

CITY OF BIG LAKE
Sherburne County, Minnesota

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

CITY OF BIG LAKE
TABLE OF CONTENTS

ELECTED OFFICIALS AND ADMINISTRATION	1	
INDEPENDENT AUDITOR’S REPORT	2	
MANAGEMENT’S DISCUSSION AND ANALYSIS	5	
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements:		
Statement of Net Position	16	
Statement of Activities.....	18	
Fund Financial Statements:		
Balance Sheet – Governmental Funds	19	
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	20	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	22	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	23	
Statement of Net Position – Proprietary Funds.....	24	
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	25	
Statement of Cash Flows – Proprietary Funds	26	
Notes to the Financial Statements	27	
SUPPLEMENTARY INFORMATION		
Combining Balance Sheet – Nonmajor Governmental Funds	54	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	60	
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	68	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>		71
REPORT ON LEGAL COMPLIANCE	73	
SCHEDULE OF FINDINGS AND RESPONSES ON INTERNAL CONTROL AND LEGAL COMPLIANCE	74	

CITY OF BIG LAKE

**ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2013**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Raeanne Danielowski	Mayor	December 31, 2016
Richard Backlund	Council Member	December 31, 2014
Nick Christenson	Council Member	December 31, 2016
Seth Hansen	Council Member	December 31, 2016
Mike Wallen	Council Member	December 31, 2014
<u>Administration</u>		
Todd Bodem	City Administrator	Appointed



Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Big Lake
Big Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2013, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 65

As discussed in Note 12 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Big Lake's basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014 on our consideration of the City of Big Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Big Lake's internal control over financial reporting and compliance.

Kern, Dewenter, Viere, Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
April 11, 2014

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

As management of the City of Big Lake (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended in December 31, 2013. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 53,184,434. Of this amount, \$ 2,611,654 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position decreased \$ 1,901,094 from the prior year. Of that decrease, 84% was attributable to governmental activities and 16% attributable to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 7,421,989, a decrease of \$ 4,319,173 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 2,047,571 or 50%, of the total General Fund expenditures and transfers out.
- The City's total bonded debt decreased by \$ 6,085,692 during the current fiscal year. Two current refundings were done in 2013. The 2013A G.O. Taxable TIF Bonds were issued to refund the 2010B G.O. Temporary Taxable TIF Bonds that matured November 15, 2013. The 2013B G.O. Taxable Tax Abatement Bonds were issued to refund the balance of the 2008 EDA Lease Revenue Bonds and to provide financing for the purchase of the Big Lake Community Service Center.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (uncollected taxes and earned but unused vacation leave).

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, economic development, culture and recreation and interest/fiscal charges on long-term debt. The business-type activities of the City include water, sewer, storm sewer and liquor operations.

The government-wide financial statements include the City itself (known as the primary government). The Economic Development Authority (EDA), although legally separate, functions for all practical purposes as a department of the City and, therefore, has been included within the general government activities of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 38 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the 2008 Tax Lease Revenue Bond Fund, the G.O. Temporary Taxable Tax Increment Bond 2010B Fund and the Street Improvement Fund as they are considered to be a major funds. Data from the other 34 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with budget.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

The basic governmental fund financial statements can be found on pages 19-23 of this report.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, storm sewer and liquor operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, storm sewer and liquor operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-52 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 54-66 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 53,184,434 at the close of the most recent fiscal year.

Approximately 79% of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$ 2,611,654) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all but the unrestricted net position category of the governmental activities, and all categories for its water, sanitary sewer, storm sewer and liquor enterprises separately.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

City of Big Lake's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 13,087,709	\$ 18,705,303	\$ 7,083,972	\$ 7,254,360	\$ 20,171,681	\$ 25,959,663
Capital Assets	32,539,878	33,226,114	57,732,244	59,440,748	90,272,122	92,666,862
Total Assets	\$ 45,627,587	\$ 51,931,417	\$ 64,816,216	\$ 66,695,108	\$ 110,443,803	\$ 118,626,525
Noncurrent Liabilities Outstanding	\$ 20,683,314	\$ 21,765,727	\$ 28,813,923	\$ 31,443,588	\$ 49,497,237	\$ 53,209,315
Other Liabilities	4,184,220	7,799,666	3,577,912	2,532,016	7,762,132	10,331,682
Total Liabilities	\$ 24,867,534	\$ 29,565,393	\$ 32,391,835	\$ 33,975,604	\$ 57,259,369	\$ 63,540,997
NET POSITION:						
Invested in Capital Assets,						
Net of Related Debt	\$ 12,526,576	\$ 12,011,455	\$ 29,274,558	\$ 29,889,090	\$ 41,801,134	\$ 41,900,545
Restricted	8,621,926	7,889,029	149,720	149,720	8,771,646	8,038,749
Unrestricted	(388,449)	2,465,540	3,000,103	2,680,694	2,611,654	5,146,234
Total Net Position	\$ 20,760,053	\$ 22,366,024	\$ 32,424,381	\$ 32,719,504	\$ 53,184,434	\$ 55,085,528

The City's net position decreased \$ 1,901,094 during the current fiscal year. Net position related to governmental activity decreased \$ 1,605,971. This decrease is due in part to the implementation of GASB 65, as well as the adjustment to land held for resale. The remaining decrease was a result of the business-type activities decreasing net position by \$ 295,123. This decrease is due in part to the implementation of GASB 65, as well as the normal activity of the enterprise funds.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Governmental Activities

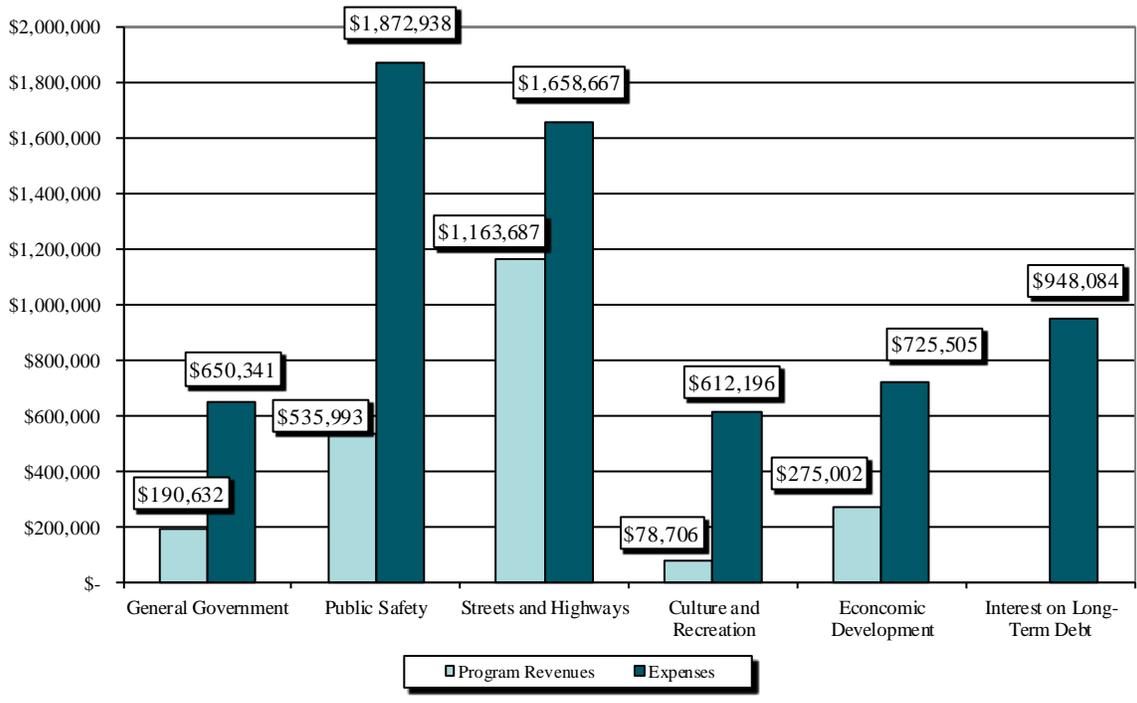
Governmental activities when including interest earnings and transfers decreased the City's net position by \$ 1,605,971, thereby accounting for 84% of the overall decrease in the total net position of the City.

City of Big Lake's Change in Net Position

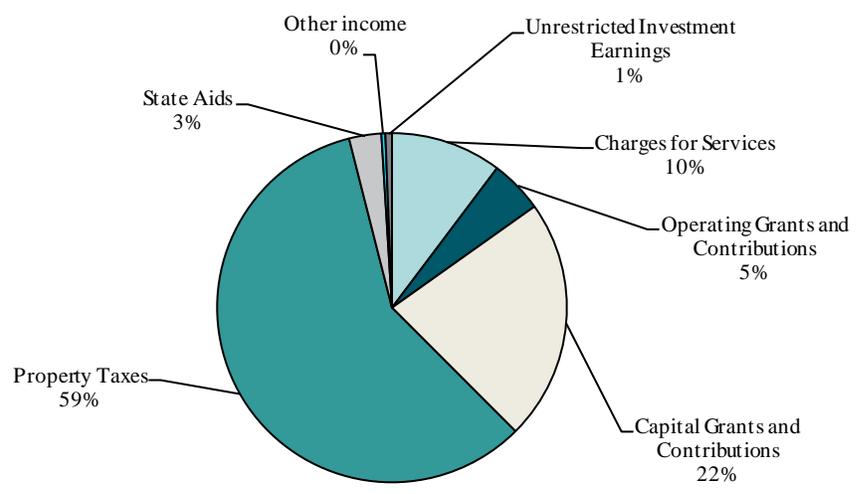
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUE:						
Program Revenues:						
Charges for Services	\$ 613,286	\$ 552,204	\$ 7,356,392	\$ 6,538,309	\$ 7,969,678	\$ 7,090,513
Operating Grants and Contributions	293,534	204,374	-	-	293,534	204,374
Capital Grants and Contributions	1,337,200	638,335	-	-	1,337,200	638,335
General Revenues:						
Property Taxes and Tax Increment	3,501,113	3,330,551	-	-	3,501,113	3,330,551
State Aids	178,309	187,458	-	-	178,309	187,458
Unrestricted Investment Earnings	36,409	25,639	110,552	61,486	146,961	87,125
Other Income	21,720	67,947	-	-	21,720	67,947
Total Revenues	<u>\$5,981,571</u>	<u>5,006,508</u>	<u>\$7,466,944</u>	<u>6,599,795</u>	<u>13,448,515</u>	<u>11,606,303</u>
EXPENSES:						
General Government	650,341	716,794	-	-	650,341	716,794
Public Safety	1,872,938	1,801,170	-	-	1,872,938	1,801,170
Streets and Highways	1,658,667	1,395,139	-	-	1,658,667	1,395,139
Culture and Recreation	612,196	558,992	-	-	612,196	558,992
Economic Development	725,505	777,335	-	-	725,505	777,335
Interest on Long-Term Debt	948,084	960,210	-	-	948,084	960,210
Water	-	-	1,825,217	1,889,253	1,825,217	1,889,253
Sewer	-	-	1,969,994	2,008,098	1,969,994	2,008,098
Municipal Liquor	-	-	3,153,004	2,994,617	3,153,004	2,994,617
Storm Sewer	-	-	366,914	357,824	366,914	357,824
Total Expenses	<u>6,467,731</u>	<u>6,209,640</u>	<u>7,315,129</u>	<u>7,249,792</u>	<u>13,782,860</u>	<u>13,459,432</u>
Increase (Decrease) in Net Position before Transfers	(486,160)	(1,203,132)	151,815	(649,997)	(334,345)	(1,853,129)
Transfers	264,024	256,033	(264,024)	(256,033)	-	-
Increase (Decrease) in Net Position	<u>(222,136)</u>	<u>(947,099)</u>	<u>(112,209)</u>	<u>(906,030)</u>	<u>(334,345)</u>	<u>(1,853,129)</u>
Special Item - Decrease in Land Held for Resale	(1,187,293)	-	-	-	(1,187,293)	-
Net Position - Beginning	22,366,024	23,313,123	32,719,504	33,625,534	55,085,528	56,938,657
Change in Accounting Principle	(196,542)	-	(182,914)	-	(379,456)	-
Net Position - Beginning, Restated	<u>22,169,482</u>	<u>23,313,123</u>	<u>32,536,590</u>	<u>33,625,534</u>	<u>54,706,072</u>	<u>56,938,657</u>
Net Position - Ending	<u>\$ 20,760,053</u>	<u>\$ 22,366,024</u>	<u>\$ 32,424,381</u>	<u>\$ 32,719,504</u>	<u>\$ 53,184,434</u>	<u>\$ 55,085,528</u>

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Expenses and Program Revenues - Governmental Activities

