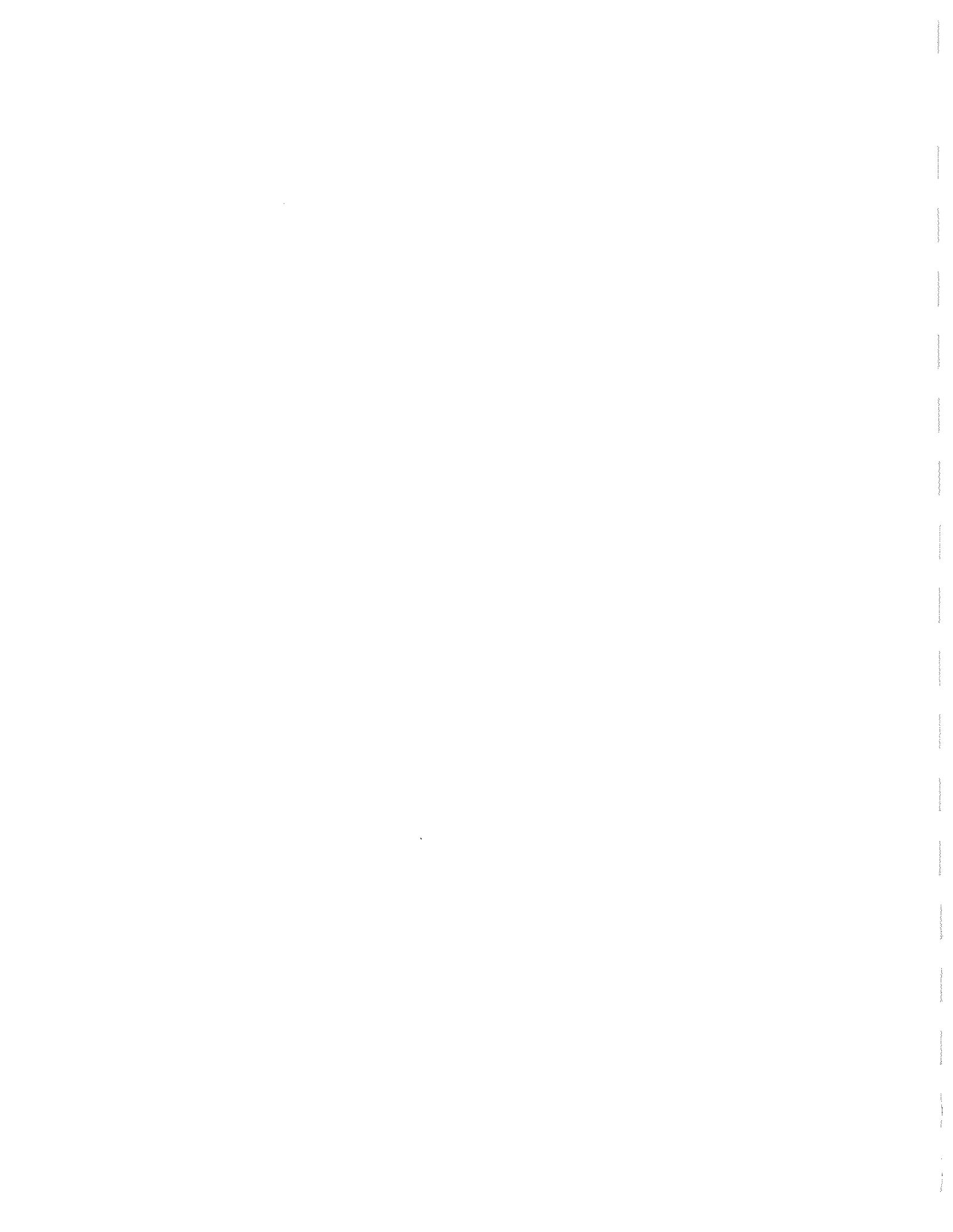


CITY OF BIG LAKE
Sherburne County, Minnesota

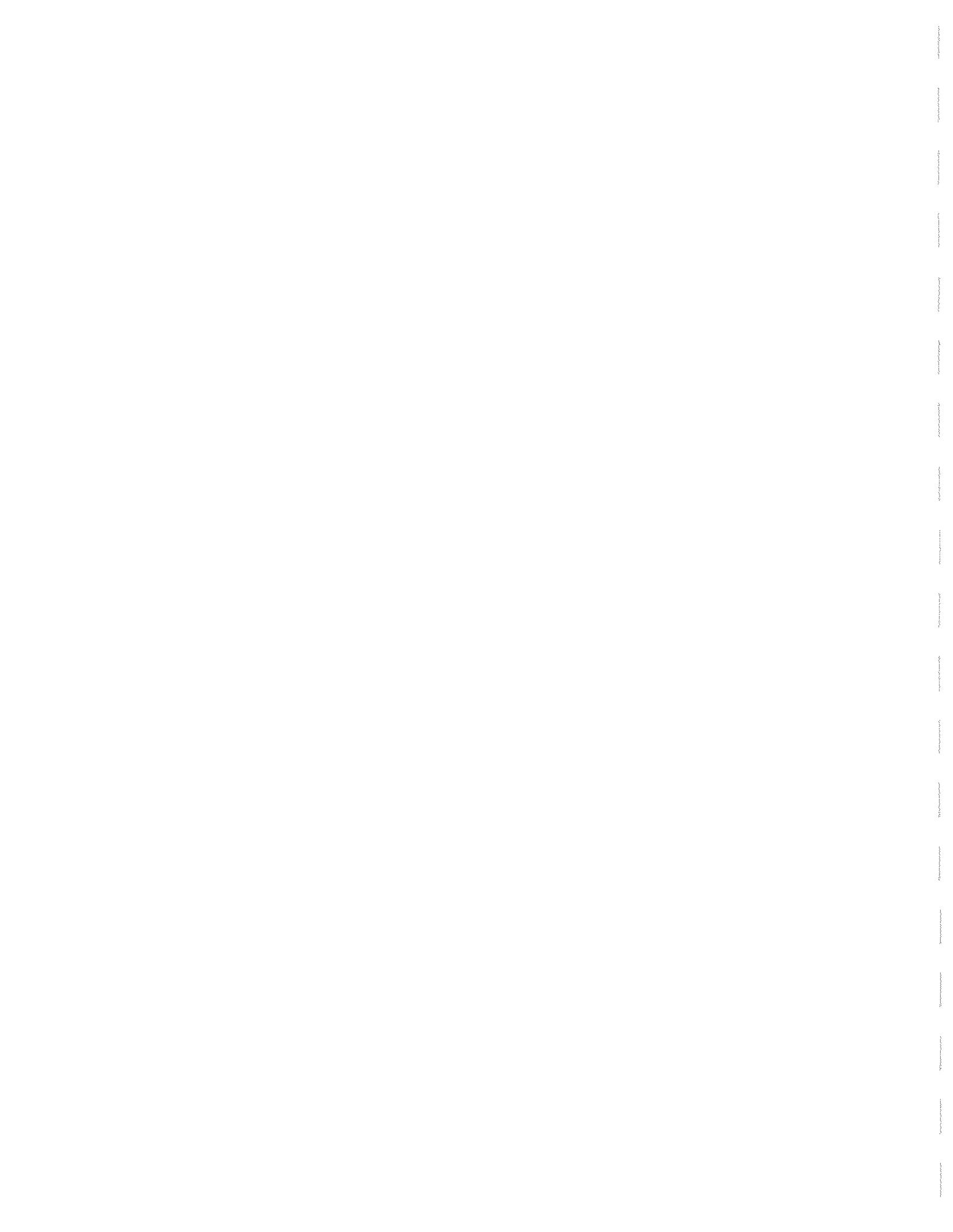
Audited Financial Statements
For the Fiscal Year Ended December 31, 2009



