

# City of Ranier, Minnesota

December 31, 2019

Exit Conference: Auditor Communications

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Create Opportunities

# Agenda

- Introduction
- Required Communications
- Internal Control Communications
- Minnesota Legal Compliance
- Financial Results
- Key Issues/Summary



# Required Communications

- See separate letter required by Statements on Auditing Standards



# Internal Control Communications

*Material Weaknesses* – deficiencies in internal control such that there is a reasonable possibility that a material misstatement would not be prevented or detected and corrected on a timely basis

- Financial Statement Preparation
- Segregation of Duties
- Audit Adjustments

*Note: Same in prior year*



# Internal Control Communications (Continued)

*Significant Deficiencies* – deficiencies in internal control that are less severe than material weaknesses, yet important enough to merit attention by those charged with governance

- Exclusion for PERA (Already corrected in January 2020)

*Note: None in prior year*



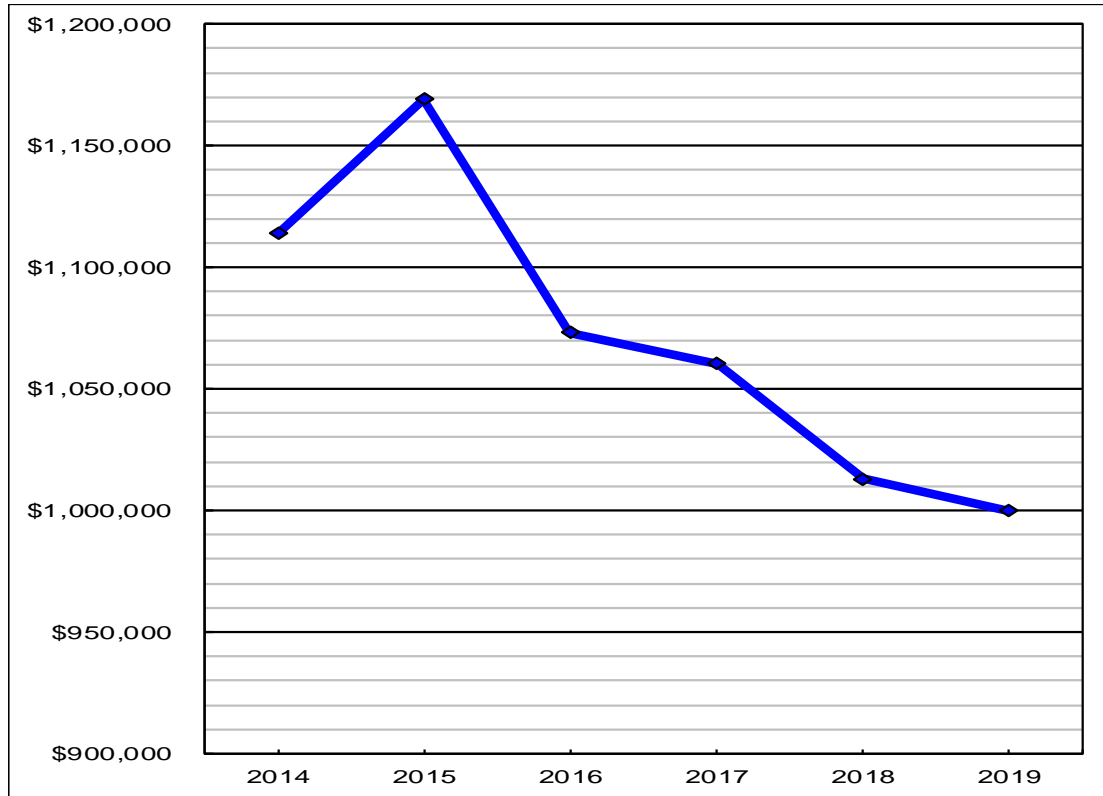
# Minnesota Legal Compliance

- We tested the City's compliance with the seven legal compliance categories (i.e., cash and investments, bonded indebtedness, contracting, tax increment financing, etc.) as required by the Minnesota Office of the State Auditor, to determine that the City complied with the applicable Minnesota Statutes
- 2019 Findings
  - None