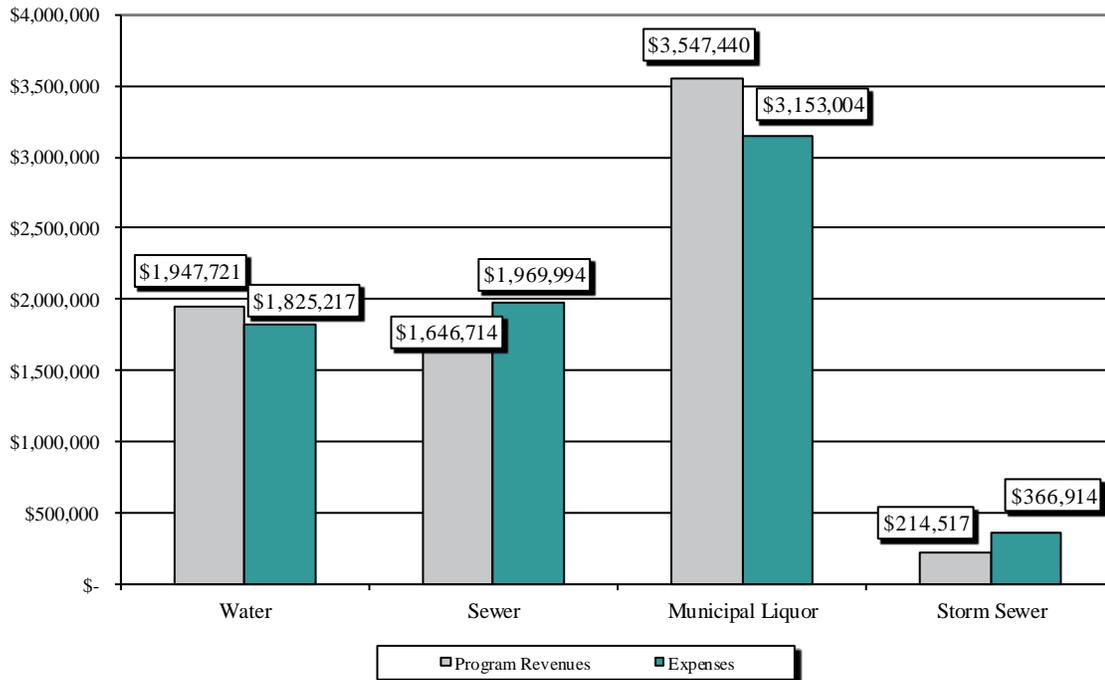


Revenues by Source - Governmental Activities

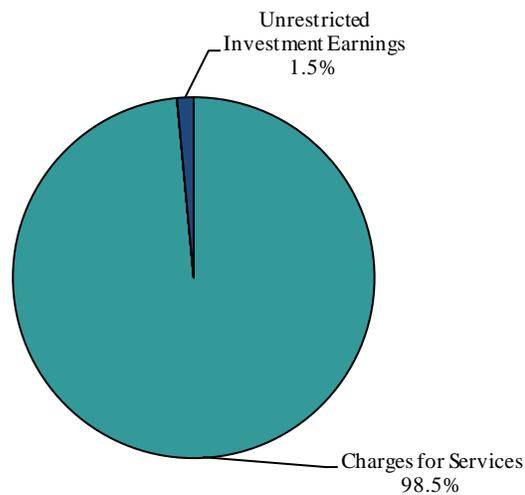


CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



Business-Type Activities

Business-type activities decreased the City's net position by \$ 295,123, resulting in 16% of the total decrease in the government's net position.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 7,421,989, a decrease of \$ 4,319,173 from the previous year. Approximately 17% of this total amount \$ 1,297,693 constitutes assigned and unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or non-spendable to indicate that it is not available for new spending because it has external spending requirements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unrestricted, spendable fund balance of the General Fund was \$ 2,155,841, while total fund balance reached \$ 2,287,200. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 53% of the total General Fund expenditures and transfers out, while total fund balance represents 56% of that same amount.

The fund balance of the City's General Fund increased by \$ 54,142 during the current fiscal year. Total revenues and other financing sources were \$ 686,117 over budget due to the receipt of unbudgeted Local Government Aid payments as well as the receipt of bond proceeds for the purchase of the Big Lake Community Service Center. Expenditures and transfers out ended 2013 over budget by \$ 631,975 primarily due to the purchase of the above mentioned property as well as the purchase of a new Police Department vehicle.

The 2008 Tax Lease Revenue Bond Fund and G.O. Temporary Taxable Tax Increment Bonds 2010B Fund closed as of the end of the current fiscal year as these bonds were refunded. The Street Improvement Fund has a deficit fund balance of \$100,062, which increased from a deficit position of \$719,587 in the prior year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water operations at the end of the year amounted to \$ (860,536), those for the sewer operations amounted to \$ 3,276,216, the storm sewer operations were \$ (20,949), and those for the liquor operations amounted to \$ 605,372. The changes in net position for each of the utility funds were as follows: water an increase of \$ 100,403, sewer a decrease of \$ (337,169), and storm sewer a decrease \$ (161,699). The liquor fund saw an increase of \$ 103,342. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

The Municipal Liquor Store realized income before transfers of \$ 396,637. With an operating transfer of \$ 260,000 to the General Fund, the change in net position for the Liquor Fund was \$ 136,637.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$ 90,272,122 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, improvements, infrastructure, collection and distribution systems, buildings and machinery and equipment.

City of Big Lake's Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 7,973,665	\$ 7,973,665	\$ 1,533,956	\$ 1,533,956	\$ 9,507,621	\$ 9,507,621
Construction in Progress	681,366	3,649,966	15,545,630	15,408,479	16,226,996	19,058,445
Leasehold Improvements	49,271	52,848	115,992	122,034	165,263	174,882
Infrastructure	19,379,387	17,457,823	-	-	19,379,387	17,457,823
Collection and Distribution Systems	-	-	30,155,165	31,538,611	30,155,165	31,538,611
Buildings	3,923,781	3,409,550	10,224,434	10,627,849	14,148,215	14,037,399
Machinery and Equipment	532,408	682,262	157,067	209,817	689,475	892,079
Total	<u>\$ 32,539,878</u>	<u>\$ 33,226,114</u>	<u>\$ 57,732,244</u>	<u>\$ 59,440,746</u>	<u>\$ 90,272,122</u>	<u>\$ 92,666,860</u>

Additional information on the City's capital assets can be found in Note 6 on pages 40-42 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$ 54,975,000. Of this amount, \$ 4,149,000 comprises debt backed by the full faith and credit of the government and \$ 14,780,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., tax increment financing [TIF] bonds, revenue bonds, lease revenue bonds).

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

City of Big Lake's Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
G.O. Bonds/Notes	\$ 4,149,000	\$ 4,468,000	\$ -	\$ -	\$ 4,149,000	\$ 4,468,000
G.O. Tax Increment Bonds	1,850,000	1,810,000	-	-	1,850,000	1,810,000
G.O. Special Assessment Bonds	14,780,000	19,220,000	-	-	14,780,000	19,220,000
EDA Lease Revenue Bonds	2,220,000	1,762,995	-	-	2,220,000	1,762,995
PFA Drinking Water Revolving Loan	-	-	5,506,000	5,935,000	5,506,000	5,935,000
PFA Clean Water Revolving Loan	-	-	12,520,000	12,734,698	12,520,000	12,734,698
G.O. Revenue Bonds/Notes	-	-	12,580,000	13,685,000	12,580,000	13,685,000
Public Project Revenue Bonds	365,762	386,259	1,004,238	1,058,740	1,370,000	1,444,999
Total	\$ 23,364,762	\$ 27,647,254	\$ 31,610,238	\$ 33,413,438	\$ 54,975,000	\$ 61,060,692

Total bonded debt decreased by \$ 6,085,692 during the current fiscal year due to the continued amortization of the City's outstanding obligations as well as the redemption of the callable portions of debt identified in the 2011B and 2012A G.O. Improvement Refunding Bonds.

The City maintains an "AA-" rating from Standard & Poor's for general obligation (G.O.) debt.

Additional information on the City's long-term debt can be found in Note 7 on pages 42-48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Budgeted spending for the City's General Fund remained the same for an overall expenditure budget of \$ 3,458,733.
- The 2014 total levy amount of \$ 3,667,986 was a 9.2% increase over the 2013 amount.
- In 2014 the City anticipates receiving approximately \$480,000 in LGA, as compared to \$ 156,000 received in 2013. Because LGA payments are not guaranteed, the City has decided to take a conservative approach by only budgeting for a portion of the expected LGA payments, which are typically received in July and December.
- Water rates were increased from \$ 3.20 to \$ 3.36 per 1,000 gallons of usage and sewer rates were increased from \$ 4.65 to \$ 5.81 per 1,000 gallons of usage in 2014. These increases are necessary to cover the City's upcoming debt payments relating to the water and sewer infrastructure, as well as ensuring positive cash flow for operations in future years. These rates will be monitored on an annual basis and recommended changes brought to council for approval.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to: City of Big Lake, Attn: Finance Director, 160 Lake Street North, Big Lake, Minnesota 55309

BASIC FINANCIAL STATEMENTS

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET POSITION
December 31, 2013

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments (Including Cash Equivalents)	\$ 6,434,768	\$ 419,049	\$ 6,853,817
Cash with Fiscal Agent	1,034,682	3,220,749	4,255,431
Restricted Cash	-	149,720	149,720
Receivables:			
Property Tax Receivable	255,460	-	255,460
Accounts Receivable	40,530	417,837	458,367
Interest Receivable	4,828	-	4,828
Notes Receivable	1,040,018	67,910	1,107,928
Special Assessments Receivable:			
Delinquent	104,253	17,423	121,676
Deferred	3,277,655	235,511	3,513,166
Due from Other Governments	149,781	2	149,783
Advances to Other Funds (Internal Balances):			
Within One Year	(24,370)	24,370	-
After One Year	(1,901,231)	1,901,231	-
Inventories	-	571,080	571,080
Land Held for Resale	2,557,474	-	2,557,474
Prepaid Expenses	113,861	59,090	172,951
Capital Assets not being Depreciated:			
Land	7,973,665	1,533,956	9,507,621
Construction In Progress	681,366	15,545,630	16,226,996
Capital Assets being Depreciated:			
Infrastructure	35,666,599	-	35,666,599
Buildings	5,409,726	12,102,461	17,512,187
Leasehold Improvements	71,543	223,833	295,376
Machinery and Equipment	3,807,285	1,039,905	4,847,190
Collection and Distribution Systems	-	45,175,301	45,175,301
Less Accumulated Depreciation	(21,070,306)	(17,888,842)	(38,959,148)
 Total Assets	 <u>\$ 45,627,587</u>	 <u>\$ 64,816,216</u>	 <u>\$ 110,443,803</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET POSITION
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET POSITION			
Liabilities			
Accounts Payable	\$ 187,878	\$ 169,202	\$ 357,080
Salaries and Benefits Payable	81,190	51,721	132,911
Escrow Payable	479,818	-	479,818
Contracts Payable	18,224	29,930	48,154
Due to Other Governments	250,689	32,860	283,549
Interest Payable	262,142	367,430	629,572
Unearned Revenue	5,806	6,218	12,024
Net G.O. Bonds Principal Payable:			
Payable Within One Year	2,620,000	-	2,620,000
Payable After One Year	16,115,049	-	16,115,049
Revenue Bonds Payable:			
Payable Within One Year	20,497	2,864,512	2,885,009
Payable After One Year	2,565,265	28,813,923	31,379,188
Notes Payable:			
Payable Within One Year	116,000	-	116,000
Payable After One Year	2,003,000	-	2,003,000
Compensated Absences Payable:			
Payable Within One Year	98,579	56,039	154,618
Severance Payable:			
Payable Within One Year	43,397	-	43,397
Total Liabilities	24,867,534	32,391,835	57,259,369
Net Position			
Net Investment of Capital Assets	12,526,576	29,274,558	41,801,134
Restricted for:			
Debt Service	6,816,720	149,720	6,966,440
Tax Increment	1,238,831	-	1,238,831
Neighborhood Stabilization	465,851	-	465,851
Parkland Dedication	100,524	-	100,524
Unrestricted	(388,449)	3,000,103	2,611,654
Total Net Position	20,760,053	32,424,381	53,184,434
 Total Liabilities and Net Position	 \$ 45,627,587	 \$ 64,816,216	 \$ 110,443,803

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 650,341	\$ 165,362	\$ 7,490	\$ 17,780	\$ (459,709)	\$ -	\$ (459,709)
Public Safety	1,872,938	273,819	262,174	-	(1,336,945)	-	(1,336,945)
Streets and Highways	1,658,667	22,338	-	1,141,349	(494,980)	-	(494,980)
Culture and Recreation	612,196	56,474	17,982	4,250	(533,490)	-	(533,490)
Economic Development	725,505	95,293	5,888	173,821	(450,503)	-	(450,503)
Interest on Long-Term Debt	948,084	-	-	-	(948,084)	-	(948,084)
Total Governmental Activities	6,467,731	613,286	293,534	1,337,200	(4,223,711)	-	(4,223,711)
Business-Type Activities							
Water	1,825,217	1,947,721	-	-	-	122,504	122,504
Sewer	1,969,994	1,646,714	-	-	-	(323,280)	(323,280)
Municipal Liquor	3,153,004	3,547,440	-	-	-	394,436	394,436
Storm Sewer	366,914	214,517	-	-	-	(152,397)	(152,397)
Total Business-Type Activities	7,315,129	7,356,392	-	-	-	41,263	41,263
Total Governmental and Business-Type Activities	\$ 13,782,860	\$ 7,969,678	\$ 293,534	\$ 1,337,200	(4,223,711)	41,263	(4,182,448)
General Revenues							
Property Taxes					3,321,825	-	3,321,825
Tax Increments					179,288	-	179,288
State Aids					178,309	-	178,309
Insurance Recoveries					8,450	-	8,450
Unrestricted Investment and Other Interest Income					36,409	110,552	146,961
Gain on Sale of Assets					13,270	-	13,270
Transfers					264,024	(264,024)	-
Special Item - Decrease in Land Held for Resale					(1,187,293)	-	(1,187,293)
Total General Revenues, Transfers and Special Item					2,814,282	(153,472)	2,660,810
Change in Net Position					(1,409,429)	(112,209)	(1,521,638)
Net Position - Beginning					22,366,024	32,719,504	55,085,528
Change in Accounting Principle (Note 12)					(196,542)	(182,914)	(379,456)
Net Position - Beginning Restated					22,169,482	32,536,590	54,706,072
Net Position - Ending					\$ 20,760,053	\$ 32,424,381	\$ 53,184,434