CITY OF BIG LAKE
Sherburne County, Minnesota

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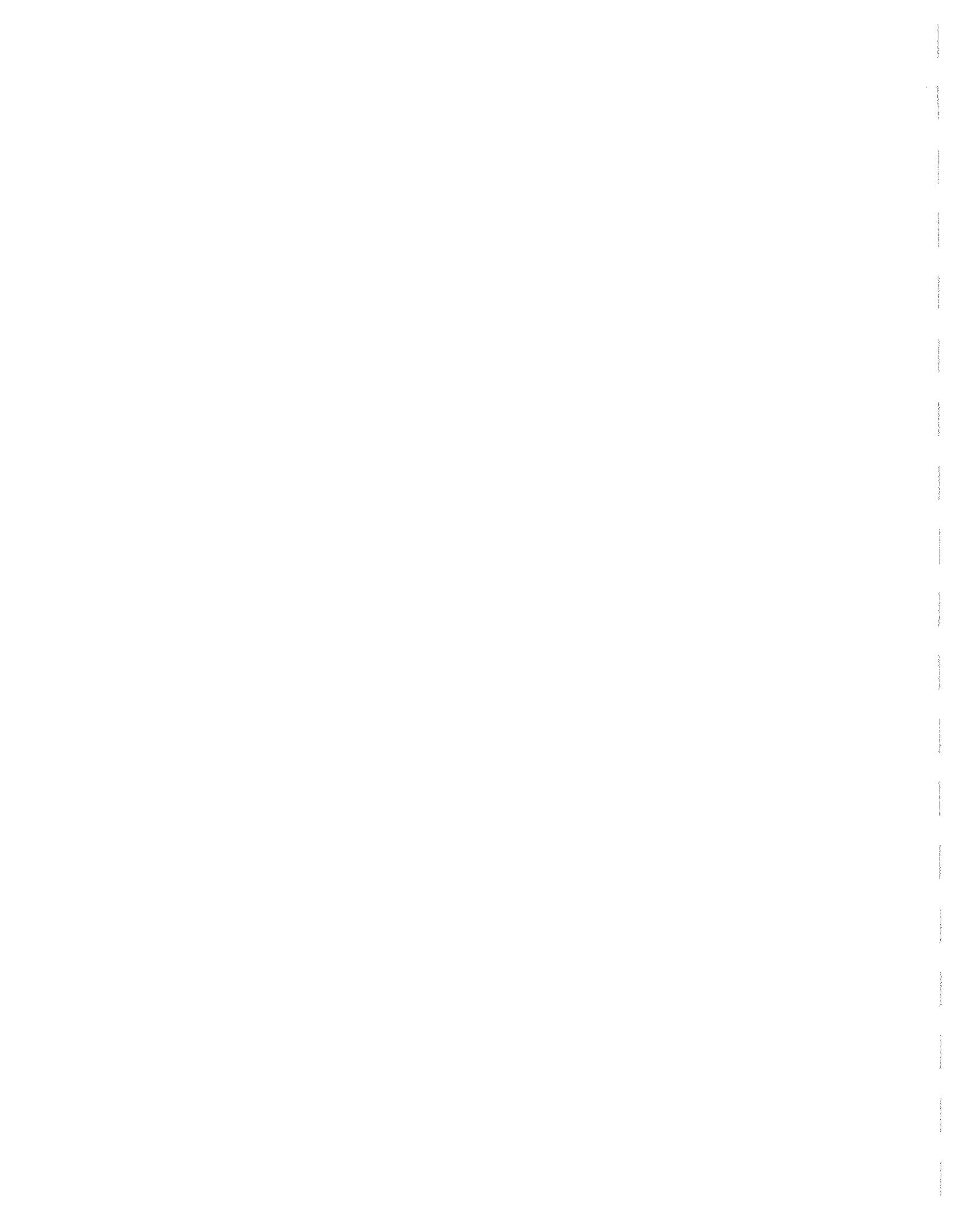
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Sherburne County, Minnesota

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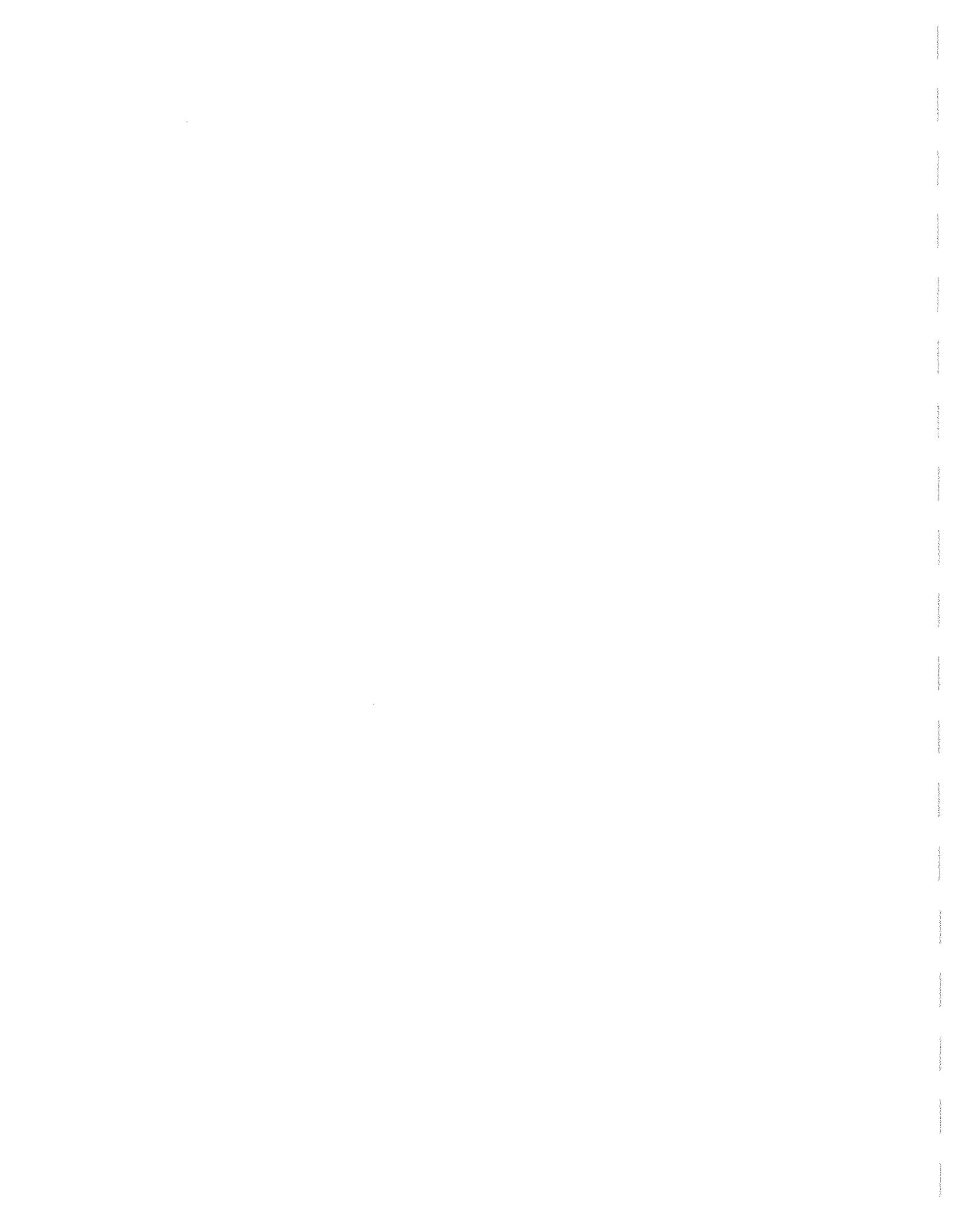
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CITY OF BIG LAKE
Sherburne County, Minnesota

ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2009

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Lori Kampa	Mayor	December 31, 2012
Raeanne Danielowski	Council Member	December 31, 2012
Duane Langsdorf	Council Member	December 31, 2012
Charles Heitz	Council Member	December 31, 2010
Richard Backlund	Council Member	December 31, 2010
<u>Administration</u>		
Scott Johnson	City Administrator	Appointed
Corey Boyer	Finance Director	Appointed





Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

May 13, 2010

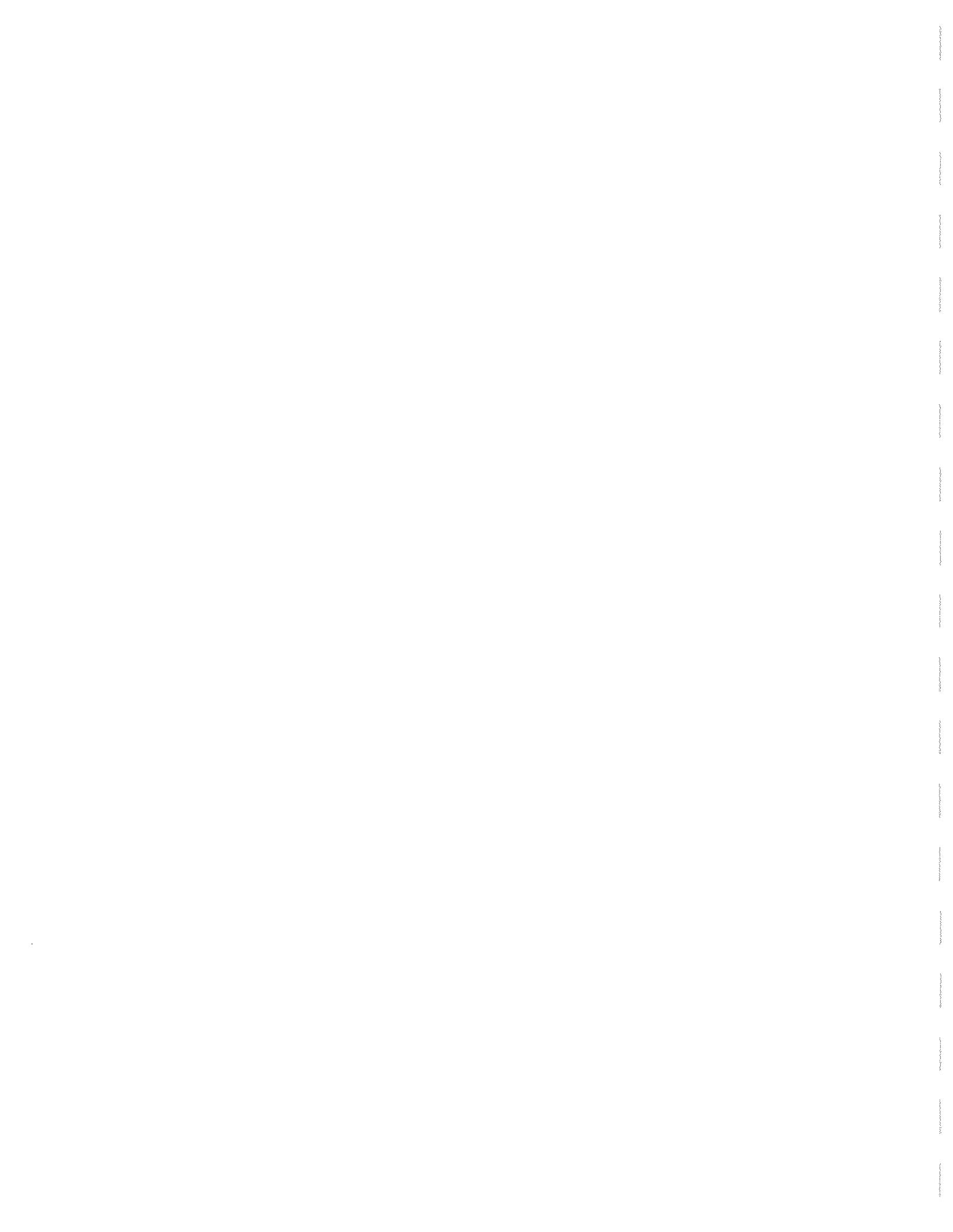
Honorable Mayor and Members
of the City Council
City of Big Lake
Big Lake, Minnesota

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, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2010, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.