Note: None in 2018



# Financial Results



## Total Activities

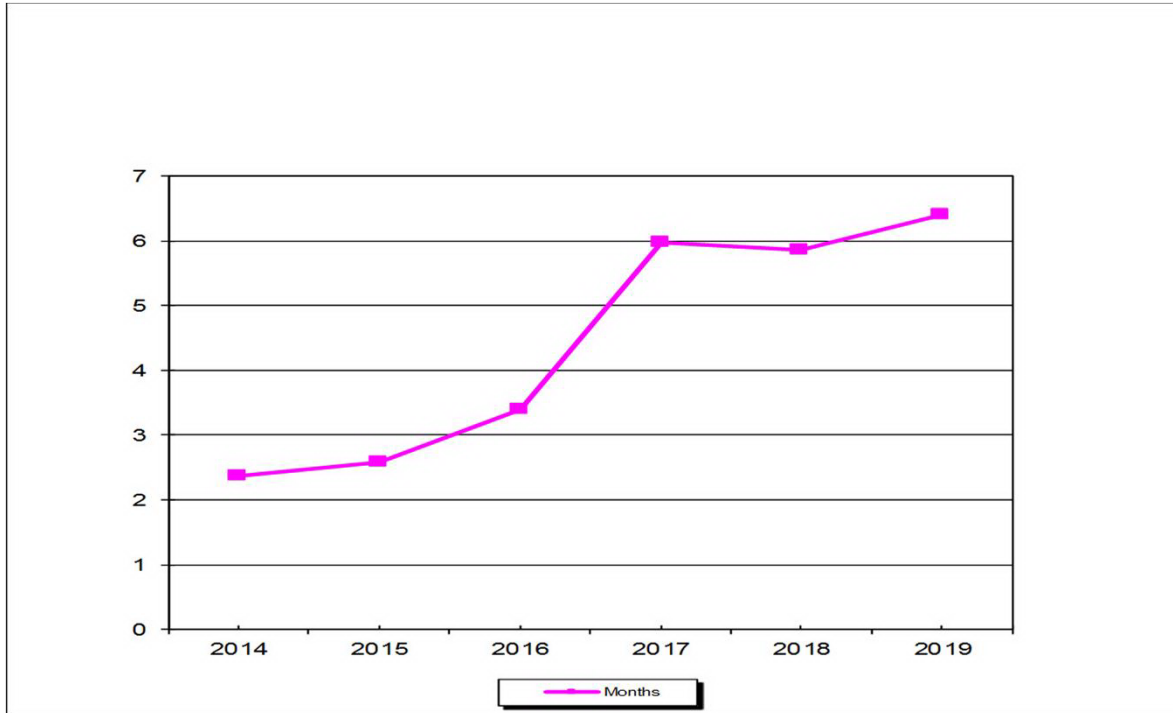
- Net Position decreased approximately \$13K
- 4th year in a row that Net Position has decreased
- \$873,857 is reported as Net Investment in Capital Assets

Year	Net Position	Change	Unrestricted Net	
			Position	% Unrestricted
2014	\$ 1,113,844	\$ (219,781)	\$ 633,616	57 %
2015	1,169,040	55,196	613,934	53
2016	1,073,254	(95,786)	(266,408)	(25)
2017	1,060,239	(13,015)	160,170	15
2018	1,012,972	(47,267)	(567,293)	(44)
2019	999,843	(13,129)	(117,641)	(12)