CITY OF BIG LAKE

**BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013**

	General (101)	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,590,367	\$ 332,115	\$ 3,512,286	\$ 6,434,768
Cash with Fiscal Agent	-	-	1,034,682	1,034,682
Taxes Receivable - Delinquent	173,493	-	81,967	255,460
Accounts Receivable	15,935	-	24,595	40,530
Interest Receivable	4,828	-	-	4,828
Due from Other Governments	81,804	15,272	52,705	149,781
Notes Receivable	-	-	1,040,018	1,040,018
Special Assessment Receivable:				
Delinquent	1,674	31,256	71,323	104,253
Deferred	5,865	44,017	3,227,773	3,277,655
Land Held for Resale	-	-	2,557,474	2,557,474
Prepaid Expenses	113,861	-	-	113,861
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,987,827</u>	<u>\$ 422,660</u>	<u>\$ 11,602,823</u>	<u>\$ 15,013,310</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 83,329	\$ 80,185	\$ 24,364	\$ 187,878
Salaries and Benefits Payable	81,190	-	-	81,190
Escrow Payable	99,350	10,000	370,468	479,818
Contracts Payable	-	18,224	-	18,224
Due to Other Governments	117,921	-	132,768	250,689
Advances from Other Funds	131,999	339,040	1,454,562	1,925,601
Unearned Revenue	5,806	-	-	5,806
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>519,595</u>	<u>447,449</u>	<u>1,982,162</u>	<u>2,949,206</u>
Deferred Inflows of Resources				
Unavailable Revenue - Notes Receivables	-	-	1,004,747	1,004,747
Unavailable Revenue - Property Taxes	173,493	-	81,967	255,460
Unavailable Revenue - Special Assessments	7,539	75,273	3,299,096	3,381,908
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>181,032</u>	<u>75,273</u>	<u>4,385,810</u>	<u>4,642,115</u>
Fund Balances				
Nonspendable	113,861	-	339,370	453,231
Restricted	17,498	-	5,653,567	5,671,065
Assigned	108,270	-	326,015	434,285
Unassigned	2,047,571	(100,062)	(1,084,101)	863,408
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,287,200</u>	<u>(100,062)</u>	<u>5,234,851</u>	<u>7,421,989</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,987,827</u>	<u>\$ 422,660</u>	<u>\$ 11,602,823</u>	<u>\$ 15,013,310</u>

CITY OF BIG LAKE

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2013**

Total Fund Balances - Governmental Funds \$ 7,421,989

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	53,610,184
Less Accumulated Depreciation	(21,070,306)

Long-term liabilities, including bonds payable, are not due and payable in
the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

G.O. Bonds Principal Payable	(18,660,000)
Revenue Bonds Payable	(2,585,762)
Unamortized Bond Premiums	(75,049)
Notes Payable	(2,119,000)
Compensated Absences Payable	(98,579)
Severance Payable	(43,397)

Delinquent receivables will be collected in subsequent years, but are not
available soon enough to pay for the current period's expenditures and,
therefore, are deferred in the funds.

Property Taxes	255,460
Special Assessments	104,253

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds.

Special Assessments	3,277,655
Notes Receivable	1,004,747

Governmental funds do not report a liability for accrued interest on
long-term debt until due and payable.

(262,142)

Total Net Position - Governmental Activities \$ 20,760,053

CITY OF BIG LAKE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013**

	General (101)	Debt Service		Capital Project		Total Governmental Funds
		2008 Tax Lease Revenue Bond (241)	G.O. Temporary Taxable Tax Increment Bond 2010B (213)	Street Improvement (175)	Other Governmental Funds	
REVENUES						
Property Taxes	\$ 2,108,987	\$ -	\$ -	\$ -	\$ 1,126,083	\$ 3,235,070
Tax Increments	-	-	-	-	179,288	179,288
Miscellaneous Taxes	27,099	-	-	-	-	27,099
Special Assessments	7,490	-	-	28,427	658,887	694,804
Licenses and Permits	273,143	-	-	-	-	273,143
Intergovernmental	480,614	376,979	-	725,758	289,204	1,872,555
Charges for Services	183,706	-	-	-	19,043	202,749
Fines and Forfeitures	33,560	-	-	-	-	33,560
Miscellaneous:						
Investment and Other Interest Income	(9,051)	(2,141)	75	(3,995)	51,521	36,409
Contributions and Donations	48,710	-	-	-	4,250	52,960
Other	29,918	-	-	-	90,698	120,616
Total Revenues	<u>3,184,176</u>	<u>374,838</u>	<u>75</u>	<u>750,190</u>	<u>2,418,974</u>	<u>6,728,253</u>
EXPENDITURES						
Current						
General Government	619,949	-	-	-	-	619,949
Public Safety	1,696,721	-	-	-	-	1,696,721
Streets and Highways	505,098	-	-	-	-	505,098
Culture and Recreation	432,407	-	-	-	3,467	435,874
Economic Development	76,206	-	-	-	319,088	395,294
Debt Service						
Principal	-	1,762,995	1,055,000	-	1,519,497	4,337,492
Interest and Other Charges	-	172,994	13,714	10,171	874,959	1,071,838
Capital Outlay						
Public Safety	74,110	-	-	-	-	74,110
Streets and Highways	-	-	-	120,591	-	120,591
Culture and Recreation	680,000	-	-	-	8,802	688,802
Economic Development	-	-	-	-	269,589	269,589
Total Expenditures	<u>4,084,491</u>	<u>1,935,989</u>	<u>1,068,714</u>	<u>130,762</u>	<u>2,995,402</u>	<u>10,215,358</u>
Excess of Revenues Over (Under) Expenditures	(900,315)	(1,561,151)	(1,068,639)	619,428	(576,428)	(3,487,105)
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Capital Asset	13,270	-	-	-	-	13,270
Issuance of Debt	-	-	-	-	3,325,000	3,325,000
Bond Premium	-	-	-	-	14,481	14,481
Refunding Bond Payment	-	-	-	-	(3,270,000)	(3,270,000)
Insurance Recoveries	8,450	-	-	-	-	8,450
Transfers In	938,954	1,941,570	1,061,046	97	445,726	4,387,393
Transfers Out	(6,217)	(76,841)	-	-	(4,040,311)	(4,123,369)
Total Other Financing Sources (Uses)	<u>954,457</u>	<u>1,864,729</u>	<u>1,061,046</u>	<u>97</u>	<u>(3,525,104)</u>	<u>355,225</u>
Net Change in Fund Balances	54,142	303,578	(7,593)	619,525	(4,101,532)	(3,131,880)
Special Item						
Decrease in Land Held for Resale	-	-	-	-	(1,187,293)	(1,187,293)
FUND BALANCES						
Beginning of Year	<u>2,233,058</u>	<u>(303,578)</u>	<u>7,593</u>	<u>(719,587)</u>	<u>10,523,676</u>	<u>11,741,162</u>
End of Year	<u>\$ 2,287,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (100,062)</u>	<u>\$ 5,234,851</u>	<u>\$ 7,421,989</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BIG LAKE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013**

Total Net Change in Fund Balances - Governmental Funds \$ (3,131,880)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlays	819,650
Depreciation Expense	(1,298,136)
Disposal of Capital Assets	(207,750)

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (28,307)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.

Bond Principal Payments	4,337,492
Capital Lease Payments	924

Governmental funds report the effects of bond premiums, discounts and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (7,631)

General obligation (G.O.) bonds were refunded during the year. The amount paid off with the new funding is reported in the governmental funds as an other financing use. However, the payments are not expenditures in the Statement of Activities, but rather a reduction on long-term liabilities in the Statement of Net Assets. 3,270,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 116,904

Proceeds from long-term debt are recognized as another financing source in the governmental funds but have no impact on net position in the Statement of Activities. (3,325,000)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special Assessments	(526,893)
Long-Term Notes Receivable	(328,264)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 86,755

Change in Net Position- Governmental Activities \$ (222,136)

CITY OF BIG LAKE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	\$ 2,308,544	\$ 2,108,987	\$ (199,557)
Miscellaneous Taxes	-	27,099	27,099
Special Assessments	6,000	7,490	1,490
Licenses and Permits	272,600	273,143	543
Intergovernmental	295,696	480,614	184,918
Charges for Services	228,050	183,706	(44,344)
Fines and Forfeitures	29,850	33,560	3,710
Miscellaneous Revenues:			
Investment Income	47,993	(9,051)	(57,044)
Contributions and Donations	10,000	48,710	38,710
Other	-	29,918	29,918
Total Revenues	<u>3,198,733</u>	<u>3,184,176</u>	<u>(14,557)</u>
EXPENDITURES			
Current			
General Government	618,671	619,949	1,278
Public Safety	1,729,002	1,696,721	(32,281)
Streets and Highways	505,852	505,098	(754)
Culture and Recreation	402,613	432,407	29,794
Economic Development	77,195	76,206	(989)
Capital Outlay			
General Government	5,400	-	(5,400)
Public Safety	10,000	74,110	64,110
Culture and Recreation	-	680,000	680,000
Total Expenditures	<u>3,348,733</u>	<u>4,084,491</u>	<u>735,758</u>
Excess of Revenues Under Expenditures	(150,000)	(900,315)	(750,315)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Asset	-	13,270	13,270
Insurance Recoveries	-	8,450	8,450
Transfers In	260,000	938,954	678,954
Transfers Out	(110,000)	(6,217)	103,783
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>954,457</u>	<u>804,457</u>
Net Change in Fund Balances	<u>\$ -</u>	54,142	<u>\$ 54,142</u>
FUND BALANCES			
Beginning of Year		<u>2,233,058</u>	
End of Year		<u>\$ 2,287,200</u>	