The Management's Discussion and Analysis, which follows this report letter, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the basic financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kern, Dewenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota

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CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

As management of the City (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, 2009. 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 \$ 57,819,317. Of this amount, \$ 4,523,409 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets remained relatively stable in 2009, decreasing by \$ 44,922. Several capital projects were completed in 2009 that were being accounted for in governmental funds that were enterprise fund related projects, resulting in a large shift of net assets from governmental activity into business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 8,901,458, a decrease of \$ 390,879 from the previous year, after an adjustment of \$ 551,389 to prior period fund balance is accounted for. Approximately 50.9% (\$ 4,533,150) of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$ 2,125,060, or 59.6%, of the total General Fund expenditures.
- The City's total bonded debt decreased by \$ 1,147,546 (2.4%) during the current fiscal year. The key factors in this net decrease were increases in the City's Public Facilities Authority borrowing for the City's Water Treatment Plant as well as the expansion to the City's Wastewater Facility, which were offset by maturities of other existing debt obligations.

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

CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 (e.g., uncollected taxes and earned but unused vacation leave).

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 18-20 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.

CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

The City maintains 41 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 and Street Improvement Capital Project Fund, both of which are considered to be major funds. Data from the other 39 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor 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.

The basic governmental fund financial statements can be found on pages 21-25 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 26-28 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 29-56 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 58-72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 57,819,317 at the close of the most recent fiscal year.

CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

Approximately 68.0% of the City's net assets reflect 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 assets (24.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 4,523,409) 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 net investments in capital assets and restricted net assets for the governmental activities, as well as for its water, sanitary sewer, storm sewer and liquor enterprises separately. Unrestricted net assets in governmental activities were negative as of the end of the fiscal year, due mainly to the investment of available unrestricted assets into capital items.

City of Big Lake's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008, restated	2009	2008	2009	2008, restated
Current and Other Assets	\$ 16,915,180	\$ 18,719,554	\$ 6,702,147	\$ 6,851,406	\$ 23,617,327	\$ 25,570,960
Capital Assets	33,323,927	37,059,758	51,028,697	46,552,061	84,352,624	83,611,819
Total Assets	<u>\$ 50,239,107</u>	<u>\$ 55,779,312</u>	<u>\$ 57,730,844</u>	<u>\$ 53,403,467</u>	<u>\$ 107,969,951</u>	<u>\$ 109,182,779</u>
Long-Term Liabilities Outstanding	\$ 23,307,446	\$ 25,546,034	\$ 20,928,064	\$ 20,200,722	\$ 44,235,510	\$ 45,746,756
Other Liabilities	3,389,288	3,636,139	2,525,836	1,935,645	5,915,124	5,571,784
Total Liabilities	<u>\$ 26,696,734</u>	<u>\$ 29,182,173</u>	<u>\$ 23,453,900</u>	<u>\$ 22,136,367</u>	<u>\$ 50,150,634</u>	<u>\$ 51,318,540</u>
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	\$ 10,480,593	\$ 12,090,924	\$ 28,847,987	\$ 25,387,708	\$ 39,328,580	\$ 37,478,632
Restricted	10,509,357	15,430,092	149,720	149,720	10,659,077	15,579,812
Unrestricted	2,552,423	(923,877)	5,279,237	5,729,672	7,831,660	4,805,795
Total Net Assets	<u>\$ 23,542,373</u>	<u>\$ 26,597,139</u>	<u>\$ 34,276,944</u>	<u>\$ 31,267,100</u>	<u>\$ 57,819,317</u>	<u>\$ 57,864,239</u>

The City's net assets decreased by \$ 44,922 during the current fiscal year. Net assets related to governmental activity decreased \$ 2,503,377 when you include a prior period adjustment of \$ 551,389. This decrease was mainly due to the transfer of capital assets out of governmental funds into utility enterprise funds, which resulted in an increase in net assets due to business activities of \$ 3,009,844. Investment earnings increased net assets by \$ 401,370.

CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

Governmental Activities

Governmental activities when including interest earnings and transfers decreased the City's net assets by \$ 3,054,766, thereby accounting for a 11.5% reduction in the total growth in the net assets of the City.

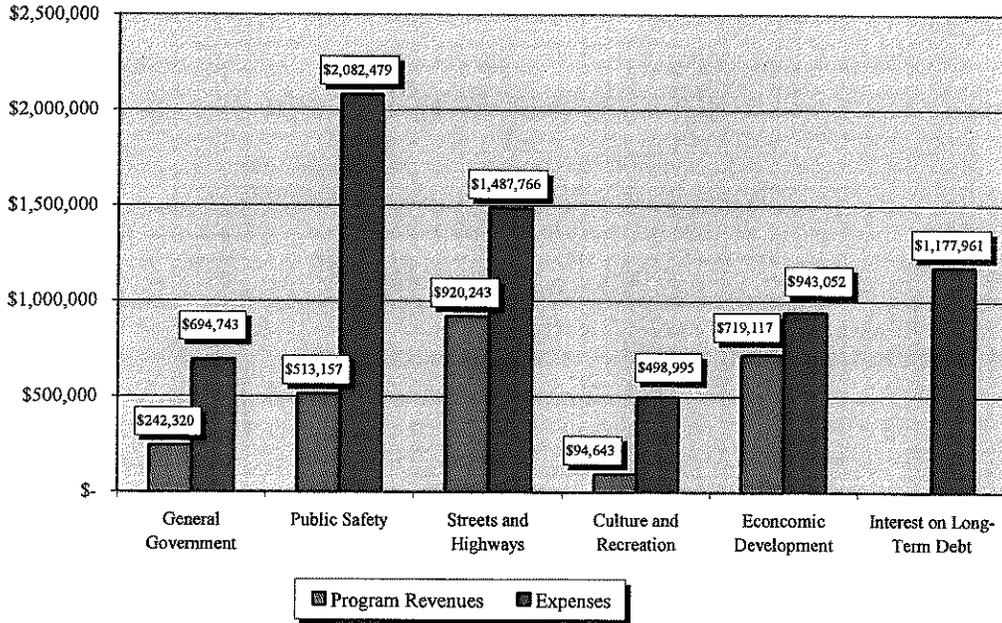
City of Big Lake's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
REVENUE:						
Program Revenues:						
Charges for Services	\$ 742,516	\$ 945,852	\$ 5,239,356	\$ 5,036,785	\$ 5,981,872	\$ 5,982,637
Operating Grants and Contributions	315,559	18,948	-	996	315,559	19,944
Capital Grants and Contributions	1,431,405	2,544,956	306,036	-	1,737,441	2,544,956
General Revenues:						
Property Taxes and Tax Increment	3,913,875	4,040,645	-	-	3,913,875	4,040,645
Unrestricted State Aids	575,436	2,158,258	-	-	575,436	2,158,258
Investment Income	226,197	267,363	175,173	220,403	401,370	487,766
Other Income	855	600,581	-	-	855	600,581
Total Revenues	7,205,843	10,576,603	5,720,565	5,258,184	12,926,408	15,834,787
EXPENSES:						
General Government	694,743	873,206	-	-	694,743	873,206
Public Safety	2,082,479	2,938,308	-	-	2,082,479	2,938,308
Streets and Highways	1,487,766	1,320,172	-	-	1,487,766	1,320,172
Economic Development	943,052	718,260	-	-	943,052	718,260
Culture and Recreation	498,995	507,176	-	-	498,995	507,176
Interest on Long-Term Debt	1,177,961	1,147,939	-	-	1,177,961	1,147,939
Water	-	-	1,518,342	1,299,782	1,518,342	1,299,782
Sewer	-	-	1,450,737	1,344,501	1,450,737	1,344,501
Storm Sewer	-	-	342,610	275,911	342,610	275,911
Municipal Liquor	-	-	2,774,645	2,791,879	2,774,645	2,791,879
Total Expenses	6,884,996	7,505,061	6,086,334	5,712,073	12,971,330	13,217,134
Increase (Decrease) in Net Assets						
before Transfers	320,847	3,071,542	(365,769)	(453,889)	(44,922)	2,617,653
Transfers	(3,375,613)	(2,533,874)	3,375,613	2,533,874	-	-
Increase (Decrease) in Net Assets	(3,054,766)	537,668	3,009,844	2,079,985	(44,922)	2,617,653
Net Assets - Beginning	26,045,750	25,508,082	31,267,100	29,187,115	57,312,850	54,695,197
Prior Period Adjustment	551,389	-	-	-	551,389	-
Net Assets - Beginning, Restated	26,597,139	25,508,082	31,267,100	29,187,115	57,864,239	54,695,197
Net Assets - Ending	\$ 23,542,373	\$ 26,045,750	\$ 34,276,944	\$ 31,267,100	\$ 57,819,317	\$ 57,312,850