# Financial Results

## General Fund



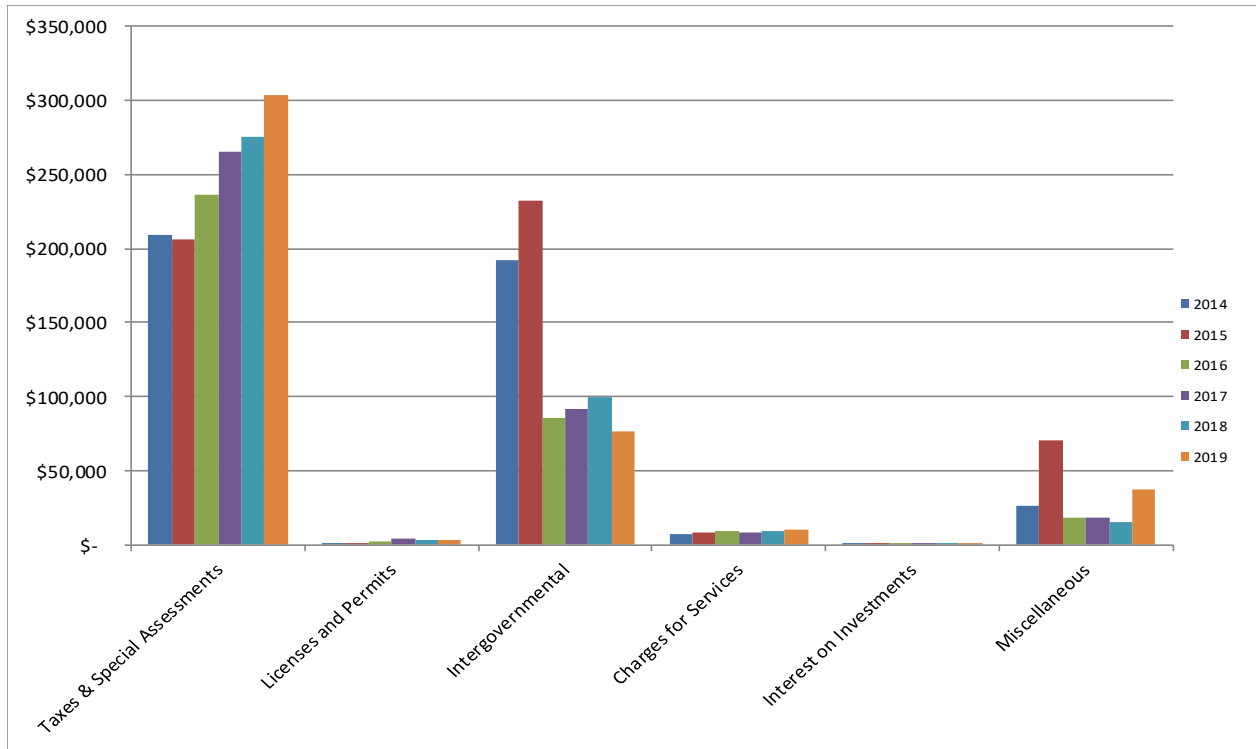
Year	Months
2014	2.37
2015	2.58
2016	3.40
2017	5.97
2018	5.86
2019	6.41

- Total Fund Balance
  - \$198,603
- Unassigned Fund Balance
  - \$196,635
- Approximately 6.4 Months of Expenditures in Unassigned Fund Balance
- Recommend at least 5 months of expenditures
- 52% of total annual revenues





# Financial Results – Governmental Fund Revenues



- Revenue breakdown by type usually consistent from year-to-year, tax revenue increase due to a higher tax levy
- Taxes and IGR account for 93%, up 5% from 2018