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2013

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 34,022	\$ 76,306	\$ 218,065	\$ 90,656	\$ 419,049
Cash With Fiscal Agent	1,140,216	2,080,533	-	-	3,220,749
Accounts Receivable	178,773	209,742	77	29,245	417,837
Advances to Other Funds - Within One Year	-	24,370	-	-	24,370
Due from Other Governments	-	2	-	-	2
Notes Receivable	67,910	-	-	-	67,910
Special Assessment Receivable:					
Delinquent	7,240	8,486	-	1,697	17,423
Deferred	163,544	62,607	-	9,360	235,511
Inventories	-	-	571,080	-	571,080
Prepaid Expenses	23,646	21,961	12,242	1,241	59,090
Total Current Assets	<u>1,615,351</u>	<u>2,484,007</u>	<u>801,464</u>	<u>132,199</u>	<u>5,033,021</u>
Noncurrent Assets					
Restricted Cash and Cash Equivalents	-	-	149,720	-	149,720
Advances to Other Funds - After One Year	46,537	3,202,920	-	-	3,249,457
Capital Assets:					
Land	277,006	1,256,950	-	-	1,533,956
Construction In Progress	-	15,545,630	-	-	15,545,630
Buildings	9,651,417	450,526	1,915,613	84,905	12,102,461
Collection and Distribution Systems	16,750,391	21,705,919	-	6,718,991	45,175,301
Leasehold Improvements	166,068	-	57,765	-	223,833
Machinery and Equipment	308,677	236,837	194,175	300,216	1,039,905
Total Capital Assets	<u>27,153,559</u>	<u>39,195,862</u>	<u>2,167,553</u>	<u>7,104,112</u>	<u>75,621,086</u>
Less Accumulated Depreciation	<u>(6,523,257)</u>	<u>(8,297,160)</u>	<u>(600,861)</u>	<u>(2,467,564)</u>	<u>(17,888,842)</u>
Net Capital Assets	<u>20,630,302</u>	<u>30,898,702</u>	<u>1,566,692</u>	<u>4,636,548</u>	<u>57,732,244</u>
Total Noncurrent Assets	<u>20,676,839</u>	<u>34,101,622</u>	<u>1,716,412</u>	<u>4,636,548</u>	<u>61,131,421</u>
Total Assets	<u>\$ 22,292,190</u>	<u>\$ 36,585,629</u>	<u>\$ 2,517,876</u>	<u>\$ 4,768,747</u>	<u>\$ 66,164,442</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts Payable	\$ 16,423	\$ 30,092	\$ 119,556	\$ 3,131	\$ 169,202
Contracts Payable	14,965	14,965	-	-	29,930
Salaries and Benefits Payable	17,462	17,572	14,208	2,479	51,721
Interest Payable	106,690	239,657	21,083	-	367,430
Unearned Revenue	-	6,218	-	-	6,218
Due to Other Governments	1,074	-	31,786	-	32,860
Current Compensated Absences	21,674	21,674	9,459	3,232	56,039
Amount Due Within One Year	<u>609,236</u>	<u>2,200,774</u>	<u>54,502</u>	<u>-</u>	<u>2,864,512</u>
Total Current Liabilities	<u>787,524</u>	<u>2,530,952</u>	<u>250,594</u>	<u>8,842</u>	<u>3,577,912</u>
Noncurrent Liabilities					
Advances from Other Funds	1,203,920	-	-	144,306	1,348,226
Revenue Bonds, Net of Unamortized Discount	3,742,549	8,905,648	1,004,238	-	13,652,435
PFA G.O. Revenue Note	5,506,000	12,520,000	-	-	18,026,000
Less Amount Due Within One Year	<u>(609,236)</u>	<u>(2,200,774)</u>	<u>(54,502)</u>	<u>-</u>	<u>(2,864,512)</u>
Total Noncurrent Liabilities	<u>9,843,233</u>	<u>19,224,874</u>	<u>949,736</u>	<u>144,306</u>	<u>30,162,149</u>
Total Liabilities	<u>10,630,757</u>	<u>21,755,826</u>	<u>1,200,330</u>	<u>153,148</u>	<u>33,740,061</u>
Net Position					
Net Investment in Capital Assets	12,521,969	11,553,587	562,454	4,636,548	29,274,558
Restricted for Debt Service	-	-	149,720	-	149,720
Unrestricted	<u>(860,536)</u>	<u>3,276,216</u>	<u>605,372</u>	<u>(20,949)</u>	<u>3,000,103</u>
Total Net Position	<u>11,661,433</u>	<u>14,829,803</u>	<u>1,317,546</u>	<u>4,615,599</u>	<u>32,424,381</u>
Total Liabilities and Net Position	<u>\$ 22,292,190</u>	<u>\$ 36,585,629</u>	<u>\$ 2,517,876</u>	<u>\$ 4,768,747</u>	<u>\$ 66,164,442</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Totals
SALES AND COST OF SALES					
Sales	\$ -	\$ -	\$ 3,544,136	\$ -	\$ 3,544,136
Cost of Sales	-	-	2,556,872	-	2,556,872
Gross Profit	-	-	987,264	-	987,264
OPERATING REVENUES					
Charges for Services	1,783,310	1,403,096	-	214,517	3,400,923
OPERATING EXPENSES					
Wages and Salaries	313,088	307,452	242,753	42,503	905,796
Employee Benefits	89,746	97,551	57,324	13,538	258,159
Materials and Supplies	48,370	14,370	15,930	2,662	81,332
Repairs and Maintenance	6,609	12,050	17,329	3,111	39,099
Professional Services	29,595	29,804	68,838	5,584	133,821
Insurance	34,071	21,983	15,100	1,742	72,896
Utilities and Refuse	88,461	164,852	27,500	127	280,940
Depreciation	823,275	672,369	76,986	286,841	1,859,471
Travel	10,733	12,883	372	3,414	27,402
Bad Debt Expense	797	-	389	-	1,186
Equipment	-	-	3,804	782	4,586
Advertising	572	139	8,508	65	9,284
Dues, Memberships and Training	25,724	4,232	2,630	135	32,721
Telephone	1,390	2,390	5,811	675	10,266
Postage	7,302	5,893	278	30	13,503
Water Meters	17,017	-	-	-	17,017
Uniforms	1,378	1,426	751	-	3,555
Miscellaneous	2,316	1,239	591	186	4,332
Total Operating Expenses	1,500,444	1,348,633	544,894	361,395	3,755,366
Operating Income (Loss)	282,866	54,463	442,370	(146,878)	632,821
NONOPERATING REVENUES					
(EXPENSES)					
Investment and Other Interest Income (Expense)	6,602	100,810	2,201	939	110,552
Refunds and Reimbursements	5,314	2,128	1,333	-	8,775
Trunk and Access Charges	158,570	237,215	-	-	395,785
Interest Expense	(326,388)	(628,115)	(51,238)	(5,519)	(1,011,260)
Amortization Expense	1,615	6,754	-	-	8,369
Other Income (Expense)	527	4,275	1,971	-	6,773
Total Nonoperating Revenues (Expenses)	(153,760)	(276,933)	(45,733)	(4,580)	(481,006)
Income (Loss) before Capital Contributions and Transfers	129,106	(222,470)	396,637	(151,458)	151,815
Transfers In	-	6,217	-	-	6,217
Transfers Out	-	-	(260,000)	(10,241)	(270,241)
Change in Net Position	129,106	(216,253)	136,637	(161,699)	(112,209)
NET POSITION					
Beginning of Year	11,561,030	15,166,972	1,214,204	4,777,298	32,719,504
Change in Accounting Principle (Note 12)	(28,703)	(120,916)	(33,295)	-	(182,914)
Beginning Balance, Restated	11,532,327	15,046,056	1,180,909	4,777,298	32,536,590
End of Year	\$ 11,661,433	\$ 14,829,803	\$ 1,317,546	\$ 4,615,599	\$ 32,424,381

CITY OF BIG LAKE

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Total
CASH FLOWS - OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 1,704,536	\$ 1,359,060	\$ 3,546,030	\$ 217,563	\$ 6,827,189
Payments to Suppliers	(273,613)	(276,231)	(2,696,661)	(15,693)	(3,262,198)
Payments to Employees	(401,258)	(403,317)	(298,318)	(56,722)	(1,159,615)
Net Cash Flows - Operating Activities	<u>1,029,665</u>	<u>679,512</u>	<u>551,051</u>	<u>145,148</u>	<u>2,405,376</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES					
Receipt (Payment) of Advances from/to Other Funds	(346,537)	175,975	-	(39,671)	(210,233)
Repayment of Note Receivable	64,352	-	-	-	64,352
Refunds and Reimbursements	5,314	2,128	1,333	-	8,775
Transfer from Other Funds	-	6,217	-	-	6,217
Transfer to Other Funds	-	-	(260,000)	(10,241)	(270,241)
Net Cash Flows - Noncapital Financing Activities	<u>(276,871)</u>	<u>184,320</u>	<u>(258,667)</u>	<u>(49,912)</u>	<u>(401,130)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES					
Trunk and Access Charges	158,570	237,215	-	-	395,785
Principal Paid on Debt	(561,067)	(782,933)	(54,503)	-	(1,398,503)
Interest Paid on Debt	(308,405)	(592,492)	(52,235)	(5,519)	(958,651)
Bond Proceeds	-	60,303	-	-	60,303
Acquisition of Capital Assets	(13,818)	(137,151)	-	-	(150,969)
Net Cash Flows - Capital and Related Financing Activities	<u>(724,720)</u>	<u>(1,215,058)</u>	<u>(106,738)</u>	<u>(5,519)</u>	<u>(2,052,035)</u>
CASH FLOWS - INVESTING ACTIVITIES					
Interest and Dividends Received	5,948	87,843	2,201	939	96,931
Net Change in Cash and Cash Equivalents	34,022	(263,383)	187,847	90,656	49,142
Cash and Cash Equivalents, January 1, Including Restricted Cash and Cash Equivalents	-	339,689	179,938	-	519,627
Cash and Cash Equivalents, December 31, Including Restricted Cash and Cash Equivalents	<u>\$ 34,022</u>	<u>\$ 76,306</u>	<u>\$ 367,785</u>	<u>\$ 90,656</u>	<u>\$ 568,769</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 282,866	\$ 54,463	\$ 442,370	\$ (146,878)	\$ 632,821
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Other Revenues	527	4,275	1,971	-	6,773
Depreciation and Amortization Expense	823,275	672,369	76,986	286,841	1,859,471
Accounts Receivable	3,385	(60,474)	(77)	(846)	(58,012)
Special Assessments Receivable	(82,686)	10,574	-	3,892	(68,220)
Due from Other Governments	-	(2)	-	-	(2)
Prepaid Items	3,648	(1,092)	(2,135)	953	1,374
Inventory	-	-	(44,412)	-	(44,412)
Accounts Payable	(4,000)	(3,878)	78,039	1,867	72,028
Due to Other Governmental Units	1,074	-	(3,450)	-	(2,376)
Salaries Payable	1,854	1,964	1,859	286	5,963
Unearned Revenue	-	1,591	-	-	1,591
Compensated Absences Payable	(278)	(278)	(100)	(967)	(1,623)
Total Adjustments	<u>746,799</u>	<u>625,049</u>	<u>108,681</u>	<u>292,026</u>	<u>1,772,555</u>
Net Cash Flows - Operating Activities	<u>\$ 1,029,665</u>	<u>\$ 679,512</u>	<u>\$ 551,051</u>	<u>\$ 145,148</u>	<u>\$ 2,405,376</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Big Lake is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit – Reported as if it is part of the City.

Related Organization – The relationship of the City with the entity is disclosed.

Joint Ventures and Jointly Governed Organization – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

1. Blended Component Unit

The Big Lake Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Big Lake EDA is reported as if it were part of the primary government because the component unit's total debt outstanding is expected to be repaid almost entirely with resources of the primary government. Separate financial statements are not prepared for the Big Lake EDA.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

2. Related Organization

Big Lake Volunteer Fire Relief Association

The Big Lake Volunteer Fire Relief Association (the “Association”) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with *Minnesota Statutes*. The Association’s Board of Trustees is appointed by the membership of the Association and not by the City Council. All funding is conducted in accordance with *Minnesota Statutes*, whereby state aid flows to the Association, tax levies are determined by the Association and are only reviewed by the City and the Association pays benefits directly to its members. The Association may certify tax levies to Sherburne County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City’s reporting entity.

3. Joint Ventures and Jointly Governed Organization

Big Lake Volunteer Fire Department

The Big Lake Volunteer Fire Department (the “Fire Department”) was created to provide fire services to the residents of the City, the Township of Big Lake and the Town of Orrock, Minnesota. The City currently funds approximately 50% of the Fire Department’s budget.

The activity of the Fire Department is shown as part of the General Fund in the City’s financial statements. Separate financial statements for the Fire Department are not issued.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues, instead, they are properly reported as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Description of Funds:

Major Governmental Fund:

General Fund – This Fund is the City’s primary operating fund. It accounts for all financial resources of the general City, except those required to be accounted for in another fund.

Street Improvement Capital Projects Fund – This Fund accounts for all the costs associated with street construction and improvements within the City.

2008 Tax Lease Revenue Bond Debt Service Fund – This Fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

G.O. Temporary Taxable Tax Increment Bond 2010B Debt Service Fund – This Fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Description of Funds: (Continued)

Proprietary Funds:

Water Fund – This Fund accounts for the operations of the City’s water utility.

Sewer Fund – This Fund accounts for the operations of the City’s sanitary sewer utility.

Liquor Fund – This Fund accounts for the activities of the City’s liquor store operations.

Storm Sewer Fund – This Fund accounts for the operations of the City’s storm sewer utility.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s sanitary sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order: committed, assigned and unassigned.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

The City’s cash and investments are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

Minnesota Statutes require all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

1. Cash and Investments (Continued)

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool (4M Fund). Investments are stated at fair value.

The Minnesota Municipal Investment Pool is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

Cash and investments at December 31, 2013 were comprised of deposits, brokered certificates of deposit, money market accounts, U.S. Treasury State and Local Government Series Time Deposits and investments in the 4M Fund.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states all deposits will be insured or collateralized in accordance with *Minnesota Statutes* 118.A.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will minimize interest rate risk by diversifying the investments so potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. It also includes specific limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. No more than 40% of investments should extend beyond 5 years and in no circumstance should any extend beyond 10 years without specific City Council approval.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits its investments to those specified in these Statutes.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The City's investment policy states, with the exception of U.S. Treasury Securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested with a single financial institution.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

1. Cash and Investments (Continued)

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states investment securities will be held in safekeeping by a broker/dealer and they must provide asset protection of \$ 500,000 through the Securities Investor Protection Corporation (SIPC) and at least another \$ 49,500,000 supplemental insurance protection.

2. Restricted Assets

Certain resources from the 2005 Public Project Revenue Bonds are set aside for their repayment, and are classified as restricted assets in the Balance Sheet because their use is limited by the Bond's document. In addition, certain resources from the 2011B G.O. Improvement Refunding Bonds are set aside for their repayment of the 2005A G.O. Improvement Bonds and the 2006A G.O. Improvement Bonds in accordance with the refunding bond documents. In addition, certain resources from the 2012A G.O. Refunding Bonds are set aside for their repayment of the 2004A G.O. Wastewater Revenue Refunding Bonds, 2005B G.O. Utility Revenue Bonds, 2006B G.O. Capital Improvement Plan Bonds, 2007D G.O. Public Utility Revenue Refunding Bonds and the 2007E G.O. Improvement Bonds in accordance with the refunding bond documents.

3. Receivables/Property Taxes

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Sherburne County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

4. Inventory and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Building Improvements	30
Light Vehicles	5
Machinery and Equipment	5-10
Fire Trucks	10
Utility Distribution System	30
Infrastructure	30

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, which arise only under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items are reported only in the governmental funds balance sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: notes receivable, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Compensated Absences

Employees who retire are not compensated for their unused sick leave, thus no amount of sick leave is accrued in the financial statements. After 100 days have accrued, employees can either take vacation or get paid for half of every hour earned.

In addition, employees are granted vacation based on their years of service. Employees can accrue up to 25 days of vacation. At year-end, any hours over 200 are forfeited. All employees will receive a lump sum payment for the balance of accumulated vacation leave upon a voluntary termination.

8. Severance

Severance benefits are paid upon termination of employment for the City Administrator. The City Administrator receives three months of salary and benefits in a lump sum payment.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

10. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority).
- Assigned Fund Balance – These are amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments may be made by the City’s Finance Director based on the City Council’s delegation.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

The City will strive to maintain an unrestricted fund balance of an amount not less than 50% of the next year’s budgeted expenditures in the General Fund.