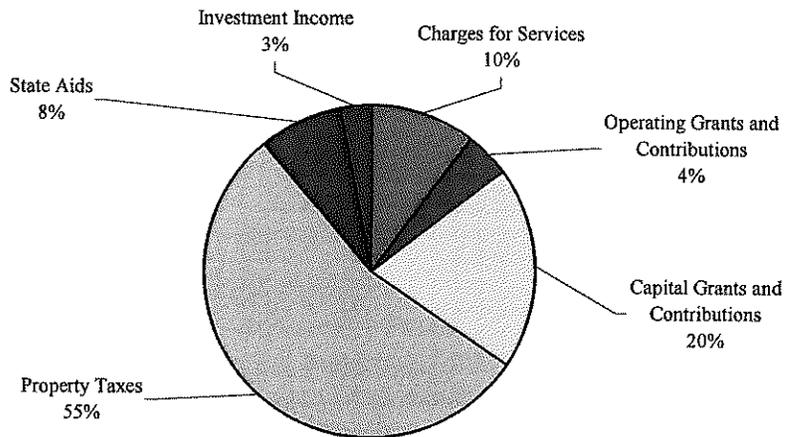
**CITY OF BIG LAKE
Sherburne County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

Expenses and Program Revenues - Governmental Activities



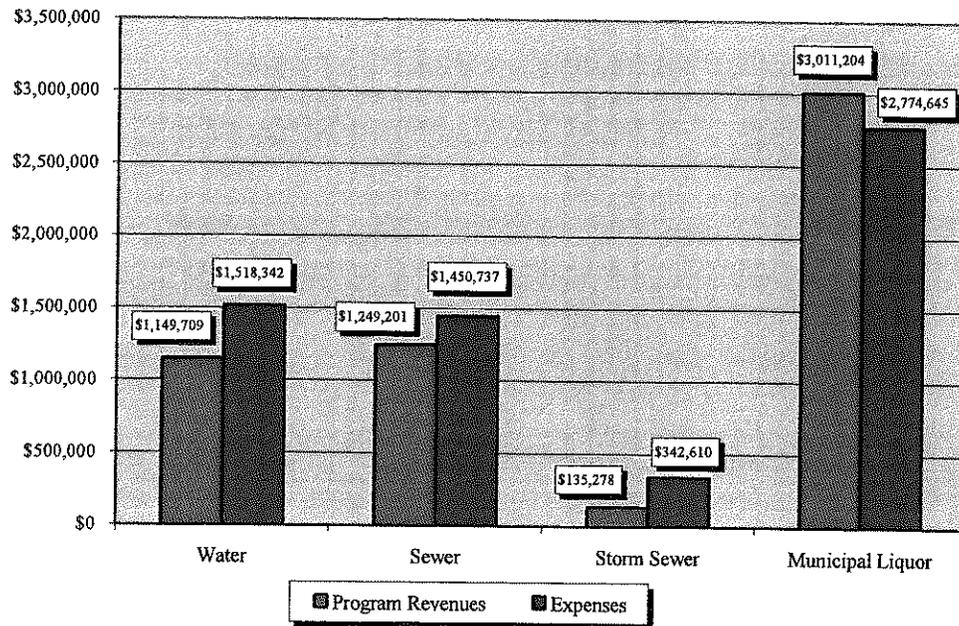
Revenues by Source - Governmental Activities



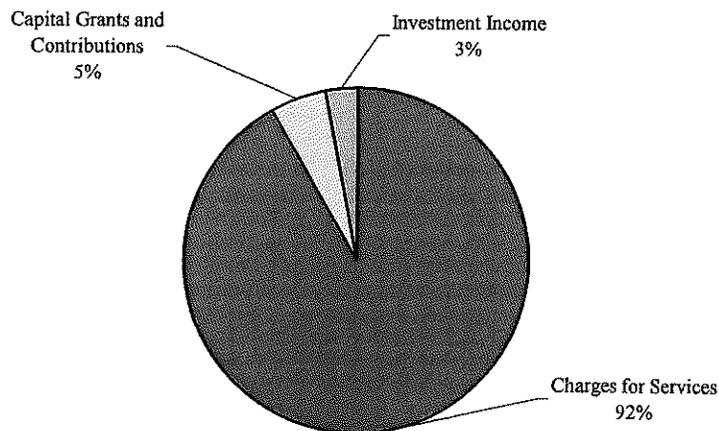
CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

Business-Type Activities

Business-type activities increased the City's net assets by \$ 3,009,844, resulting in a 9.6% increase in the total growth in the government's net assets.

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 \$ 8,901,458, a decrease of \$ 390,879 from the previous year after an adjustment of \$ 551,389 to prior period fund balance is accounted for. Approximately 50.9% of this total amount (\$ 4,533,150) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) for future capital purchases (\$ 40,154), 2) for prepaid expenses paid in 2009 (\$ 87,231), 3) to account for land that is being held for resale (\$ 4,048,187) or 4) for receivable balances from other entities (\$ 192,736).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$ 2,125,060, while total fund balance reached \$ 2,251,871. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 59.6% of the total General Fund expenditures, while total fund balance represents 63.2% of that same amount.

The fund balance of the City's General Fund increased by \$ 95,566 during the current fiscal year. Key factors in 2009 which had an impact on fund balance include:

- Building permit revenue for 2009 came in \$ 56,665 under 2008 revenue levels, but this lower revenue was offset by savings in the operations and maintenance budgets of the Building Inspections Department totaling \$ 66,856 versus 2008 expenditure levels. New single-family home permits pulled was actually higher in 2009 versus 2008, but 2008 saw more commercial building activity combined with substantial building activity due to storm damage resulting in the lower revenues in 2009.
- Through various cost-cutting measures, 2009 Police Department expenditures came in \$ 130,929 under 2008 levels.
- Revenues in the General Fund in 2009 were significantly under 2008 revenue levels (\$ 429,203 when excluding large grant receipts in 2008), but these were offset by conservative management of expenditure budgets. Total expenditures and transfers out in the General Fund came in \$ 393,399 under budget.

CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

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 assets of the water operations at the end of the year amounted to \$ (265,762), those for the sewer operations amounted to \$ 5,510,128, those for the storm sewer operations amounted to \$ (77,990) and those for the liquor operations amounted to \$ 112,861. The total growth in net assets for each fund was \$ 1,021,106, \$ 783,838, \$ 223,906, and \$ 980,994, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

The Municipal Liquor Store realized income before transfers of \$ 224,131. With an operating transfer of \$ 225 to the General Fund, the change in net assets for the Liquor Fund was \$ 223,906.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was amended in 2009 for a reduction of \$ 212,350 to account for anticipated losses in the City's allotment of Local Government Aid (LGA) from the state.

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, 2009, amounts to \$ 84,352,624 (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	
	2009	2008	2009	2008	2009	2008
Land	\$ 7,427,585	\$ 7,427,585	\$ 1,533,956	\$ 1,533,956	\$ 8,961,541	\$ 8,961,541
Construction in Progress	5,228,920	12,082,779	10,166,717	21,298,289	15,395,637	33,381,068
Leasehold Improvements	27,156	28,956	143,664	153,363	170,820	182,319
Infrastructure	15,459,471	13,413,781	-	-	15,459,471	13,413,781
Collection and Distribution Systems	-	-	27,041,837	21,272,472	27,041,837	21,272,472
Buildings and System	3,883,230	2,801,724	11,838,096	1,917,409	15,721,326	4,719,133
Machinery and Equipment	1,297,565	1,304,933	304,427	376,572	1,601,992	1,681,505
Total	\$ 33,323,927	\$ 37,059,758	\$ 51,028,697	\$ 46,552,061	\$ 84,352,624	\$ 83,611,819

Major capital asset events during the current fiscal year included the following:

CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

- Construction began on the expansion to the City's Wastewater Facility (construction in progress as of year end totaling \$ 2,250,342). Construction neared completion on the County Road 5/Highway 10 intersection improvements, County Road 43 Interceptor Project, Lakeside Park Improvement Project and the West-Side Trunk Utility Extension Project.
- Construction was completed on the Fire Hall Utility Extension Project, the Industrial Park Expansion Infrastructure Project, Martin Avenue Phase III, Ormsbee Street improvements, the Public Works Building Expansion Project and the Senior Center/Food Shelf Project.
- Ongoing construction projects amounted to \$ 15,395,638 in project costs as of year-end.

Additional information on the City's capital assets can be found in Note 6 on pages 43-45 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$ 47,420,005. Of this amount, \$ 3,283,835 comprises debt backed by the full faith and credit of the government and \$ 18,865,000 was 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's Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
G.O. Bonds/Notes	\$ 3,283,835	\$ 2,850,971	\$ -	\$ -	\$ 3,283,835	\$ 2,850,971
G.O. Tax Increment Bonds	775,000	1,230,000	-	-	775,000	1,230,000
G.O. Special Assessment Bonds	18,865,000	20,295,000	-	-	18,865,000	20,295,000
EDA Lease Revenue Bonds	1,866,465	3,006,317	-	-	1,866,465	3,006,317
PFA Drinking Water Revolving Loan	-	-	7,161,996	7,518,550	7,161,996	7,518,550
PFA Clean Water Revolving Loan	-	-	1,911,544	-	1,911,544	-
G.O. Revenue Bonds/Notes	-	-	11,911,165	12,419,029	11,911,165	12,419,029
Public Project Revenue Bonds	440,919	-	1,204,081	1,247,684	1,645,000	1,247,684
Total	\$ 25,231,219	\$ 27,382,288	\$ 22,188,786	\$ 21,185,263	\$ 47,420,005	\$ 48,567,551

The City's total bonded debt decreased by \$ 1,147,546 (2.4%) during the current fiscal year. The key factors in this net decrease were increases in the City's Public Facilities Authority (PFA) borrowing for the City's Water Treatment Plant as well as the expansion to the City's Wastewater Facility, which were offset by maturities of other existing debt issuances.

The City maintains an "A+" 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 45-51 of this report.