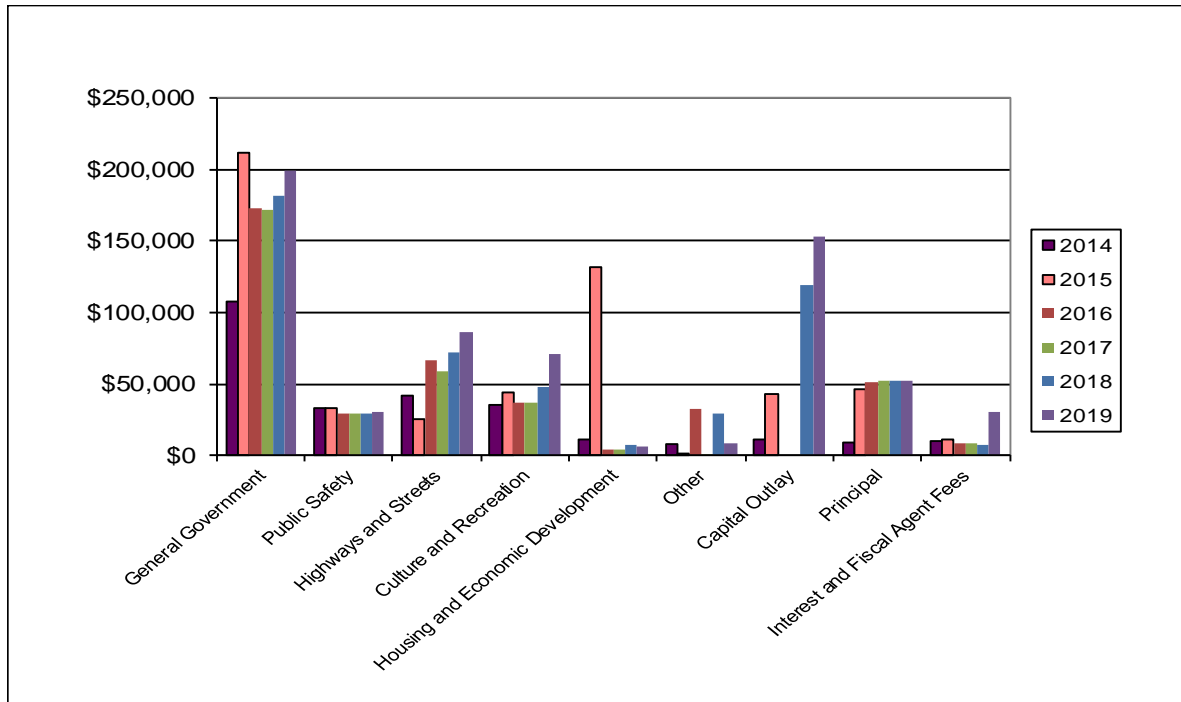
	2014	2015	2016	2017	2018	2019
Taxes & Special Assessments	\$ 209,664	\$ 206,376	\$ 236,022	\$ 264,950	\$ 275,473	\$ 303,373
Licenses and Permits	1,548	1,692	2,485	4,073	3,372	3,447
Intergovernmental	191,793	232,685	85,597	91,524	99,512	76,780
Charges for Services	7,580	8,045	8,904	7,995	9,462	10,500
Interest on Investments	6	10	11	9	27	14
Miscellaneous	26,330	70,335	18,629	18,061	15,091	37,098
<b>Total</b>	<b>\$ 436,921</b>	<b>\$ 519,143</b>	<b>\$ 351,648</b>	<b>\$ 386,612</b>	<b>\$ 402,937</b>	<b>\$ 431,212</b>



# Financial Results

## Governmental Fund Expenditures

- Expenditures increased \$93,835 from prior year
- Culture and Recreation expenditures increased 47% (\$22K) from prior year
- Capital Outlay increased approximately \$33K compared to 2018