11. Net Position

Net Position represents the difference between assets and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net Position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Equity (Continued)

12. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council adopts an annual budget. The amounts shown in the financial statements as “budget” represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Budget requests are submitted by all department heads to the City Administrator and Finance Director. The Finance Director compiles the budget requests into an overall preliminary City budget.
2. The Finance Director presents the proposed budget to the City Council. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through G.O bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. The budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at year-end.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations in the following Funds:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 4,084,491	\$ 3,348,733
Nonmajor Fund:		
Economic Development Authority	359,431	74,275

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

C. Deficit Fund Balance

The following Nonmajor funds had deficit fund balances at December 31, 2013:

Street Improvement Capital Project Fund	\$ 100,062
Nonmajor Governmental Funds:	
Special Revenue:	
Economic Development Authority	38,307
Debt Service:	
G.O. Tax Increment Bonds of 2004C	154,616
G.O. Improvement Bonds of 2004B	70,189
G.O. Improvement Bonds of 2008A	65,015
G.O. Taxable Tax Abatement Bonds of 2013B	393,049
Capital Projects:	
Northern Star TIF 1-7	15,625
Commercial Redevelopment TIF 1-5	7,831
TIF 1-6 Cherrywood	99

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

At December 31, 2013, the City's bank balance was \$ 0 as any remaining deposits at the end of the day are swept into the 4M Fund. At December 31, 2013, the City's deposits had a book balance of \$ 346,773.

B. Investments

At December 31, 2013, the City had the following investments:

Investment Type	Total Fair Value	Investment Maturities		
		Less Than One Year	1-2 Years	2-5 years
Brokered Certificates of Deposit	\$ 1,353,400	\$ 547,803	\$ 703,928	\$ 101,669
U.S. Treasury State and Local Government Series Time Deposit	4,255,431	2,507,676	1,747,755	-
Cash and Brokered Money Market Accounts	872,614	872,614	-	-
4M Fund	4,427,750	4,427,750	-	-
Total	<u>\$ 10,909,195</u>	<u>\$ 8,355,843</u>	<u>\$ 2,451,683</u>	<u>\$ 101,669</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS

Credit Risk: As of December 31, 2013, none of the City’s investments were rated.

Custodial Credit Risk: Some City securities held by the City’s broker-dealer are not registered to the City, but are held in an insured account. The account is insured up to \$ 500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City’s portfolio.

Summary of cash, deposits and investments as of December 31, 2013:

Petty Cash	\$ 3,000
Deposits (Note 3.A.)	346,773
Investments (Note 3.B.)	<u>10,909,195</u>
Total Deposits and Investments	<u><u>\$ 11,258,968</u></u>

Cash, deposits and investments are presented in the December 31, 2013 basic financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 6,853,817
Cash with Fiscal Agent	4,255,431
Restricted Cash	<u>149,720</u>
Total	<u><u>\$ 11,258,968</u></u>

NOTE 4 – NOTES RECEIVABLE

Governmental funds notes receivable includes receivables from the Big Lake Township for their portion of debt payments on the Taxable G.O. Tax Abatement Bonds, Series 2013B, for \$ 612,600 and the G.O. Capital Improvement Bonds of 2006B for fire hall funding amounting to \$ 293,500. Other receivables due to the Big Lake EDA from local businesses include amounts issued through a grant from the Department of Employment and Economic Development (DEED) and totaled \$ 133,918, for a grand total of notes receivable of \$ 1,040,018.

Proprietary funds note receivable includes amounts due from local businesses totaling \$ 67,910.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2013 was as follows:

	Advances from	
	Sewer Fund	Water Fund
Advances to:		
General Fund	\$ 131,999	\$ -
Street Improvement Fund	339,040	-
Other Governmental Funds	1,408,025	46,537
Water Fund	1,203,920	-
Storm Sewer Fund	144,306	-
Total	\$ 3,227,290	\$ 46,537

The amounts due to the Sewer Fund represent interfund loans to absorb temporary negative cash balances and to temporarily fund capital projects. \$ 24,370 of this balance is due within one year.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2013 was as follows:

	Transfers In						Total
	General Fund	Street Improvement Fund	2008 Tax Lease Revenue Bond Fund	G.O. Temporary Taxable Tax Increment Bond 2010B Fund	Other Governmental Funds	Sewer Fund	
Transfers Out:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,217	\$ 6,217
2008 Tax Lease Revenue Bond Fund	-	-	-	-	76,841	-	76,841
Other Governmental Funds	678,954	97	1,941,570	1,061,046	358,644	-	4,040,311
Liquor Fund	260,000	-	-	-	-	-	260,000
Storm Sewer Fund	-	-	-	-	10,241	-	10,241
Total	\$ 938,954	\$ 97	\$ 1,941,570	\$ 1,061,046	\$ 445,726	\$ 6,217	\$ 4,393,610

The above transfers were made for the following reasons: debt service payments, operating transfers to cover Tax Increment Financing (TIF) administrative expenditures, capital projects, to close funds and other administrative items.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 7,973,665	\$ -	\$ -	\$ 7,973,665
Construction in Progress	<u>3,649,966</u>	<u>120,851</u>	<u>3,089,451</u>	<u>681,366</u>
Total Capital Assets not being Depreciated	<u>11,623,631</u>	<u>120,851</u>	<u>3,089,451</u>	<u>8,655,031</u>
Capital Assets being Depreciated:				
Infrastructure	32,784,898	2,881,701	-	35,666,599
Buildings	4,736,803	672,923	-	5,409,726
Leasehold Improvements	71,543	-	-	71,543
Machinery and Equipment	<u>3,810,669</u>	<u>25,876</u>	<u>29,260</u>	<u>3,807,285</u>
Total Capital Assets being Depreciated	<u>41,403,913</u>	<u>3,580,500</u>	<u>29,260</u>	<u>44,955,153</u>
Less Accumulated Depreciation for:				
Infrastructure	15,327,075	960,137	-	16,287,212
Buildings	1,327,253	158,692	-	1,485,945
Leasehold Improvements	18,695	3,577	-	22,272
Machinery and Equipment	<u>3,128,407</u>	<u>175,730</u>	<u>29,260</u>	<u>3,274,877</u>
Total Accumulated Depreciation	<u>19,801,430</u>	<u>1,298,136</u>	<u>29,260</u>	<u>21,070,306</u>
Total Capital Assets being Depreciated, Net	<u>21,602,483</u>	<u>2,282,364</u>	<u>-</u>	<u>23,884,847</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,226,114</u>	<u>\$ 2,403,215</u>	<u>\$ 3,089,451</u>	<u>\$ 32,539,878</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 6 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,533,956	\$ -	\$ -	\$ 1,533,956
Construction in Progress	<u>15,408,479</u>	<u>137,151</u>	<u>-</u>	<u>15,545,630</u>
Total Capital Assets not being Depreciated	<u>16,942,435</u>	<u>137,151</u>	<u>-</u>	<u>17,079,586</u>
Capital Assets being Depreciated:				
Buildings	12,102,461	-	-	12,102,461
Collection and Distribution Systems	45,161,483	13,818	-	45,175,301
Leasehold Improvements	223,833	-	-	223,833
Machinery and Equipment	<u>1,039,905</u>	<u>-</u>	<u>-</u>	<u>1,039,905</u>
Total Capital Assets being Depreciated	<u>58,527,682</u>	<u>13,818</u>	<u>-</u>	<u>58,541,500</u>
Less Accumulated Depreciation for:				
Buildings	1,474,612	403,415	-	1,878,027
Collection and Distribution Systems	13,622,872	1,397,264	-	15,020,136
Leasehold Improvements	101,799	6,042	-	107,841
Machinery and Equipment	<u>830,088</u>	<u>52,750</u>	<u>-</u>	<u>882,838</u>
Total Accumulated Depreciation	<u>16,029,371</u>	<u>1,859,471</u>	<u>-</u>	<u>17,888,842</u>
Total Capital Assets being Depreciated, Net	<u>42,498,311</u>	<u>(1,845,653)</u>	<u>-</u>	<u>40,652,658</u>
Business-Type Activities Capital Assets, Net	<u>\$ 59,440,746</u>	<u>\$ (1,708,502)</u>	<u>\$ -</u>	<u>\$ 57,732,244</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 6 – CAPITAL ASSETS

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 18,495
Public Safety	114,749
Streets and Highways	942,442
Culture and Recreation	160,490
Economic Development	<u>61,960</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,298,136</u>
Business-Type Activities:	
Water	\$ 823,275
Sewer	672,369
Liquor	76,986
Storm Sewer	<u>286,841</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,859,471</u>

NOTE 7 – LONG-TERM DEBT

A. G.O. Bonds

The City issues G.O. bonds to provide for financing the construction of street improvements, tax increment projects and to refinance (refund) previous bond issues. Debt service is covered respectively by tax increments, revenue generated from projects and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with equal debt service payments each year.

On August 29, 2011, the City issued \$ 3,415,000 G.O. Improvement Refunding Bonds, Series 2011B for the crossover refunding of \$ 1,750,000 of the G.O. Improvement Bonds, Series 2005A, and \$ 1,835,000 of the G.O. Improvement Bonds, Series 2006A. The principal balances of both the refunded and refunding bonds are reported as long-term debt of the City until the call date of the refunded bonds, at which time, the refunded bonds will be considered defeased and the related liability will be removed from the Statement of Net Position. The call dates for the 2005A and 2006A refunded bonds was February 1, 2013. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$ 134,439. The net present value cash flow savings from the transaction was \$ 119,460.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – LONG-TERM DEBT

A. G.O. Bonds (Continued)

On July 10, 2012, the City issued \$ 4,785,000 G.O. Refunding Bonds, Series 2012A for the crossover refunding a portion of the \$ 1,255,000 G.O. Wastewater Revenue Refunding Bonds, Series 2004A, \$ 2,625,000 G.O. Utility Revenue Bonds, Series 2005B, \$ 1,135,000 G.O. Capital Improvement Plan Bonds, Series 2006B, \$ 2,670,000 G.O. Public Utility Revenue Refunding Bonds, Series 2007D and the \$ 910,000 G.O. Improvement Bonds, Series 2007E. The principal balances of both the refunded and refunding bonds are reported as long-term debt of the City until the call date of the refunded bonds, at which time the refunded bonds will be considered defeased and the related liability will be removed from the Statement of Net Position. The call dates for the 2004A, 2005B, 2006B, 2007D and 2007E refunded bonds was February 1, 2013, February 1, 2015, February 1, 2014, February 1, 2014 and February 1, 2014, respectively. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$ 268,249. The net present value cash flow savings from the transaction was \$ 241,589.

On October 16, 2013, the City issued \$ 1,105,000 Taxable G.O. Tax Increment Refunding Bonds, Series 2013A for the current refunding of the \$ 1,055,000 G.O. Temporary Taxable TIF Bonds of 2010B. On November 15, 2013, the City used a portion of the net proceeds to redeem the 2010B bonds. The refunding was done to extend the principal and interest payments on the debt. The refunding resulted in an increase in future debt service payments of \$ 267,592. The net present value cash flow loss from the transaction was \$ 50,808.

On December 30, 2013, the City issued \$ 2,220,000 Taxable G.O. Tax Abatement Bonds, Series 2013B. A portion of the bonds was used for the current refunding of \$ 1,724,905 of the Taxable Lease Revenue Bonds of 2008. The refunding was done to extend the principal and interest payments on the debt. The refunding resulted in an increase in future debt service payments of \$ 144,934. The net present value cash flow loss from the transaction was \$ 50,111.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – LONG-TERM DEBT

B. Components of Long-Term Liabilities

	Issue Year	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-Term Liabilities:						
Governmental Activities:						
G.O. Bonds, Including Refunding						
Bonds:						
G.O. Capital Improvement Bonds of 2006B	2006	3.70%-4.25%	\$ 1,135,000	2023	\$ 705,000	\$ 705,000
G.O. Improvement Bonds of 2007A	2007	4.00%-4.10%	2,105,000	2023	1,615,000	135,000
G.O. Capital Improvement Plan Bonds of 2007C	2007	4.00%-4.35%	1,130,000	2028	960,000	45,000
G.O. Improvement Bonds of 2007E	2007	4.00%-4.10%	900,000	2018	490,000	490,000
G.O. Improvement Bonds of 2008A	2008	3.25%-4.50%	3,655,000	2024	3,170,000	230,000
G.O. Capital Improvement Bonds of 2009A	2009	1.10%-2.90%	620,000	2017	365,000	85,000
G.O. Improvement Bonds of 2010A	2010	2.00% - 3.80%	3,590,000	2026	3,310,000	235,000
G.O. Refunding Improvement Bonds of 2011A	2011	.40% - 2.45%	2,095,000	2020	1,740,000	205,000
G.O. Refunding Improvement Bonds of 2011B	2011	2.00% - 2.80%	3,415,000	2022	3,415,000	365,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	1,040,000	2026	1,040,000	115,000
Revenue Bonds:						
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	484,647	2026	365,762	20,497
Taxable G.O. Tax Abatement Bonds of 2013B	2013	2.00%-4.30%	2,220,000	2028	2,220,000	-
G.O. Tax Increment Bonds:						
G.O. Tax Increment Bonds of 2004	2004	5.00%-5.90%	795,000	2030	745,000	10,000
Taxable G.O. Tax Increment Refunding Bonds of 2013A	2013	2.00%-4.25%	1,055,000	2024	1,105,000	-
Other Financing:						
G.O. Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	2,119,000	116,000
					<u>23,364,762</u>	<u>2,756,497</u>
Premium on Bonds Payable					75,049	-
Compensated Absences					98,579	98,579
Severance					43,397	43,397
Total Governmental Activities					<u>23,581,787</u>	<u>2,898,473</u>
Business-Type Activities:						
G.O. Revenue Bonds, Including						
Refunding Bonds:						
Public Facility Authority Drinking						
Water G.O. Revenue Loan	2004	2.53%	9,787,000	2024	5,506,000	440,000
G.O. Utility Revenue Bonds 2005	2005	4.00%-4.375%	2,625,000	2026	1,960,000	115,000
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	1,320,353	2026	1,004,238	54,502
G.O. Utility System Revenue Bonds of 2007B	2007	4.00%-4.35%	2,060,000	2027	1,590,000	85,000
G.O. Public Utility Revenue Refunding Bonds of 2007D	2007	3.60%-4.00%	2,670,000	2020	1,630,000	1,630,000
G.O. Utility Revenue Bonds of 2007F	2007	4.00%-4.50%	1,325,000	2027	1,010,000	55,000
G.O. Utility Revenue Bonds of 2008B	2008	3.5%-4.75%	3,000,000	2029	2,645,000	95,000
Public Facility Authority Drinking						
Sewer Revenue Note of 2009	2009	2.41%	13,470,120	2024	12,520,000	300,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	3,745,000	2026	3,745,000	90,010
					<u>31,610,238</u>	<u>2,864,512</u>
Premium on Bonds Payable					68,197	-
Compensated Absences					56,039	56,039
Total Business-Type Activities					<u>31,734,474</u>	<u>2,920,551</u>
Total all Long-Term Liabilities					<u>\$ 55,316,261</u>	<u>\$ 5,819,024</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – LONG-TERM DEBT

