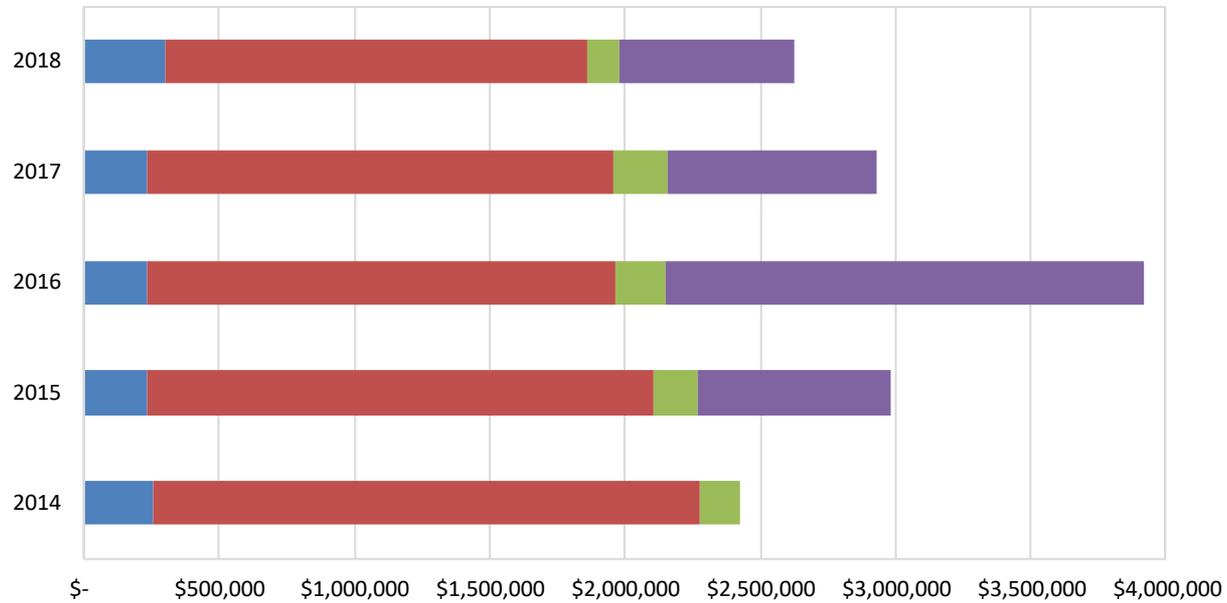
### Total Government-Wide Assets



	2014	2015	2016	2017	2018
■ Current Assets	\$4,068,918	\$4,097,501	\$3,789,772	\$4,951,837	\$8,732,752
■ Capital/Noncurrent	\$9,087,506	\$9,180,743	\$10,211,115	\$10,105,451	\$11,946,225
■ Net Pension Asset	\$-	\$382,292	\$336,750	\$469,991	\$483,953

# Financial Highlights

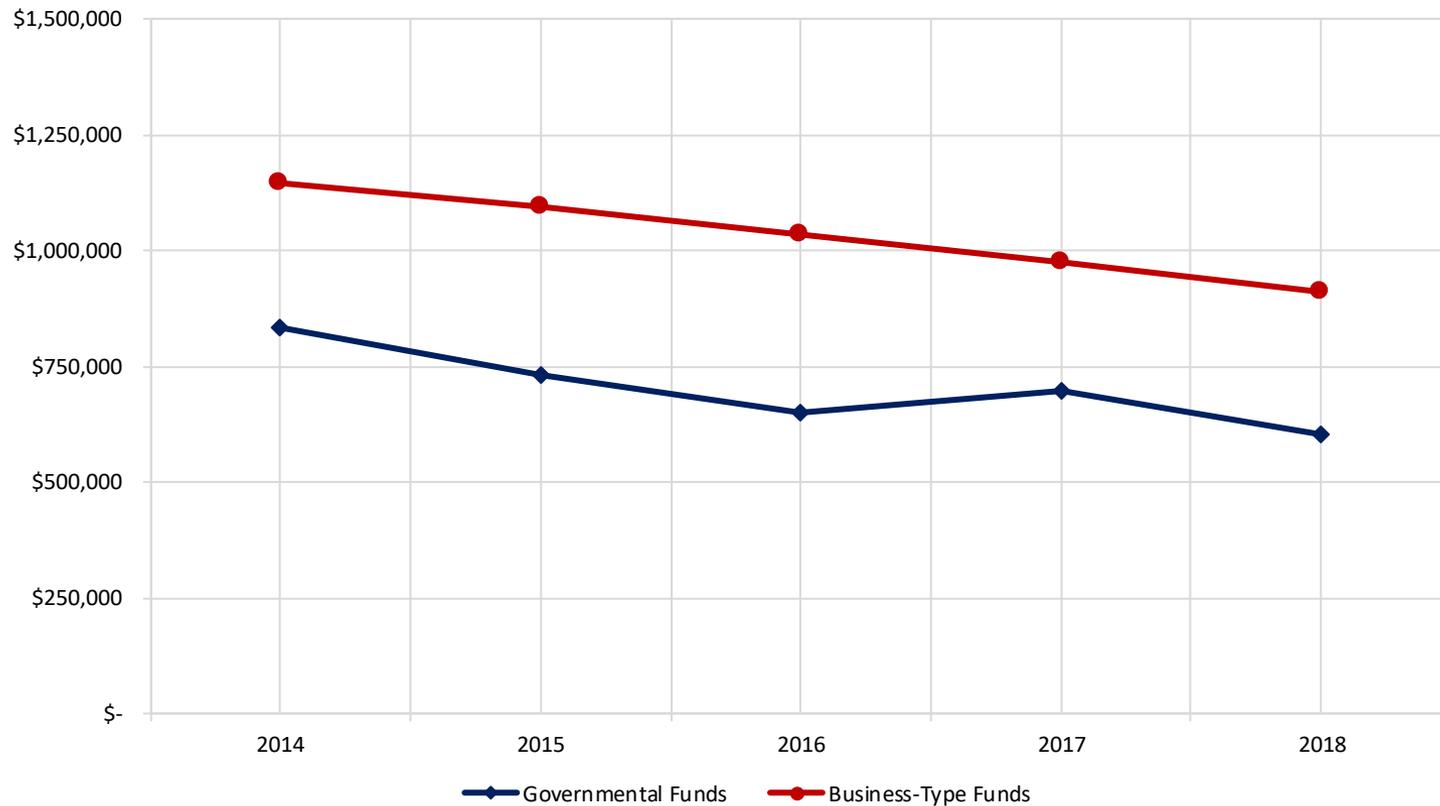
## Total Government-Wide Liabilities



	2014	2015	2016	2017	2018
■ Current Liabilities	\$258,455	\$235,272	\$230,940	\$233,097	\$300,617
■ Debt/Noncurrent	\$2,021,836	\$1,868,600	\$1,732,483	\$1,723,157	\$1,563,133
■ Net OPEB Liability	\$148,682	\$166,623	\$183,896	\$200,409	\$117,982
■ Net Pension Liability	\$-	\$712,819	\$1,770,920	\$776,771	\$642,159

# Financial Highlights

## Long-Term Debt Outstanding



## Questions?

Ryan Schmidt, CPA  
Manager

Ph. 320-251-0286

[rschmidt@swcogas.com](mailto:rschmidt@swcogas.com)