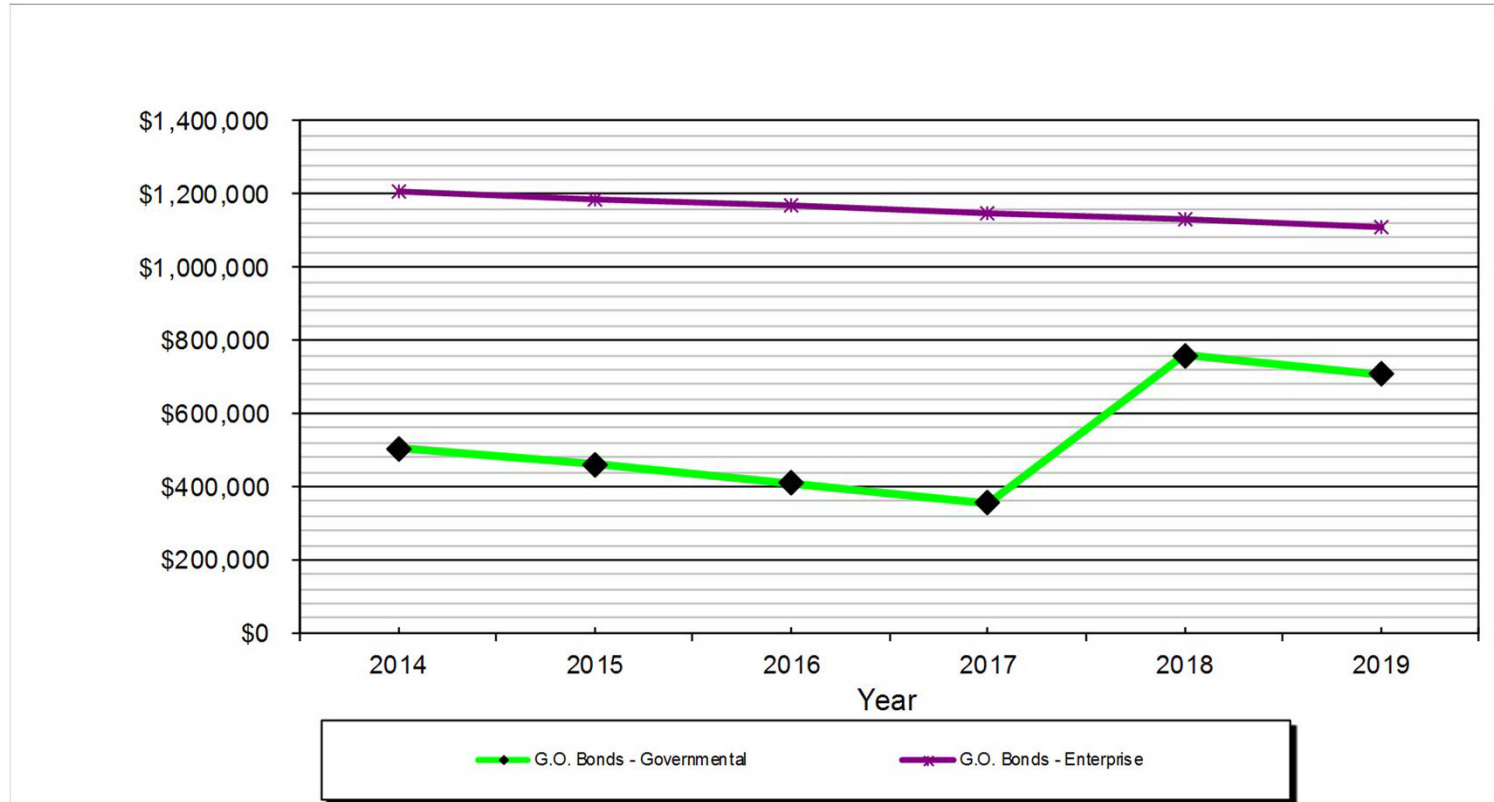


	2014	2015	2016	2017	2018	2019
General Government	\$ 107,290	\$ 212,253	\$ 172,573	\$ 171,632	\$ 181,499	\$ 198,794
Public Safety	33,100	33,100	29,500	29,500	29,500	31,000
Highways and Streets	41,684	25,768	67,012	58,635	71,713	86,888
Culture and Recreation	36,034	44,412	37,467	36,804	48,209	70,869
Housing and Economic Development	11,982	132,032	4,091	4,304	7,554	6,775
Other	8,719	31	32,543	1,322	29,098	8,737
Capital Outlay	11,687	43,664	-	-	119,486	153,252
Principal	9,600	46,000	51,000	52,000	52,000	53,000
Interest and Fiscal Agent Fees	10,834	11,040	9,017	8,311	7,463	31,042
	<u>\$ 270,930</u>	<u>\$ 548,300</u>	<u>\$ 403,203</u>	<u>\$ 362,508</u>	<u>\$ 546,522</u>	<u>\$ 640,357</u>