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
G.O. Improvement Bonds	\$ 21,455,000	\$ -	\$ 4,645,000	\$ 16,810,000	\$ 2,610,000
G.O. Revenue Bonds	2,149,254	2,220,000	1,783,492	2,585,762	20,497
G.O. Tax Increment Bonds	1,810,000	1,105,000	1,065,000	1,850,000	10,000
Other Financing	2,233,000	-	114,000	2,119,000	116,000
Premium on Bonds	67,418	14,482	6,851	75,049	-
Total Bonds Payable	<u>27,714,672</u>	<u>3,339,482</u>	<u>7,614,343</u>	<u>23,439,811</u>	<u>2,756,497</u>
Capital Lease	924	-	924	-	-
Compensated Absences	86,352	121,304	109,077	98,579	98,579
Severance	27,317	16,080	-	43,397	43,397
Total Governmental Activities	<u>27,829,265</u>	<u>3,476,866</u>	<u>7,724,344</u>	<u>23,581,787</u>	<u>2,898,473</u>
Business-Type Activities:					
Bonds Payable:					
G.O. Revenue Bonds	14,743,740	-	1,159,502	13,584,238	2,124,512
PFA G.O. Revenue Notes	18,669,698	60,302	704,000	18,026,000	740,000
Premium on Bonds	76,557	-	8,360	68,197	-
Total Bonds Payable	<u>33,489,995</u>	<u>60,302</u>	<u>1,871,862</u>	<u>31,678,435</u>	<u>2,864,512</u>
Compensated Absences	<u>57,662</u>	<u>64,710</u>	<u>66,333</u>	<u>56,039</u>	<u>56,039</u>
Total Business-Type Activities	<u>33,547,657</u>	<u>125,012</u>	<u>1,938,195</u>	<u>31,734,474</u>	<u>2,920,551</u>
Total Long-Term Liabilities	<u>\$ 61,376,922</u>	<u>\$ 3,601,878</u>	<u>\$ 9,662,539</u>	<u>\$ 55,316,261</u>	<u>\$ 5,819,024</u>

The General Fund typically liquidates the capital lease, compensated absences and severance payable.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – LONG-TERM DEBT

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire non-compensated absence liabilities:

Year Ending December 31,	Governmental Activities					
	G.O. Bonds			G.O. Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 1,870,000	\$ 493,231	\$ 2,363,231	\$ 195,498	\$ 57,518	\$ 253,016
2015	1,610,000	445,939	2,055,939	146,865	82,263	229,128
2016	1,650,000	403,875	2,053,875	153,230	78,676	231,906
2017	1,680,000	359,320	2,039,320	154,597	74,976	229,573
2018	1,635,000	313,444	1,948,444	155,964	71,135	227,099
2019-2023	6,665,000	864,065	7,529,065	848,948	274,593	1,123,541
2024-2028	1,700,000	106,383	1,806,383	930,660	96,798	1,027,458
Total	<u>\$ 16,810,000</u>	<u>\$ 2,986,257</u>	<u>\$ 19,796,257</u>	<u>\$ 2,585,762</u>	<u>\$ 735,959</u>	<u>\$ 3,321,721</u>

Year Ending December 31,	Governmental Activities					
	G.O. Tax Increment Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 10,000	\$ 68,958	\$ 78,958	\$ 116,000	\$ 36,574	\$ 152,574
2015	105,000	74,373	179,373	118,000	34,572	152,572
2016	120,000	71,698	191,698	120,000	32,536	152,536
2017	120,000	68,773	188,773	122,000	30,464	152,464
2018	125,000	65,579	190,579	124,000	28,358	152,358
2019-2023	750,000	253,034	1,003,034	655,000	108,824	763,824
2024-2028	440,000	106,018	546,018	714,000	50,346	764,346
2029-2030	180,000	10,916	190,916	150,000	2,590	152,590
Total	<u>\$ 1,850,000</u>	<u>\$ 719,349</u>	<u>\$ 2,569,349</u>	<u>\$ 2,119,000</u>	<u>\$ 324,264</u>	<u>\$ 2,443,264</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – LONG-TERM DEBT

D. Minimum Debt Payments (Continued)

Year Ending December 31,	Total Governmental Activities		
	Principal	Interest	Total
2014	\$ 2,191,498	\$ 656,281	\$ 2,847,779
2015	1,979,865	637,147	2,617,012
2016	2,043,230	586,785	2,630,015
2017	2,076,597	533,533	2,610,130
2018	2,039,964	478,516	2,518,480
2019-2023	8,918,948	1,500,516	10,419,464
2024-2028	3,784,660	359,545	4,144,205
2029-2030	330,000	13,506	343,506
Total	<u>\$ 23,364,762</u>	<u>\$ 4,765,829</u>	<u>\$ 28,130,591</u>

Year Ending December 31,	Business-Type Activities					
	G.O. Revenue Bonds			Public Facility G.O. Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 2,149,502	\$ 462,991	\$ 2,612,493	\$ 740,000	\$ 441,534	\$ 1,181,534
2015	2,493,136	373,286	2,866,422	1,137,000	423,160	1,560,160
2016	811,769	313,738	1,125,507	1,165,000	395,190	1,560,190
2017	830,403	290,402	1,120,805	1,194,000	366,530	1,560,530
2018	744,037	267,177	1,011,214	1,224,000	337,156	1,561,156
2019-2023	3,306,051	983,541	4,289,592	6,583,000	1,219,150	7,802,150
2024-2028	2,804,340	382,514	3,186,854	5,025,000	458,060	5,483,060
2029	445,000	10,569	455,569	958,000	23,126	981,126
Total	<u>\$ 13,584,238</u>	<u>\$ 3,084,218</u>	<u>\$ 16,668,456</u>	<u>\$ 18,026,000</u>	<u>\$ 3,663,906</u>	<u>\$ 21,689,906</u>

Year Ending December 31,	Business-Type Activities		
	Total Business-Type Activities		
	Principal	Interest	Total
2013	\$ 2,889,502	\$ 904,525	\$ 3,794,027
2014	3,630,136	796,446	4,426,582
2015	1,976,769	708,928	2,685,697
2016	2,024,403	656,932	2,681,335
2017	1,968,037	604,333	2,572,370
2018-2022	9,889,051	2,202,691	12,091,742
2023-2027	7,829,340	840,574	8,669,914
2028-2029	1,403,000	33,695	1,436,695
Total	<u>\$ 31,610,238</u>	<u>\$ 6,748,124</u>	<u>\$ 38,358,362</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – LONG-TERM DEBT

E. Conduit Debt

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued a revenue bond to provide funding to a private-sector entity for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2013, the City’s outstanding conduit debt balances consisted of the following:

\$ 1,950,000 Commercial Facility Revenue Note (Options, Inc. Project), Series 2005	<u><u>\$ 916,324</u></u>
---	--------------------------

NOTE 8 – FUND BALANCE DETAIL

Fund equity balances are classified as follows on the chart below to reflect the limitations and restrictions of the respective funds.

	General	Street Improvement	Nonmajor Governmental Fund	Total
Nonspendable:				
Land Held for Resale	\$ -	\$ -	\$ 304,099	\$ 304,099
Notes Receivable	-	-	35,271	35,271
Prepaid Expenses	113,861	-	-	113,861
Total Nonspendable	113,861	-	339,370	453,231
Restricted:				
Debt Service	-	-	3,848,361	3,848,361
Park Development	-	-	100,524	100,524
Neighborhood Stabilization Program	-	-	465,851	465,851
TIF	-	-	1,238,831	1,238,831
Police Traffic Safety	14,209	-	-	14,209
Police Forfeiture Fund	3,289	-	-	3,289
Total Restricted	17,498	-	5,653,567	5,671,065
Assigned:				
Local Development	-	-	111,848	111,848
Industrial Park Street Assessment	-	-	214,167	214,167
Fire Capital Purchases	23,370	-	-	23,370
Police Capital Purchases	27,179	-	-	27,179
Streets Capital Purchases	15,321	-	-	15,321
Parks Capital Purchases	31,000	-	-	31,000
Emergency Management Capital Purchases	11,400	-	-	11,400
Total Assigned	108,270	-	326,015	434,285
Unassigned	2,047,571	(100,062)	(1,084,101)	863,408
Total	\$ 2,287,200	\$ (100,062)	\$ 5,234,851	\$ 7,421,989

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining, through commercial companies, for excess claims. The City is covered through the pool for any claims incurred but unreported; however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2013 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2013, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) and the Public Employees' Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These Plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

GERF members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all GERP and PEPFF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age for unreduced Social Security benefits is capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree, no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the Fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active Plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERP and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees’ Retirement Association (Continued)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. In 2013, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.4% for PEPFF members. The City’s contributions to the Public Employees’ Retirement Fund for the years ending December 31, 2013, 2012 and 2011 were \$ 112,651, \$ 114,527 and \$ 103,064, respectively. The City’s contributions to the PEPFF for the years ending December 31, 2013, 2012 and 2011 were \$ 101,218, \$ 96,713 and \$ 97,183, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 11 – COMMITMENTS

	<u>Project Authorization</u>	<u>Expended Through 12/13/2013</u>	<u>Remaining Commitment</u>
CR43 Trail and Road Improvement	\$ 757,971	\$ 652,521	\$ 105,450

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2013, the City implemented GASB Statement No. 65. This action resulted in an adjustment to the beginning net position on the Statement of Activities of \$ 379,456 to remove deferred charges no longer required to be capitalized in accordance with GASB Statement No. 65. Of this charge, \$ 196,542 was attributed to the governmental activities and \$ 182,914 was attributed to the business-type activities and proprietary funds

The City also changed the interest rate risk method used to present investments from weighted average maturity to segmented time.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 14 – SPECIAL ITEM

During the year, the City re-evaluated the value of land held for resale. The City reviewed Sherburne County's appraised values and determined the current market value of the land should be adjusted due to the City's recorded value being significantly higher than current assessed values. The adjustment is considered a special item on the financial statements. The land was purchased at the peak of real estate and with the significant downturn in values of real estate, it does not appear the value will be recoverable in the near future.