CITY OF BIG LAKE
Sherburne County, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Building activity remained slow in 2009 with 25 single family home building permits issued in 2009. This compares to 11 for 2008 and 47 for 2007. It is expected the pace of new home construction will remain slow as the residential sales market continues to struggle. The 2010 building permit revenue budget assumes 15 new home starts and other commercial activity.
- Budgeted spending for the City's General Fund was reduced by \$ 487,561 for fiscal year 2010, a 12.3% decrease from the amended 2009 General Fund budget.
- The 2010 tax rate for the City increased to 42.7% in 2010, up from 41.6% in 2009. The overall levy for the City in 2010 increased \$ 124,053. However, of this total, special/debt levies increased \$ 189,945 while the operating levy decreased \$ 65,892.
- LGA was removed from the 2010 General Fund budget. With the ongoing budget issues at the state, the City's goal is to remove this revenue source from the budget in order to decrease its reliance on this inconsistent source of revenue for the City.

Sanitary sewer and storm sewer rates were increased for the 2010 budget year. Water rates were frozen at 2009 rates for 2010. Sanitary sewer rates were increased mainly to account for anticipated increased operating expenditures from an expansion to the Wastewater Treatment Plant, which began in the fall of 2009. Current water and storm sewer rates do not cover all operating costs for the enterprises when you factor in depreciation expense. The City Council and staff continue to monitor these rates to determine appropriate times to implement rate increases.

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 addressed to: City, Finance Director, 160 Lake Street North, Big Lake, MN 55309

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BASIC FINANCIAL STATEMENTS

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET ASSETS
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Investments (Including Cash Equivalents)	\$ 6,933,880	\$ 2,518,102	\$ 9,451,982
Cash with Fiscal Agent	12,500	-	12,500
Receivables:			
Property Taxes Receivable	349,168	-	349,168
Accounts Receivable	104,079	274,704	378,783
Interest Receivable	38,270	-	38,270
Notes Receivable	1,723,631	211,653	1,935,284
Special Assessments Receivable:			
Delinquent	381,890	61,333	443,223
Deferred	4,879,424	263,745	5,143,169
Due from Other Governments	494,939	670,501	1,165,440
Due from Other Funds (Internal Balances)	(2,138,019)	2,138,019	-
Inventories	-	351,137	351,137
Land Held for Resale	4,048,187	-	4,048,187
Prepaid Expenses	87,231	63,233	150,464
Restricted Cash	-	149,720	149,720
Capital Assets not being Depreciated:			
Land	7,427,585	1,533,956	8,961,541
Construction in Progress	5,228,920	10,166,717	15,395,637
Capital Assets being Depreciated:			
Infrastructure	28,237,283	-	28,237,283
Buildings	4,736,803	12,102,461	16,839,264
Leasehold Improvements	36,006	223,833	259,839
Machinery and Equipment	3,749,741	987,981	4,737,722
Collection and Distribution Systems	-	36,727,119	36,727,119
Less Accumulated Depreciation	(16,092,411)	(10,713,370)	(26,805,781)
 Total Assets	 \$ 50,239,107	 \$ 57,730,844	 \$ 107,969,951

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET ASSETS
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts Payable	\$ 119,409	\$ 177,764	\$ 297,173
Contracts Payable	169,975	678,060	848,035
Salaries and Benefits Payable	59,739	31,938	91,677
Escrow Payable	406,000	-	406,000
Interest Payable	423,063	300,223	723,286
Due to Other Governments	117,222	27,970	145,192
Other Liabilities:			
Payable After One Year	-	196,000	196,000
Bond Principal Payable:			
Payable Within One Year	1,780,000	-	1,780,000
Payable After One Year	20,605,000	-	20,605,000
Revenue Bonds Payable:			
Payable Within One Year	50,148	1,193,520	1,243,668
Payable After One Year	2,257,236	20,580,025	22,837,261
Notes Payable:			
Payable Within One Year	150,874	59,126	210,000
Payable After One Year	387,961	152,039	540,000
Capital Lease Payable:			
Payable Within One Year	4,485	-	4,485
Payable After One Year	11,080	-	11,080
Compensated Absences Payable:			
Payable Within One Year	108,373	57,235	165,608
Severance Payable:			
Payable After One Year	46,169	-	46,169
Total Liabilities	26,696,734	23,453,900	50,150,634
Net Assets:			
Invested in Capital Assets, Net of Related Debt	10,480,593	28,847,987	39,328,580
Restricted for:			
Debt Service	9,127,128	149,720	9,276,848
Tax Increment	816,951	-	816,951
Neighborhood Stabilization	452,558	-	452,558
Parkland Dedication	112,720	-	112,720
Unrestricted	2,552,423	5,279,237	7,831,660
Total Net Assets	23,542,373	34,276,944	57,819,317
Total Liabilities and Net Assets	\$ 50,239,107	\$ 57,730,844	\$ 107,969,951

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

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 694,743	\$ 186,755	\$ 10,088	\$ 45,477	\$ (452,423)	\$ -	\$ (452,423)
Public Safety	2,082,479	306,205	206,952	-	(1,569,322)	-	(1,569,322)
Streets and Highways	1,487,766	16,850	50,000	853,393	(567,523)	-	(567,523)
Culture and Recreation	498,995	72,294	21,719	630	(404,352)	-	(404,352)
Economic Development	943,052	160,412	26,800	531,905	(223,935)	-	(223,935)
Interest on Long-Term Debt	1,177,961	-	-	-	(1,177,961)	-	(1,177,961)
Total Governmental Activities	<u>6,884,996</u>	<u>742,516</u>	<u>315,559</u>	<u>1,431,405</u>	<u>(4,395,516)</u>	<u>-</u>	<u>(4,395,516)</u>
Business-Type Activities:							
Water	1,518,342	1,149,709	-	-	-	(368,633)	(368,633)
Sewer	1,450,737	943,165	-	306,036	-	(201,536)	(201,536)
Municipal Liquor	2,774,645	3,011,204	-	-	-	236,559	236,559
Storm Sewer	342,610	135,278	-	-	-	(207,332)	(207,332)
Total Business-Type Activities	<u>6,086,334</u>	<u>5,239,356</u>	<u>-</u>	<u>306,036</u>	<u>-</u>	<u>(540,942)</u>	<u>(540,942)</u>
Total Governmental and Business-Type Activities	<u>\$ 12,971,330</u>	<u>\$ 5,981,872</u>	<u>\$ 315,559</u>	<u>\$ 1,737,441</u>	<u>(4,395,516)</u>	<u>(540,942)</u>	<u>(4,936,458)</u>
General Revenues:							
Property Taxes					3,123,472	-	3,123,472
Tax Increments					790,403	-	790,403
Unrestricted State Aids					575,436	-	575,436
Unrestricted Investment Earnings					226,197	175,173	401,370
Gain on Sale of Assets					855	-	855
Transfers					(3,375,613)	3,375,613	-
Total General Revenues and Transfers					<u>1,340,750</u>	<u>3,550,786</u>	<u>4,891,536</u>
Change in Net Assets					(3,054,766)	3,009,844	(44,922)
Net Assets - Beginning					26,045,750	31,267,100	57,312,850
Prior Period Adjustment					551,389	-	551,389
Net Assets - Beginning Restated					26,597,139	31,267,100	57,864,239
Net Assets - Ending					<u>\$ 23,542,373</u>	<u>\$ 34,276,944</u>	<u>\$ 57,819,317</u>

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

CITY OF BIG LAKE
Sherburne County, Minnesota

BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	General (101)	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Investments	\$ 2,480,542	\$ 232,031	\$ 4,221,307	6,933,880
Cash with Fiscal Agent	-	-	12,500	12,500
Taxes Receivable - Delinquent	262,208	-	86,960	349,168
Accounts Receivable	15,277	-	88,802	104,079
Interest Receivable	38,270	-	-	38,270
Due from Other Governments	85,848	-	409,091	494,939
Notes Receivable	-	-	1,723,631	1,723,631
Special Assessments Receivable:				
Delinquent	4,492	104,047	273,351	381,890
Deferred	24,596	166,825	4,688,003	4,879,424
Land Held for Resale	-	-	4,048,187	4,048,187
Prepaid Expenses	86,657	-	574	87,231
	<u>\$ 2,997,890</u>	<u>\$ 502,903</u>	<u>\$ 15,552,406</u>	<u>\$ 19,053,199</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 33,765	\$ 67,598	\$ 18,046	\$ 119,409
Salaries and Benefits Payable	59,739	-	-	59,739
Escrow Payable	140,757	10,682	254,561	406,000
Contracts Payable	-	103,637	66,338	169,975
Due to Other Funds	220,462	-	1,917,557	2,138,019
Due to Other Governments	-	-	117,222	117,222
Deferred Revenues	291,296	270,872	6,579,209	7,141,377
Total Liabilities	<u>746,019</u>	<u>452,789</u>	<u>8,952,933</u>	<u>10,151,741</u>
Fund Balances:				
Reserved for:				
Notes Receivable	-	-	192,736	192,736
Capital Projects	40,154	-	-	40,154
Prepaid Expense	86,657	-	574	87,231
Land Held for Resale	-	-	4,048,187	4,048,187
Unreserved, Reported in:				
General Fund - Designated	266,163	-	-	266,163
General Fund - Undesignated	1,858,897	-	-	1,858,897
Special Revenue Funds - Designated	-	-	2,375	2,375
Special Revenue Funds - Undesignated	-	-	(84,665)	(84,665)
Debt Service - Designated	-	-	3,274,588	3,274,588
Debt Service - Undesignated	-	-	(251,447)	(251,447)
Capital Projects Funds - Designated	-	50,114	722,278	772,392
Capital Projects Funds - Undesignated	-	-	(1,305,153)	(1,305,153)
Total Fund Balances	<u>2,251,871</u>	<u>50,114</u>	<u>6,599,473</u>	<u>8,901,458</u>
	<u>\$ 2,997,890</u>	<u>\$ 502,903</u>	<u>\$ 15,552,406</u>	<u>\$ 19,053,199</u>
Total Liabilities and Fund Balances	<u>\$ 2,997,890</u>	<u>\$ 502,903</u>	<u>\$ 15,552,406</u>	<u>\$ 19,053,199</u>