# Financial Results

## Long-Term Liabilities - All Funds

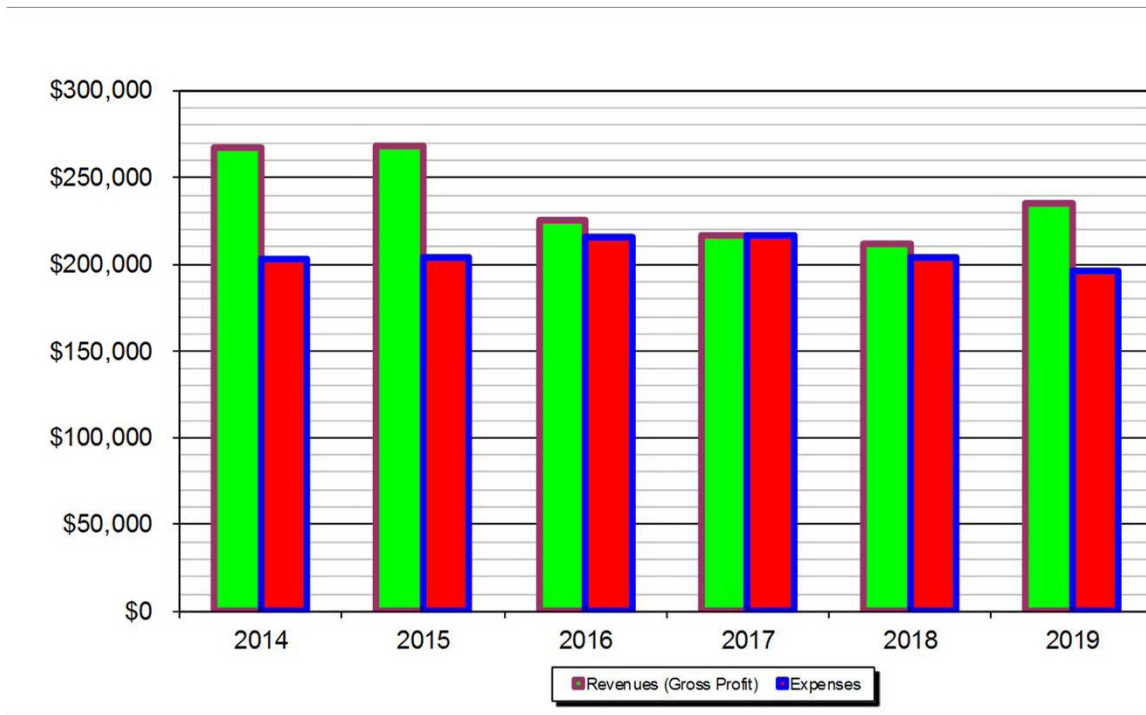


	2014	2015	2016	2017	2018	2019
G.O. Bonds - Governmental	\$ 504,000	\$ 459,823	\$ 408,632	\$ 356,441	\$ 760,250	\$ 707,059
G.O. Bonds - Enterprise	1,206,000	1,188,000	1,169,000	1,150,000	1,130,000	1,109,000
<b>Total</b>	<b>\$ 1,710,000</b>	<b>\$ 1,647,823</b>	<b>\$ 1,577,632</b>	<b>\$ 1,506,441</b>	<b>\$ 1,890,250</b>	<b>\$ 1,816,059</b>



# Financial Results

## Revenue and Expense Comparison – Liquor Fund



- Revenues increased \$22,894 in 2019 compared to 2018
- Expenses decreased \$7,818 in 2019 compared to 2018
- \$20K again transferred out of Liquor Fund in 2019 to support General Government operations