SUPPLEMENTARY INFORMATION

CITY OF BIG LAKE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

	Special Revenue		Debt Service		
	Economic Development Authority (275)	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Capital Equipment Note 2005 (240)	G.O. Improvement Bonds of 2006B (270)
ASSETS					
Cash and Investments	\$ -	\$ 23,388	\$ -	\$ 1,188	\$ 40,988
Cash with Fiscal Agent	-	-	-	-	630,928
Taxes Receivable - Delinquent	-	-	-	5,305	4,206
Accounts Receivable	23,707	-	-	-	-
Due from Other Governments	-	-	-	271	1,145
Notes Receivable	133,918	-	-	-	293,500
Special Assessment Receivable:					
Delinquent	-	1,341	-	-	-
Deferred	-	2,187	-	-	-
Land Held for Resale	304,099	-	-	-	-
	<u>304,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 461,724</u>	<u>\$ 26,916</u>	<u>\$ -</u>	<u>\$ 6,764</u>	<u>\$ 970,767</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 1,443	\$ -	\$ 1,500	\$ -	\$ -
Escrow Payable	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Advances from Other Funds	399,941	-	153,116	-	-
Total Liabilities	<u>401,384</u>	<u>-</u>	<u>154,616</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable Revenue - Notes Receivables	98,647	-	-	-	293,500
Unavailable Revenue - Property Taxes	-	-	-	5,305	4,206
Unavailable Revenue - Special Assessments	-	3,528	-	-	-
Total Deferred Inflows of Resources	<u>98,647</u>	<u>3,528</u>	<u>-</u>	<u>5,305</u>	<u>297,706</u>
Fund Balances					
Nonspendable	339,370	-	-	-	-
Restricted	-	23,388	-	1,459	673,061
Assigned	-	-	-	-	-
Unassigned	(377,677)	-	(154,616)	-	-
Total Fund Balances	<u>(38,307)</u>	<u>23,388</u>	<u>(154,616)</u>	<u>1,459</u>	<u>673,061</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 461,724</u>	<u>\$ 26,916</u>	<u>\$ -</u>	<u>\$ 6,764</u>	<u>\$ 970,767</u>

Debt Service

G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007E (207)	G.O. Improvement Bonds of 2007A (215)	G.O. Capital Improvement Bonds 2007C (235)	G.O. Improvement Bonds of 2008A (208)	G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)
\$ -	\$ 243,396	\$ 57,283	\$ 84,016	\$ -	\$ 12,924	\$ 18,868
-	403,754	-	-	-	-	-
-	-	5,462	6,594	9,761	4,942	-
-	-	-	-	-	-	-
21,846	-	1,646	1,826	3,681	1,898	-
-	-	-	-	-	-	-
41,684	-	274	-	-	-	-
-	606,187	143,390	-	1,080,481	-	-
-	-	-	-	-	-	-
<u>\$ 63,530</u>	<u>\$ 1,253,337</u>	<u>\$ 208,055</u>	<u>\$ 92,436</u>	<u>\$ 1,093,923</u>	<u>\$ 19,764</u>	<u>\$ 18,868</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
92,035	-	-	-	68,696	-	-
<u>92,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,696</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	5,462	6,594	9,761	4,942	-
41,684	606,187	143,664	-	1,080,481	-	-
<u>41,684</u>	<u>606,187</u>	<u>149,126</u>	<u>6,594</u>	<u>1,090,242</u>	<u>4,942</u>	<u>-</u>
-	-	-	-	-	-	-
-	647,150	58,929	85,842	-	14,822	18,868
-	-	-	-	-	-	-
(70,189)	-	-	-	(65,015)	-	-
<u>(70,189)</u>	<u>647,150</u>	<u>58,929</u>	<u>85,842</u>	<u>(65,015)</u>	<u>14,822</u>	<u>18,868</u>
<u>\$ 63,530</u>	<u>\$ 1,253,337</u>	<u>\$ 208,055</u>	<u>\$ 92,436</u>	<u>\$ 1,093,923</u>	<u>\$ 19,764</u>	<u>\$ 18,868</u>

CITY OF BIG LAKE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

	Debt Service				
	G.O. Improvement Bond 2010A (212)	G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)	G.O. Temporary Taxable Tax Increment Bond 2013A (218)
ASSETS					
Cash and Investments	\$ 176,400	\$ 751,720	\$ 517,022	\$ 433	\$ 1,676
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	14,675	11,539	19,483	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	7,102	4,643	8,647	-	-
Notes Receivable	-	-	-	-	-
Special Assessment Receivable:					
Delinquent	3,431	12,296	4,661	-	-
Deferred	482,062	231,174	667,948	-	-
Land Held for Resale	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 683,670</u>	<u>\$ 1,011,372</u>	<u>\$ 1,217,761</u>	<u>\$ 433</u>	<u>\$ 1,676</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-	-
Due to Other Governments	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources					
Unavailable Revenue - Notes Receivables	-	-	-	-	-
Unavailable Revenue - Property Taxes	14,675	11,539	19,483	-	-
Unavailable Revenue - Special Assessments	485,493	243,470	672,609	-	-
Total Deferred Inflows of Resources	<u>500,168</u>	<u>255,009</u>	<u>692,092</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	183,502	756,363	525,669	433	1,676
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>183,502</u>	<u>756,363</u>	<u>525,669</u>	<u>433</u>	<u>1,676</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 683,670</u>	<u>\$ 1,011,372</u>	<u>\$ 1,217,761</u>	<u>\$ 433</u>	<u>\$ 1,676</u>

Debt Service		Capital Projects				
G.O. Taxable Tax Abatement Bonds 2013B (219)	Total	Park Development (120)	Local Development (150)	Industrial Park TIF 2-2 (160)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)
\$ -	\$ 1,929,302	\$ 100,524	\$ 501,362	\$ 188,807	\$ 261,985	\$ 145,923
-	1,034,682	-	-	-	-	-
-	81,967	-	-	-	-	-
-	-	-	-	-	-	-
-	52,705	-	-	-	-	-
612,600	906,100	-	-	-	-	-
-	63,687	-	-	-	-	-
-	3,213,429	-	1,885	-	-	-
-	-	-	-	-	-	-
<u>\$ 612,600</u>	<u>\$ 7,281,872</u>	<u>\$ 100,524</u>	<u>\$ 503,247</u>	<u>\$ 188,807</u>	<u>\$ 261,985</u>	<u>\$ 145,923</u>
\$ 830	\$ 2,330	\$ -	\$ 19,046	\$ -	\$ 1,200	\$ -
-	-	-	370,468	-	-	-
-	-	-	-	-	-	-
392,219	706,066	-	-	-	-	-
<u>393,049</u>	<u>708,396</u>	<u>-</u>	<u>389,514</u>	<u>-</u>	<u>1,200</u>	<u>-</u>
612,600	906,100	-	-	-	-	-
-	81,967	-	-	-	-	-
-	3,277,116	-	1,885	-	-	-
612,600	4,265,183	-	1,885	-	-	-
-	-	-	-	-	-	-
-	2,991,162	100,524	-	188,807	260,785	145,923
-	-	-	111,848	-	-	-
(393,049)	(682,869)	-	-	-	-	-
<u>(393,049)</u>	<u>2,308,293</u>	<u>100,524</u>	<u>111,848</u>	<u>188,807</u>	<u>260,785</u>	<u>145,923</u>
<u>\$ 612,600</u>	<u>\$ 7,281,872</u>	<u>\$ 100,524</u>	<u>\$ 503,247</u>	<u>\$ 188,807</u>	<u>\$ 261,985</u>	<u>\$ 145,923</u>

CITY OF BIG LAKE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013

	Capital Projects				
	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)	Commercial Redevelopment TIF 1-4 (170)	Industrial Park Street Assessments (168)	Industrial Park Expansion Land Purchase (141)
ASSETS					
Cash and Investments	\$ 86,534	\$ 23,695	\$ 32,447	\$ 214,167	\$ 10,327
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Special Assessment Receivable:					
Delinquent	-	-	-	7,636	-
Deferred	-	-	-	12,459	-
Land Held for Resale	-	-	500,640	-	1,304,640
	<u>86,534</u>	<u>23,695</u>	<u>533,087</u>	<u>234,262</u>	<u>1,314,967</u>
Total Assets	<u>\$ 86,534</u>	<u>\$ 23,695</u>	<u>\$ 533,087</u>	<u>\$ 234,262</u>	<u>\$ 1,314,967</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-	-
Due to Other Governments	-	-	-	-	132,768
Advances from Other Funds	-	-	-	-	325,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,768</u>
Deferred Inflows of Resources					
Unavailable Revenue - Notes Receivables	-	-	-	-	-
Unavailable Revenue - Property Taxes	-	-	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	20,095	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,095</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	86,534	23,695	533,087	-	857,199
Assigned	-	-	-	214,167	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>86,534</u>	<u>23,695</u>	<u>533,087</u>	<u>214,167</u>	<u>857,199</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 86,534</u>	<u>\$ 23,695</u>	<u>\$ 533,087</u>	<u>\$ 234,262</u>	<u>\$ 1,314,967</u>

Capital Projects

Northern Star TIF1-7 (173)	Neighborhood Stabilization Program (116)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Total	Total Other Governmental Funds
\$ -	\$ 17,213	\$ -	\$ -	\$ 1,582,984	\$ 3,512,286
-	-	-	-	-	1,034,682
-	-	-	-	-	81,967
-	888	-	-	888	24,595
-	-	-	-	-	52,705
-	-	-	-	-	1,040,018
-	-	-	-	7,636	71,323
-	-	-	-	14,344	3,227,773
-	448,095	-	-	2,253,375	2,557,474
<u>\$ -</u>	<u>\$ 466,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,859,227</u>	<u>\$ 11,602,823</u>
\$ -	\$ 345	\$ -	\$ -	\$ 20,591	\$ 24,364
-	-	-	-	370,468	370,468
-	-	-	-	132,768	132,768
15,625	-	7,831	99	348,555	1,454,562
<u>15,625</u>	<u>345</u>	<u>7,831</u>	<u>99</u>	<u>872,382</u>	<u>1,982,162</u>
-	-	-	-	-	1,004,747
-	-	-	-	-	81,967
-	-	-	-	21,980	3,299,096
-	-	-	-	21,980	4,385,810
-	-	-	-	-	339,370
-	465,851	-	-	2,662,405	5,653,567
-	-	-	-	326,015	326,015
(15,625)	-	(7,831)	(99)	(23,555)	(1,084,101)
<u>(15,625)</u>	<u>465,851</u>	<u>(7,831)</u>	<u>(99)</u>	<u>2,964,865</u>	<u>5,234,851</u>
<u>\$ -</u>	<u>\$ 466,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,859,227</u>	<u>\$ 11,602,823</u>

CITY OF BIG LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013**

	Special Revenue		Debt Service		
	Economic Development Authority (275)	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Improvement Bonds of 2005A (210)	G.O. Capital Equipment Note 2005 (240)
REVENUES					
Property Taxes	\$ -	\$ -	\$ -	\$ 5,226	\$ 1,458
Tax Increments	-	-	31,610	-	-
Special Assessments	-	9	-	104,698	-
Intergovernmental	5,000	-	-	-	-
Charges for Services	19,043	-	-	-	-
Miscellaneous:					
Investment and Other Interest Income	3,377	469	(670)	1,241	1
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>27,420</u>	<u>478</u>	<u>30,940</u>	<u>111,165</u>	<u>1,459</u>
EXPENDITURES					
Current					
Culture and Recreation	-	-	-	-	-
Economic Development	124,040	-	-	-	-
Debt Service					
Principal	20,497	-	10,000	165,000	-
Interest and Other Charges	27,803	-	49,145	34,916	-
Capital Outlay					
Streets and Highways	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>172,340</u>	<u>-</u>	<u>59,145</u>	<u>199,916</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(144,920)	478	(28,205)	(88,751)	1,459
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	-	-	-
Bond Premium	-	-	-	-	-
Refunding Bond Payment	-	-	-	(1,585,000)	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	(163,699)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,748,699)</u>	<u>-</u>
Net Change in Fund Balances	(144,920)	478	(28,205)	(1,837,450)	1,459
Special Item					
Decrease in Land Held for Resale	<u>(187,091)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Beginning Balance	<u>293,704</u>	<u>22,910</u>	<u>(126,411)</u>	<u>1,837,450</u>	<u>-</u>
End of Year	<u>\$ (38,307)</u>	<u>\$ 23,388</u>	<u>\$ (154,616)</u>	<u>\$ -</u>	<u>\$ 1,459</u>

Debt Service

G.O. Improvement Bonds of 2006A (265)	G.O. Improvement Bonds of 2006B (270)	G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007E (207)	G.O. Improvement Bonds of 2007A (215)	G.O. Capital Improvement Bonds 2007C (235)	G.O. Improvement Bonds of 2008A (208)
\$ 3,691	\$ 53,786	\$ -	\$ -	\$ 80,924	\$ 87,583	\$ 186,526
-	-	-	-	-	-	-
55,498	-	21,846	143,074	29,954	-	92,728
-	55,089	-	-	-	-	-
-	-	-	-	-	-	-
2,117	1,796	1	3,823	(8)	618	(5,062)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>61,306</u>	<u>110,671</u>	<u>21,847</u>	<u>146,897</u>	<u>110,870</u>	<u>88,201</u>	<u>274,192</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
150,000	75,000	-	90,000	130,000	45,000	220,000
37,168	31,063	2,682	22,155	68,201	41,521	136,555
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>187,168</u>	<u>106,063</u>	<u>2,682</u>	<u>112,155</u>	<u>198,201</u>	<u>86,521</u>	<u>356,555</u>
(125,862)	4,608	19,165	34,742	(87,331)	1,680	(82,363)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,685,000)	-	-	-	-	-	-
-	-	-	-	-	-	10,241
<u>(172,551)</u>	<u>(13,822)</u>	<u>-</u>	<u>(8,572)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1,857,551)</u>	<u>(13,822)</u>	<u>-</u>	<u>(8,572)</u>	<u>-</u>	<u>-</u>	<u>10,241</u>
(1,983,413)	(9,214)	19,165	26,170	(87,331)	1,680	(72,122)
-	-	-	-	-	-	-
1,983,413	682,275	(89,354)	620,980	146,260	84,162	7,107
<u>\$ -</u>	<u>\$ 673,061</u>	<u>\$ (70,189)</u>	<u>\$ 647,150</u>	<u>\$ 58,929</u>	<u>\$ 85,842</u>	<u>\$ (65,015)</u>