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

CITY OF BIG LAKE
Sherburne County, Minnesota

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2009**

Total Fund Balances - Governmental Funds \$ 8,901,458

Amounts reported for governmental activities in the Statement of Net Assets
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	49,416,338
Less Accumulated Depreciation	(16,092,411)

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:

Bond Principal Payable	(22,385,000)
Revenue Bonds Payable	(2,307,384)
Notes Payable	(538,835)
Capital Lease Payable	(15,565)
Compensated Absences Payable	(108,373)
Severance Payable	(46,169)

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	349,168
Special Assessments	381,890

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

Deferred Special Assessments	4,879,424
Notes Receivable	1,530,895

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

(423,063)

Total Net Assets - Governmental Activities

\$ 23,542,373

CITY OF BIG LAKE
Sherburne County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2009

	General (101)	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 2,216,160	\$ -	\$ 848,898	\$ 3,065,058
Tax Increments	-	-	790,403	790,403
Special Assessments	10,088	17,857	769,977	797,922
Licenses and Permits	266,436	-	-	266,436
Intergovernmental	727,104	507,166	669,780	1,904,050
Charges for Services	268,179	-	120,864	389,043
Fines and Forfeitures	44,271	-	-	44,271
Miscellaneous:				
Investment Income	73,339	23,044	129,814	226,197
Contributions and Donations	9,013	-	69,807	78,820
Other	-	5,000	60,821	65,821
Total Revenues	<u>3,614,590</u>	<u>553,067</u>	<u>3,460,364</u>	<u>7,628,021</u>
EXPENDITURES:				
Current:				
General Government	657,590	-	-	657,590
Public Safety	1,874,911	-	-	1,874,911
Streets and Highways	453,794	-	-	453,794
Culture and Recreation	409,606	-	-	409,606
Economic Development	155,240	-	131,605	286,845
Debt Service:				
Principal	-	-	2,169,635	2,169,635
Interest and Other Charges	-	-	1,162,498	1,162,498
Capital Outlay:				
General Government	5,285	-	110,744	116,029
Public Safety	9,620	-	34,051	43,671
Streets and Highways	-	1,002,681	76,149	1,078,830
Culture and Recreation	-	-	8,667	8,667
Economic Development	-	-	606,894	606,894
Total Expenditures	<u>3,566,046</u>	<u>1,002,681</u>	<u>4,300,243</u>	<u>8,868,970</u>
Excess of Revenues Over (Under) Expenditures	48,544	(449,614)	(839,879)	(1,240,949)
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Asset	855	-	-	855
Issuance of Debt	-	-	620,000	620,000
Bond Discount	-	-	(5,270)	(5,270)
Refunding Bond Payment	-	-	(595,000)	(595,000)
Insurance Recovery Proceeds	-	-	100,000	100,000
Transfers In	53,196	100,000	582,158	735,354
Transfers Out	(7,029)	-	(550,229)	(557,258)
Total Other Financing Sources (Uses)	<u>47,022</u>	<u>100,000</u>	<u>151,659</u>	<u>298,681</u>
Net Change in Fund Balances	95,566	(349,614)	(688,220)	(942,268)
FUND BALANCES:				
Beginning of Year	2,156,305	(151,661)	7,287,693	9,292,337
Prior Period Adjustment	-	551,389	-	551,389
Beginning Balance, Restated	<u>2,156,305</u>	<u>399,728</u>	<u>7,287,693</u>	<u>9,843,726</u>
End of Year	<u>\$ 2,251,871</u>	<u>\$ 50,114</u>	<u>\$ 6,599,473</u>	<u>\$ 8,901,458</u>

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

CITY OF BIG LAKE
Sherburne County, Minnesota

**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, 2009

Net Change in Fund Balances - Governmental Funds \$ (942,268)

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	1,195,014
Depreciation Expense	(1,377,136)
Completed CIP Transferred to Enterprise Funds	(3,553,709)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 7,793

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

Bond Principal Payments	2,176,069
Capital Lease Principal Payments	4,131

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. (16,627)

Proceeds from long-term debt are recognized as other financing sources in the governmental funds but as a decrease in net assets in the Statement of Activities. (620,000)

Refunding bond payments are recognized as other financing uses in the governmental funds but as an increase in net assets in the Statement of Activities. 595,000

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

Deferred Special Assessments	(694,211)
Delinquent Special Assessments	172,651
Long-Term Notes Receivable	(59,887)

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. 58,414

Change in Net Assets - Governmental Activities \$ (3,054,766)

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

CITY OF BIG LAKE
Sherburne County, Minnesota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES:				
Property Taxes	\$ 2,175,873	\$ 2,185,873	\$ 2,216,160	\$ 30,287
Special Assessments	7,500	7,500	10,088	2,588
Licenses and Permits	413,975	413,975	266,436	(147,539)
Intergovernmental	847,975	643,925	727,104	83,179
Charges for Services	313,750	317,850	268,179	(49,671)
Fines and Forfeitures	44,750	44,750	44,271	(479)
Miscellaneous Revenues:				
Investment Income	90,000	90,000	73,339	(16,661)
Contributions and Donations	7,000	7,000	9,013	2,013
Total Revenues	3,900,823	3,710,873	3,614,590	(96,283)
EXPENDITURES:				
Current:				
General Government	751,291	718,491	657,590	(60,901)
Public Safety	2,245,305	2,149,805	1,874,911	(274,894)
Streets and Highways	489,005	476,305	453,794	(22,511)
Culture and Recreation	454,770	425,170	409,606	(15,564)
Economic Development	192,850	173,900	155,240	(18,660)
Capital Outlay:				
General Government	5,602	5,602	5,285	(317)
Public Safety	30,000	9,600	9,620	20
Total Expenditures	4,168,823	3,958,873	3,566,046	(392,827)
Excess of Revenues Over (Under) Expenditures	(268,000)	(248,000)	48,544	296,544
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Asset	-	-	855	855
Transfers In	220,000	230,000	53,196	(176,804)
Transfers Out	(10,000)	(10,000)	(7,029)	2,971
Total Other Financing Sources (Uses)	210,000	220,000	47,022	(172,978)
Net Change in Fund Balances	\$ (58,000)	\$ (28,000)	95,566	\$ 123,566
FUND BALANCES:				
Beginning of Year			2,156,305	
End of Year			\$ 2,251,871	

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

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2009

	<u>Water (301)</u>	<u>Sewer (401)</u>	<u>Liquor (501)</u>	<u>Storm Sewer (601)</u>	<u>Total</u>
ASSETS:					
Current Assets:					
Cash and Investments (Including Cash Equivalents)	\$ -	\$ 2,518,102	\$ -	\$ -	\$ 2,518,102
Accounts Receivable	123,127	130,849	-	20,728	274,704
Due from Other Funds	-	2,920,711	-	-	2,920,711
Due from Other Governments	3,461	666,381	-	659	670,501
Notes Receivable	211,653	-	-	-	211,653
Special Assessment Receivable:					
Delinquent	29,133	29,133	-	3,067	61,333
Deferred	101,019	154,318	-	8,408	263,745
Inventories	-	-	351,137	-	351,137
Prepaid Expenses	29,216	19,207	11,827	2,983	63,233
Total Current Assets	<u>497,609</u>	<u>6,438,701</u>	<u>362,964</u>	<u>35,845</u>	<u>7,335,119</u>
Noncurrent Assets:					
Restricted Cash and Investments	-	-	149,720	-	149,720
Capital Assets:					
Land	277,006	1,256,950	-	-	1,533,956
Construction in Progress	1,693,489	8,473,228	-	-	10,166,717
Buildings	9,651,417	450,526	1,915,613	84,905	12,102,461
Collection and Distribution Systems	14,918,671	15,368,702	-	6,439,746	36,727,119
Machinery and Equipment	308,677	184,913	194,175	300,216	987,981
Leasehold Improvements	166,068	-	57,765	-	223,833
Total Capital Assets	<u>27,015,328</u>	<u>25,734,319</u>	<u>2,167,553</u>	<u>6,824,867</u>	<u>61,742,067</u>
Less Accumulated Depreciation	<u>(3,241,633)</u>	<u>(5,819,105)</u>	<u>(289,410)</u>	<u>(1,363,222)</u>	<u>(10,713,370)</u>
Net Capital Assets	<u>23,773,695</u>	<u>19,915,214</u>	<u>1,878,143</u>	<u>5,461,645</u>	<u>51,028,697</u>
Total Noncurrent Assets	<u>23,773,695</u>	<u>19,915,214</u>	<u>2,027,863</u>	<u>5,461,645</u>	<u>51,178,417</u>
Total Assets	<u>\$ 24,271,304</u>	<u>\$ 26,353,915</u>	<u>\$ 2,390,827</u>	<u>\$ 5,497,490</u>	<u>\$ 58,513,536</u>
LIABILITIES AND NET ASSETS:					
Current Liabilities:					
Accounts Payable	\$ 22,807	\$ 101,370	\$ 52,487	\$ 1,100	\$ 177,764
Contracts Payable	35,307	642,753	-	-	678,060
Salaries and Benefits Payable	10,309	10,309	9,769	1,551	31,938
Interest Payable	118,864	153,539	24,699	3,121	300,223
Due to Other Funds	555,129	-	122,568	104,995	782,692
Due to Other Governments	353	-	27,617	-	27,970
Current Compensated Absences	20,602	20,602	12,963	3,068	57,235
Amount Due Within One Year	512,190	636,665	44,665	59,126	1,252,646
Total Current Liabilities	<u>1,275,561</u>	<u>1,565,238</u>	<u>294,768</u>	<u>172,961</u>	<u>3,308,528</u>
Noncurrent Liabilities:					
Notes Payable	-	-	-	211,165	211,165
Revenue Bonds, Net of Unamortized Discount	3,033,929	8,502,916	1,163,160	-	12,700,005
PFA G.O. Revenue Note	7,161,996	1,911,544	-	-	9,073,540
Other Liabilities	196,000	-	-	-	196,000
Less Amount Due Within One Year	<u>(512,190)</u>	<u>(636,665)</u>	<u>(44,665)</u>	<u>(59,126)</u>	<u>(1,252,646)</u>
Total Noncurrent Liabilities	<u>9,879,735</u>	<u>9,777,795</u>	<u>1,118,495</u>	<u>152,039</u>	<u>20,928,064</u>
Total Liabilities	<u>11,155,296</u>	<u>11,343,033</u>	<u>1,413,263</u>	<u>325,000</u>	<u>24,236,592</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	13,381,770	9,500,754	714,983	5,250,480	28,847,987
Unrestricted	<u>(265,762)</u>	<u>5,510,128</u>	<u>112,861</u>	<u>(77,990)</u>	<u>5,279,237</u>
Total Net Assets	<u>13,116,008</u>	<u>15,010,882</u>	<u>977,564</u>	<u>5,172,490</u>	<u>34,276,944</u>
Total Liabilities and Net Assets	<u>\$ 24,271,304</u>	<u>\$ 26,353,915</u>	<u>\$ 2,390,827</u>	<u>\$ 5,497,490</u>	<u>\$ 58,513,536</u>