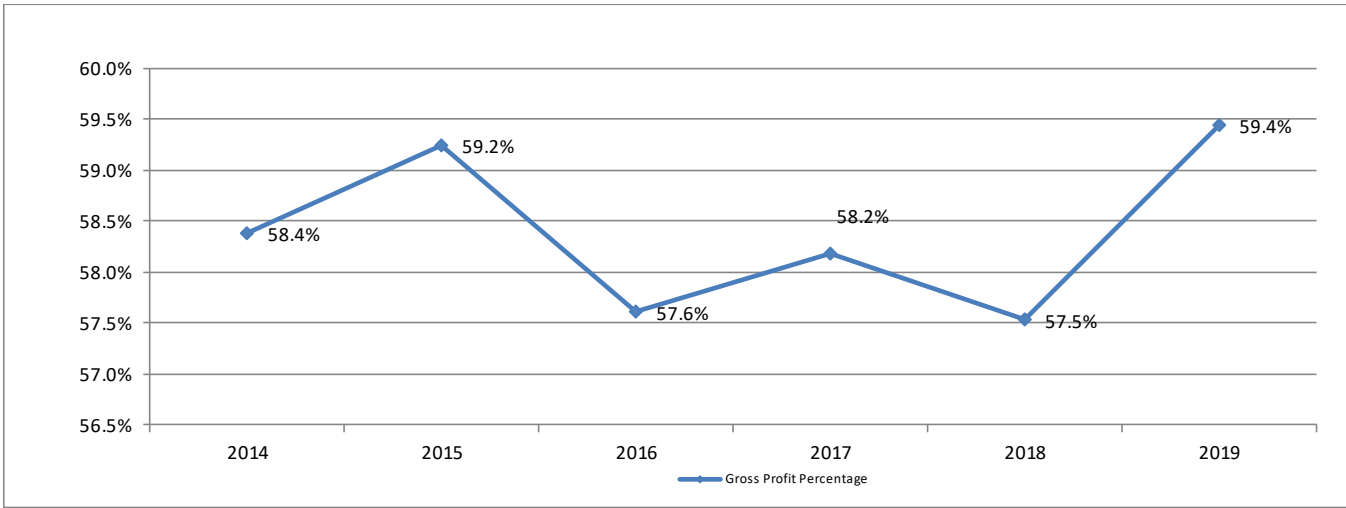
	2014	2015	2016	2017	2018	2019
Revenues (Gross Profit)	\$ 266,922	\$ 267,984	\$ 225,806	\$ 217,186	\$ 211,860	\$ 234,754
Expenses	202,979	204,530	216,087	216,768	204,473	196,655
Operating Revenue/(Loss)	63,943	63,454	9,719	418	7,387	38,099



# Financial Results

## Gross Profit Percentage – Liquor Fund

- Gross Profit Percentage increased by 1.9% in 2019 compared to 2018 (prior year showed a 0.6% decrease)
- Liquor Fund Net Position increased \$28,868 after transfers out of \$20,000
- Ranier ranked in top 9 in Gross Profit/(Loss) as a Percent of Sales in 2018 with a Gross Profit Percentage of 57.5%, the state-wide average was 42.5% in 2017, slight decrease from this for 2018 to 57.5%
- Ranier ranked #116 in Net Profit/(Loss) as a Percent of Sales in 2017
- 2016 Analysis of Municipal Liquor Store Operations, OSA, pages 16 and 27