CITY OF BIG LAKE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Debt Service				
	G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)	G.O. Improvement Bond 2010A (212)	G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)
REVENUES					
Property Taxes	\$ 96,809	\$ -	\$ 215,381	\$ 137,179	\$ 257,520
Tax Increments	-	-	-	-	-
Special Assessments	-	-	127,270	63,777	-
Intergovernmental	-	151,558	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment and Other Interest Income	(1,158)	45	80	12,196	1,152
Contributions and Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>95,651</u>	<u>151,603</u>	<u>342,731</u>	<u>213,152</u>	<u>258,672</u>
EXPENDITURES					
Current					
Culture and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Debt Service					
Principal	85,000	114,000	195,000	220,000	-
Interest and Other Charges	10,664	38,542	98,837	31,903	75,623
Capital Outlay					
Streets and Highways	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>95,664</u>	<u>152,542</u>	<u>293,837</u>	<u>251,903</u>	<u>75,623</u>
Excess of Revenues Over (Under) Expenditures	(13)	(939)	48,894	(38,751)	183,049
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	-	-	-
Bond Premium	-	-	-	-	-
Refunding Bond Payment	-	-	-	-	-
Transfers In	-	-	-	-	336,250
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,250</u>
Net Change in Fund Balances	(13)	(939)	48,894	(38,751)	519,299
Special Item					
Decrease in Land Held for Resale	-	-	-	-	-
FUND BALANCES					
Beginning Balance	<u>14,835</u>	<u>19,807</u>	<u>134,608</u>	<u>795,114</u>	<u>6,370</u>
End of Year	<u>\$ 14,822</u>	<u>\$ 18,868</u>	<u>\$ 183,502</u>	<u>\$ 756,363</u>	<u>\$ 525,669</u>

Debt Service				Capital Projects		
GO Refunding Bonds 2012A (217)	G.O. Temporary Taxable Tax Increment Bond 2013A (218)	G.O. Taxable Tax Abatement Bonds 2013B (219)	Total	Park Development (120)	Local Development (150)	Industrial Park TIF 2-2 (160)
\$ -	\$ -	\$ -	\$ 1,126,083	\$ -	\$ -	\$ -
-	-	-	31,610	-	-	-
-	-	-	638,854	-	-	-
-	-	-	206,647	8,011	-	-
-	-	-	-	-	-	-
-	865	1,105	18,611	2,058	11,227	3,786
-	-	-	-	4,250	-	-
-	-	-	-	-	36,403	-
-	865	1,105	2,021,805	14,319	47,630	3,786
-	-	-	-	3,467	-	-
-	-	-	-	-	11,722	-
-	-	-	1,499,000	-	-	-
23,946	48,036	80,059	831,016	-	-	-
-	-	-	-	-	-	-
-	-	-	-	8,802	-	-
-	-	-	-	-	-	-
23,946	48,036	80,059	2,330,016	12,269	11,722	-
(23,946)	(47,171)	(78,954)	(308,211)	2,050	35,908	3,786
-	1,105,000	2,220,000	3,325,000	-	-	-
-	4,893	9,588	14,481	-	-	-
-	-	-	(3,270,000)	-	-	-
22,394	-	76,841	445,726	-	-	-
-	(1,061,046)	(2,620,524)	(4,040,214)	-	-	-
22,394	48,847	(314,095)	(3,525,007)	-	-	-
(1,552)	1,676	(393,049)	(3,833,218)	2,050	35,908	3,786
-	-	-	-	-	-	-
1,985	-	-	6,141,511	98,474	75,940	185,021
\$ 433	\$ 1,676	\$ (393,049)	\$ 2,308,293	\$ 100,524	\$ 111,848	\$ 188,807

CITY OF BIG LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013**

	Capital Projects			
	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	86,333	38,313	21,234	-
Special Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous:				
Investment and Other Interest Income	3,738	2,418	1,388	491
Contributions and Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>90,071</u>	<u>40,731</u>	<u>22,622</u>	<u>491</u>
EXPENDITURES				
Current				
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay				
Streets and Highways	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	40,050	17,138	425	2,400
Total Expenditures	<u>40,050</u>	<u>17,138</u>	<u>425</u>	<u>2,400</u>
Excess of Revenues Over Expenditures	50,021	23,593	22,197	(1,909)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Bond Premium	-	-	-	-
Refunding Bond Payment	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	50,021	23,593	22,197	(1,909)
Special Item				
Decrease in Land Held for Resale	-	-	-	-
FUND BALANCES				
Beginning Balance	<u>210,764</u>	<u>122,330</u>	<u>64,337</u>	<u>25,604</u>
End of Year	<u>\$ 260,785</u>	<u>\$ 145,923</u>	<u>\$ 86,534</u>	<u>\$ 23,695</u>

Capital Projects

Commercial Redevelopment TIF 1-4 (170)	Industrial Park Street Assessments (168)	Industrial Park Expansion Land Purchase (141)	Northern Star TIF1-7 (173)	Neighborhood Stabilization Program (116)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,798	-	-	-	-	-	-
-	20,033	-	-	-	-	-
-	-	69,546	-	-	-	-
-	-	-	-	-	-	-
722	3,947	(240)	-	-	-	(2)
-	-	-	-	-	-	-
-	-	-	-	54,295	-	-
<u>2,520</u>	<u>23,980</u>	<u>69,306</u>	<u>-</u>	<u>54,295</u>	<u>-</u>	<u>(2)</u>
-	-	-	-	-	-	-
183,326	-	-	-	-	-	-
-	-	-	-	-	-	-
2,457	-	13,000	455	-	228	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,336	-	46,364	-	161,876	-	-
<u>187,119</u>	<u>-</u>	<u>59,364</u>	<u>455</u>	<u>161,876</u>	<u>228</u>	<u>-</u>
(184,599)	23,980	9,942	(455)	(107,581)	(228)	(2)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(97)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97)</u>
(184,599)	23,980	9,942	(455)	(107,581)	(228)	(99)
(572,743)	-	(427,459)	-	-	-	-
<u>1,290,429</u>	<u>190,187</u>	<u>1,274,716</u>	<u>(15,170)</u>	<u>573,432</u>	<u>(7,603)</u>	<u>-</u>
<u>\$ 533,087</u>	<u>\$ 214,167</u>	<u>\$ 857,199</u>	<u>\$ (15,625)</u>	<u>\$ 465,851</u>	<u>\$ (7,831)</u>	<u>\$ (99)</u>

CITY OF BIG LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013**

	<u>Capital Projects</u>	
	<u>Total</u>	<u>Total Other Governmental Funds</u>
REVENUES		
Property Taxes	\$ -	\$ 1,126,083
Tax Increments	147,678	179,288
Special Assessments	20,033	658,887
Intergovernmental	77,557	289,204
Charges for Services	-	19,043
Miscellaneous:		
Investment and Other Interest Income	29,533	51,521
Contributions and Donations	4,250	4,250
Other	90,698	90,698
Total Revenues	<u>369,749</u>	<u>2,418,974</u>
EXPENDITURES		
Current		
Culture and Recreation	3,467	3,467
Economic Development	195,048	319,088
Debt Service		
Principal	-	1,519,497
Interest and Other Charges	16,140	874,959
Capital Outlay		
Streets and Highways	-	-
Culture and Recreation	8,802	8,802
Economic Development	269,589	269,589
Total Expenditures	<u>493,046</u>	<u>2,995,402</u>
Excess of Revenues Over (Under) Expenditures	(123,297)	(576,428)
OTHER FINANCING SOURCES (USES)		
Issuance of Debt	-	3,325,000
Bond Premium	-	14,481
Refunding Bond Payment	-	(3,270,000)
Transfers In	-	445,726
Transfers Out	(97)	(4,040,311)
Total Other Financing Sources (Uses)	<u>(97)</u>	<u>(3,525,104)</u>
Net Change in Fund Balances	(123,394)	(4,101,532)
Special Item		
Decrease in Land Held for Resale	<u>(1,000,202)</u>	<u>(1,187,293)</u>
FUND BALANCES		
Beginning Balance	<u>4,088,461</u>	<u>10,523,676</u>
End of Year	<u>\$ 2,964,865</u>	<u>\$ 5,234,851</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF BIG LAKE

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
REVENUES			
Property Taxes	\$ 2,308,544	\$ 2,108,987	\$ (199,557)
Miscellaneous Taxes	-	27,099	27,099
Special Assessments	6,000	7,490	1,490
Licenses and Permits	272,600	273,143	543
Intergovernmental Revenue:			
Local Government Aid	62,590	156,014	93,424
Market Value Credit	-	235	235
PERA Aid	3,106	3,106	-
Fire Aid	55,000	90,681	35,681
Police Aid	80,000	97,959	17,959
Federal Grants	-	470	470
Other Grants and Aids	95,000	132,149	37,149
Total Intergovernmental Revenue	<u>295,696</u>	<u>480,614</u>	<u>184,918</u>
Charges for Services:			
General Government	111,750	109,413	(2,337)
Public Safety	107,100	63,239	(43,861)
Public Works	5,200	10,455	5,255
Culture and Recreation	4,000	599	(3,401)
Total Charges for Services	<u>228,050</u>	<u>183,706</u>	<u>(44,344)</u>
Fines and Forfeitures	29,850	33,560	3,710
Miscellaneous Revenues:			
Investment Income	47,993	(9,051)	(57,044)
Contributions and Donations	10,000	48,710	38,710
Other	-	29,918	29,918
Total Miscellaneous Revenues	<u>57,993</u>	<u>69,577</u>	<u>11,584</u>
Total Revenues	<u>3,198,733</u>	<u>3,184,176</u>	<u>(14,557)</u>
EXPENDITURES			
General Government			
Mayor and Council	33,474	36,955	3,481
Administrative and Finance	470,149	481,514	11,365
Other General Government	115,048	101,480	(13,568)
Capital Outlay	5,400	-	(5,400)
Total General Government	<u>624,071</u>	<u>619,949</u>	<u>(4,122)</u>
Public Safety			
Police:			
Current	1,206,064	1,218,544	12,480
Capital Outlay	10,000	74,110	64,110
Total Police	<u>1,216,064</u>	<u>1,292,654</u>	<u>76,590</u>

CITY OF BIG LAKE

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES (CONTINUED)			
Public Safety (Continued)			
Fire:			
Current	\$ 277,979	\$ 307,264	\$ 29,285
Other:			
Current	244,959	170,913	(74,046)
Total Public Safety	<u>1,739,002</u>	<u>1,770,831</u>	<u>31,829</u>
Public Works			
Streets and Highways:			
Street Maintenance and Storm Sewers	405,152	386,628	(18,524)
Street Engineering	4,500	33,320	28,820
Street Lighting	95,000	83,887	(11,113)
Total Streets and Highways	<u>504,652</u>	<u>503,835</u>	<u>(817)</u>
Sanitation:			
Garbage and Other Refuse Collection and Disposal	1,200	1,263	63
Total Public Works	<u>505,852</u>	<u>505,098</u>	<u>(754)</u>
Culture and Recreation			
Parks and Recreation:			
Current Expenditures	402,613	432,407	29,794
Capital Outlay	-	680,000	680,000
Total Parks and Recreation	<u>402,613</u>	<u>1,112,407</u>	<u>709,794</u>
Economic Development			
Current Expenditures	77,195	76,206	(989)
Total Expenditures	<u>3,348,733</u>	<u>4,084,491</u>	<u>735,758</u>
Excess of Revenues Under Expenditures	(150,000)	(900,315)	(750,315)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Asset	-	13,270	13,270
Insurance Recoveries	-	8,450	8,450
Transfers In	260,000	938,954	678,954
Transfers Out	(110,000)	(6,217)	103,783
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>954,457</u>	<u>804,457</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>54,142</u>	<u>\$ 54,142</u>
FUND BALANCES			
Beginning of Year		<u>2,233,058</u>	
End of Year		<u>\$ 2,287,200</u>	

(THIS PAGE LEFT BLANK INTENTIONALLY)



Expert advice. When you need it.SM

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Big Lake
Big Lake, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2013, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the Schedule of Findings and Responses on Internal Control and Legal Compliance to be a material weakness, Audit Finding 11-01.



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance to be a significant deficiency, Audit Finding 04-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kern, Dewenter, Viere, Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
April 11, 2014



Expert advice. When you need it.SM

**REPORT ON LEGAL COMPLIANCE
INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members
of the City Council
City of Big Lake
Big Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2013, and the related Notes to the Financial Statements, and have issued our report thereon dated April 11, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Big Lake failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the accompanying Schedule of Findings and Responses on Legal Compliance. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance, management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Kern, Dewenter, Viere, Ltd
KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
April 11, 2014

CITY OF BIG LAKE

SCHEDULE OF FINDINGS AND RESPONSES ON INTERNAL CONTROL AND LEGAL COMPLIANCE December 31, 2013

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS:

Material Weakness:

Audit Finding 11-01 – Preparation of Financial Statements

As a function of the audit process, auditors are required to gain an understanding of the City's internal control, including the financial reporting process.

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying Notes to the Financial Statements. This circumstance is not unusual in a city of your size.

This condition increases the risk that errors could occur which would not be prevented or detected and corrected in a timely manner. Even though all management decisions related to financial reporting are made by the City's management and approval of the financial statements lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

City's Response:

The City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Significant Deficiency:

Audit Finding 04-01 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2013, the City had a lack of segregation of accounting duties. In order to have appropriate segregation of duties the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions and financial information and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

City's Response:

The City will continue to monitor various accounting activities and look for areas where functions can be allocated to different staff to minimize potential control risks.

CITY OF BIG LAKE

**SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2013**

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Park Dedication Fees Based on Fair Market Value

Minnesota Statutes 462.358 Subd. 2b states cash fees may be accepted in lieu of land for park dedication. However, the fee charged must be based on the fair market value of the land. The City currently charges a flat fee for park dedication.

City's Response:

The City will be evaluating the current fee structure for park dedication fees and will work towards becoming compliance with *Minnesota Statutes* 462.358 Subd. 2b by January 1, 2015.