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

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Total
SALES AND COST OF SALES:					
Sales	\$ -	\$ -	\$ 3,009,510	\$ -	\$ 3,009,510
Cost of Sales	-	-	2,171,224	-	2,171,224
Gross Profit	-	-	838,286	-	838,286
OPERATING REVENUES:					
Charges for Services	1,090,260	887,322	-	137,651	2,115,233
OPERATING EXPENSES:					
Wages and Salaries	271,430	271,429	255,869	40,972	839,700
Employee Benefits	65,016	64,995	59,654	11,613	201,278
Materials and Supplies	48,900	7,309	14,276	2,179	72,664
Repairs and Maintenance	2,791	10,517	12,178	1,977	27,463
Professional Services	70,229	81,649	53,914	6,931	212,723
Insurance	40,578	35,123	19,849	3,536	99,086
Utilities and Refuse	142,546	113,194	25,245	280	281,265
Depreciation	504,447	454,915	80,731	262,339	1,302,432
Travel	8,556	8,556	574	1,275	18,961
Bad Debt Expense	-	-	37	-	37
Equipment	384	431	-	60	875
Advertising	507	267	5,116	-	5,890
Dues, Memberships and Training	8,692	3,233	7,033	687	19,645
Telephone	3,915	5,948	5,998	885	16,746
Postage	1,087	1,164	553	149	2,953
Water Meters	10,729	-	-	-	10,729
Uniforms	1,410	1,875	188	-	3,473
Rental Expense and Real Estate Taxes	18,890	18,890	-	2,088	39,868
Total Operating Expenses	1,200,107	1,079,495	541,215	334,971	3,155,788
Operating Income (Loss)	(109,847)	(192,173)	297,071	(197,320)	(202,269)
NONOPERATING REVENUES (EXPENSES):					
Investment Income (Loss)	(5,531)	198,487	(12,428)	(5,355)	175,173
Federal Grant Proceeds	-	306,036	-	-	306,036
Trunk and Access Charges	58,764	54,468	-	(2,373)	110,859
Interest Expense	(316,771)	(362,445)	(59,635)	(7,639)	(746,490)
Amortization Expense	(1,464)	(8,797)	(2,571)	-	(12,832)
Other Income	685	1,375	1,694	-	3,754
Total Nonoperating Revenues (Expenses)	(264,317)	189,124	(72,940)	(15,367)	(163,500)
Income (Loss) before Capital Contributions and Transfers	(374,164)	(3,049)	224,131	(212,687)	(365,769)
Capital Contributions	1,479,412	823,667	-	1,250,630	3,553,709
Transfers In	-	2,090	-	-	2,090
Transfers Out	(84,142)	(38,870)	(225)	(56,949)	(180,186)
Change in Net Assets	1,021,106	783,838	223,906	980,994	3,009,844
NET ASSETS:					
Beginning of Year	12,094,902	14,227,044	753,658	4,191,496	31,267,100
End of Year	\$ 13,116,008	\$ 15,010,882	\$ 977,564	\$ 5,172,490	\$ 34,276,944

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

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Total
CASH FLOWS - OPERATING ACTIVITIES:					
Receipts from Customers and Users	\$ 1,205,938	\$ 313,925	\$ 3,011,446	\$ 139,124	\$ 4,670,433
Payments to Suppliers	(440,001)	(252,339)	(2,362,924)	(22,120)	(3,077,384)
Payments to Employees	(336,397)	(336,375)	(320,563)	(52,681)	(1,046,016)
Net Cash Flows - Operating Activities	<u>429,540</u>	<u>(274,789)</u>	<u>327,959</u>	<u>64,323</u>	<u>547,033</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:					
Advance to Other Fund	-	(905,447)	(211,307)	-	(1,116,754)
Advance from Other Fund	555,129	-	-	54,138	609,267
Repayment of Note Receivable	19,991	-	-	-	19,991
Transfer from Other Funds	-	2,090	-	-	2,090
Transfer to Other Funds	(84,142)	(38,870)	(225)	(56,949)	(180,186)
Net Cash Flows - Noncapital Financing Activities	<u>490,978</u>	<u>(942,227)</u>	<u>(211,532)</u>	<u>(2,811)</u>	<u>(665,592)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal Paid on Debt	(530,000)	(355,000)	(43,602)	(47,864)	(976,466)
Interest Paid on Debt	(321,165)	(354,508)	(60,397)	(8,293)	(744,363)
Bond Proceeds	68,446	1,911,544	-	-	1,979,990
Federal Grant Proceeds	-	306,036	-	-	306,036
Acquisition of Capital Assets	(454,692)	(1,360,448)	-	-	(1,815,140)
Net Cash Flows - Capital and Related Financing Activities	<u>(1,237,411)</u>	<u>147,624</u>	<u>(103,999)</u>	<u>(56,157)</u>	<u>(1,249,943)</u>
CASH FLOWS - INVESTING ACTIVITIES:					
Interest and Dividends Received	(5,531)	198,487	(12,428)	(5,355)	175,173
Net Change in Cash and Cash Equivalents	(322,424)	(870,905)	-	-	(1,193,329)
CASH AND CASH EQUIVALENTS:					
January 1	322,424	3,389,007	149,720	-	3,861,151
December 31	<u>\$ -</u>	<u>\$ 2,518,102</u>	<u>\$ 149,720</u>	<u>\$ -</u>	<u>\$ 2,667,822</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (109,847)	\$ (192,173)	\$ 297,071	\$ (197,320)	\$ (202,269)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Operating Activities:					
Trunk and Access Charges	58,764	54,468	-	(2,373)	110,859
Other Revenues	685	1,375	1,694	-	3,754
Depreciation Expense	504,447	454,915	80,731	262,339	1,302,432
Accounts Receivable	26,319	(7,935)	242	(2,039)	16,587
Taxes Receivable	-	2	-	-	2
Special Assessments Receivable	27,288	38,991	-	6,544	72,823
Due from Other Governments	2,622	(660,298)	-	(659)	(658,335)
Prepaid Items	(6,080)	3,202	(1,946)	(307)	(5,131)
Inventory	-	-	17,478	-	17,478
Accounts Payable	3,897	32,615	(64,351)	(1,766)	(29,605)
Due to Other Governmental Units	(78,604)	-	2,080	-	(76,524)
Salaries Payable	747	747	197	136	1,827
Compensated Absences Payable	(698)	(698)	(5,237)	(232)	(6,865)
Total Adjustments	<u>539,387</u>	<u>(82,616)</u>	<u>30,888</u>	<u>261,643</u>	<u>749,302</u>
Net Cash Flows - Operating Activities	<u>\$ 429,540</u>	<u>\$ (274,789)</u>	<u>\$ 327,959</u>	<u>\$ 64,323</u>	<u>\$ 547,033</u>
NONCASH CAPITAL ACTIVITIES:					
Contributions of Capital Assets from Government Capital Funds and Developers	<u>\$ 1,479,412</u>	<u>\$ 823,667</u>	<u>\$ -</u>	<u>\$ 1,250,630</u>	<u>\$ 3,553,709</u>

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

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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 it provides services exclusively for the City. Separate financial statements are not prepared for the Big Lake EDA.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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 Assets 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.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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 fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal 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.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds:

Major Governmental Funds:

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 costs associated with street construction and improvements within the City.

Proprietary Funds:

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

Sanitary 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

D. Assets, Liabilities and Net Assets 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.

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. 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, 2009 were comprised of deposits, brokered certificates of deposit, money market accounts and investments in the 4M Fund.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Cash and Investments (Continued)

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.

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 Bonds' documents.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. Receivables

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.