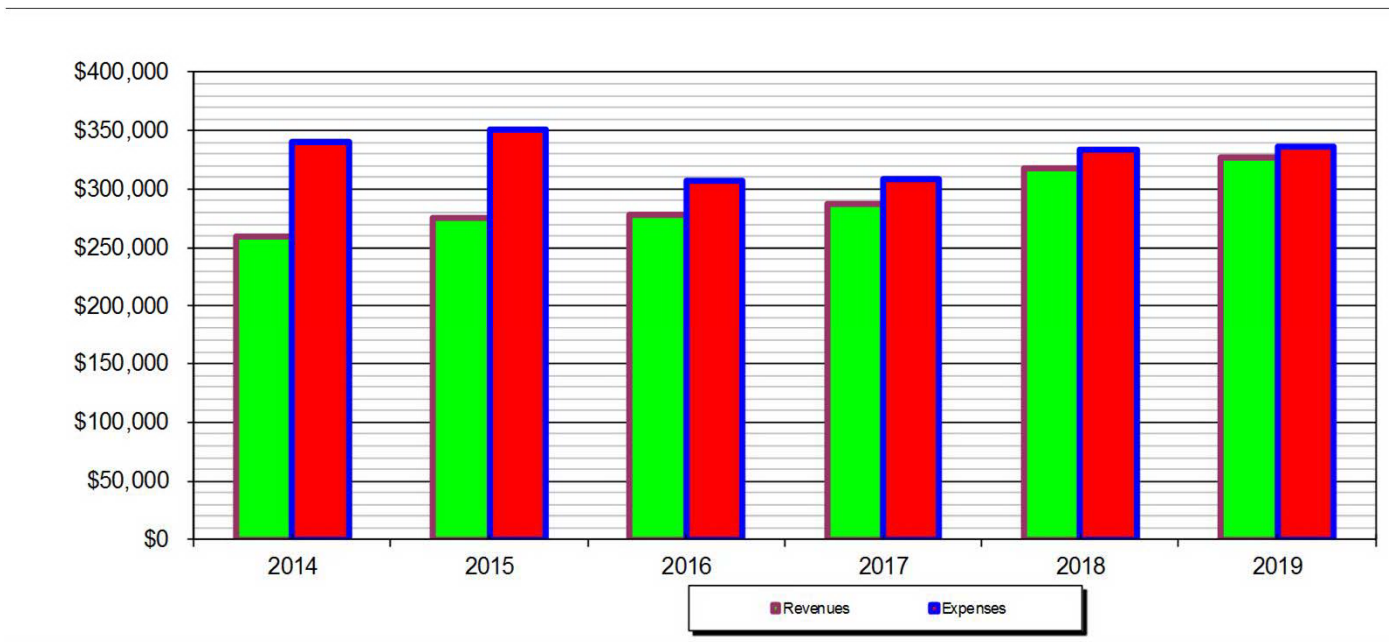


	2014	2015	2016	2017	2018	2019
Sales	\$ 451,019	\$ 446,265	\$ 391,947	\$ 373,341	\$ 368,271	\$ 394,900
Cost of Goods Sold	187,702	181,871	166,141	156,155	156,411	160,146
Gross Profit	\$ 263,317	\$ 264,394	\$ 225,806	\$ 217,186	\$ 211,860	\$ 234,754
Gross Profit Percentage	58.4%	59.2%	57.6%	58.2%	57.5%	59.4%

# Financial Results

## Revenue and Expense Comparison – Water and Sewer Fund

- Revenues increased \$10,123 in 2019 compared to 2018
- Expenses increased \$3,006 in 2019 compared to 2018



Note: Water and Sewer Fund is not covering operating costs with revenues received, has not shown a gross profit in at least past 8 years. This is primarily due to water rates not covering costs

	2014	2015	2016	2017	2018	2019
Revenues	\$ 259,532	\$ 275,985	\$ 278,546	\$ 287,933	\$ 317,323	\$ 327,446
Expenses	340,727	351,391	307,337	308,637	333,409	336,415
Operating Revenue/(Loss)	(81,195)	(75,406)	(28,791)	(20,704)	(16,086)	(8,969)



## Key Issues/Summary

- Months expenditures in unrestricted Fund Balance in the General Fund is 6.41 months, recommend at least 5 months
- Water and Sewer Utility Enterprise Fund posted loss in past 8 years
- Liquor Store Fund posted \$48,868 profit before transfers
- Liquor Fund change in Net Position (after transfers of \$20,000) is approximately (\$28,868)



# Thank you to all for allowing us to serve you!

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