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.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5. Capital Assets (Continued)

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

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

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

6. 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.

7. Severance

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

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

8. 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 Assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Other Long-Term Liabilities

This liability of \$ 196,000 represents a future obligation in water access fees the City will pay. The \$ 196,000 liability is a result of an exchange transaction for land for the water treatment plant.

11. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

12. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles 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 general obligation 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 U.S. generally accepted accounting principles. Annual appropriations lapse at year-end.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the following Fund:

	<u>Appropriations</u>	<u>Expenditures</u>
EDA Special Revenue Fund	\$ 159,112	\$ 222,999

C. Deficit Fund Balance

The following Funds had deficit fund balances at December 31, 2009:

Nonmajor Governmental Funds:

Debt Service:

G.O. Refunding Bonds of 1996	\$ 132,357
G.O. Tax Increment Bonds of 2004C	56,641
G.O. Improvement Bonds of 2007E	23,055
G.O. Taxable Lease Revenue Bonds of 2008	39,394

Capital Projects:

Lakeside Park Improvements	1,579
2008 Storm Damage	10,447
Lake Street Redevelopment TIF 1-3	23,258
Commercial Redevelopment TIF District 1-5	5,691

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, 2009, the City's bank balance of \$ 500,000 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. At December 31, 2009, the City's deposits had a book balance of \$ 601,240.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments

At December 31, 2009, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Brokered Certificates of Deposit	\$ 4,379,174	3.27
Cash and Brokered Money Market Accounts	7,506	N/A
4M Fund	4,611,782	N/A
Minnesota Community Capital Fund	<u>12,500</u>	N/A
Total	<u>\$ 9,010,962</u>	

Credit Risk: As of December 31, 2009, none of the City's investments were rated.

Summary of cash, deposits and investments as of December 31, 2009:

Petty Cash	\$ 2,000
Deposits (Note 3.A.)	601,240
Investments (Note 3.B.)	<u>9,010,962</u>
Total	<u>\$ 9,614,202</u>

Cash, deposits and investments are presented in the December 31, 2009 basic financial statements as follows:

Statement of Net Assets:

Cash and Investments	\$ 9,451,982
Cash with Fiscal Agent	12,500
Restricted Cash	<u>149,720</u>
Total Deposits and Investments	<u>\$ 9,614,202</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 – NOTES RECEIVABLE

Governmental funds notes receivable includes receivables from the Big Lake Township for their portion of debt payments on the Industrial Park Lease Revenue Bonds for \$ 936,449 and the G.O. Capital Improvement Bonds of 2006B for fire hall funding amounting to \$ 455,500. Other receivables due to the Big Lake EDA from local businesses totaled \$ 331,682, for a grand total of \$ 1,723,631.

Proprietary funds note receivable includes amounts due from local businesses totaling \$ 211,653.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

The composition of interfund balances as of December 31, 2009 was as follows:

	Due From Other Funds
	Sewer Fund
Due to Other Funds:	
Other Governmental Funds	\$ 1,917,557
General Fund	220,462
Water Fund	555,129
Storm Sewer Fund	104,995
Liquor Fund	122,568
Total	\$ 2,920,711

Interfund balances exist due to TIF administration loans, loans related to the industrial park between the City and TIF districts, a loan between a TIF district and the Sewer Fund, a loan between the General Fund and the Sewer Fund for the acquisition of a new fire truck and a loan between the Water Fund, Liquor Fund, Storm Sewer Fund and various other governmental funds and the Sewer Fund to cover negative cash balances as of December 31, 2009. These will be repaid as cash is available.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2009 was as follows:

	Transfers In				Total
	General Fund	Street Improvement Capital Project Fund	Other Governmental Funds	Sewer Fund	
Transfers Out:					
General Fund	\$ -	\$ -	\$ 4,939	\$ 2,090	\$ 7,029
Other Governmental Funds	52,971	100,000	397,258	-	550,229
Water Fund	-	-	84,142	-	84,142
Sewer Fund	-	-	38,870	-	38,870
Liquor Fund	225	-	-	-	225
Storm Sewer Fund	-	-	56,949	-	56,949
Total Transfers	<u>\$ 53,196</u>	<u>\$ 100,000</u>	<u>\$ 582,158</u>	<u>\$ 2,090</u>	<u>\$ 737,444</u>

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

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 7,427,585	\$ -	\$ -	\$ 7,427,585
Construction in Progress	12,082,778	1,093,964	7,947,822	5,228,920
Total Capital Assets, not being Depreciated	<u>19,510,363</u>	<u>1,093,964</u>	<u>7,947,822</u>	<u>12,656,505</u>
Capital Assets, being Depreciated:				
Buildings	3,533,893	1,202,910	-	4,736,803
Machinery and Equipment	3,472,568	285,618	8,445	3,749,741
Leasehold Improvements	36,006	-	-	36,006
Infrastructure	25,230,648	3,006,635	-	28,237,283
Total Capital Assets being Depreciated	<u>32,273,115</u>	<u>4,495,163</u>	<u>8,445</u>	<u>36,759,833</u>
Less Accumulated Depreciation for:				
Buildings	732,169	121,404	-	853,573
Machinery and Equipment	2,167,634	292,987	8,445	2,452,176
Leasehold Improvements	7,050	1,800	-	8,850
Infrastructure	11,816,867	960,945	-	12,777,812
Total Accumulated Depreciation	<u>14,723,720</u>	<u>1,377,136</u>	<u>8,445</u>	<u>16,092,411</u>
Total Capital Assets being Depreciated, Net	<u>17,549,395</u>	<u>3,118,027</u>	<u>-</u>	<u>20,667,422</u>
Governmental Activities Capital Assets, Net	<u>\$ 37,059,758</u>	<u>\$ 4,211,991</u>	<u>\$ 7,947,822</u>	<u>\$ 33,323,927</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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>21,298,289</u>	<u>2,225,359</u>	<u>13,356,931</u>	<u>10,166,717</u>
Total Capital Assets, not being Depreciated	<u>22,832,245</u>	<u>2,225,359</u>	<u>13,356,931</u>	<u>11,700,673</u>
Capital Assets, being Depreciated:				
Buildings	2,010,063	10,092,398	-	12,102,461
Machinery and Equipment	987,981	-	-	987,981
Leasehold Improvements	223,833	-	-	223,833
Collection and Distribution Systems	<u>29,908,877</u>	<u>6,818,242</u>	<u>-</u>	<u>36,727,119</u>
Total Capital Assets, being Depreciated	<u>33,130,754</u>	<u>16,910,640</u>	<u>-</u>	<u>50,041,394</u>
Less Accumulated Depreciation for:				
Buildings	92,654	171,711	-	264,365
Machinery and Equipment	611,409	72,145	-	683,554
Leasehold Improvements	70,470	9,699	-	80,169
Collection and Distribution Systems	<u>8,636,405</u>	<u>1,048,877</u>	<u>-</u>	<u>9,685,282</u>
Total Accumulated Depreciation	<u>9,410,938</u>	<u>1,302,432</u>	<u>-</u>	<u>10,713,370</u>
Total Capital Assets being Depreciated, Net	<u>23,719,816</u>	<u>15,608,208</u>	<u>-</u>	<u>39,328,024</u>
Business-Type Activities Capital Assets, Net	<u>\$ 46,552,061</u>	<u>\$ 17,833,567</u>	<u>\$ 13,356,931</u>	<u>\$ 51,028,697</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 6 – CAPITAL ASSETS

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

Governmental Activities:	
General Government	\$ 19,006
Public Safety	176,068
Streets and Highways	1,021,360
Culture and Recreation	98,741
Economic Development	<u>61,961</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,377,136</u>
Business-Type Activities:	
Water	\$ 504,447
Sewer	454,915
Liquor	80,731
Storm Sewer	<u>262,339</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,302,432</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 September 8, 2009, the City issued the \$ 620,000 G.O. Capital Improvement Plan Bonds, Series 2009A for a current refunding of \$ 595,000 of the Municipal Facilities Lease Revenue Bonds of 2000. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in a net present value cash flow savings of \$ 55,541. The economic gain from the transaction was \$ 50,145.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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. Improvement Bonds of 2002	2002	2.25%-4.40%	\$ 3,200,000	2018	\$ 2,470,000	\$ 210,000
G.O. Improvement Bonds of 2003	2003	1.25%-3.45%	5,645,000	2019	4,785,000	375,000
G.O. Improvement Bonds of 2004	2004	3.0%-3.4%	2,625,000	2010	555,000	555,000
G.O. Improvement Bonds of 2005	2005	3.50%-4.15%	2,585,000	2021	2,215,000	150,000
G.O. Improvement Bonds of 2006A	2006	4.00%- 4.125%	2,425,000	2022	2,255,000	135,000
G.O. Capital Improvement Bonds of 2006B	2006	3.70%-4.25%	1,135,000	2023	995,000	70,000
G.O. Improvement Bonds of 2007A	2007	4.0%- 4.1%	2,105,000	2023	2,105,000	115,000
G.O. Capital Improvement Bonds of 2007C	2007	4.00%- 4.35%	1,130,000	2028	1,130,000	40,000
G.O. Improvement Bonds of 2007E	2007	4.0%- 4.1%	900,000	2018	825,000	80,000
G.O. Improvement Bonds of 2008A	2008	3.25%-4.5%	3,655,000	2024	3,655,000	-
G.O. Capital Improvement Bonds of 2009A	2009	1.1%-2.9%	620,000	2017	620,000	45,000
Revenue Bonds:						
Public Project Revenue Bonds of 2005	2005	4.0%-5.3%	493,307	2026	440,919	17,765
EDA Taxable Lease Revenues Bonds of 2008	2008	6.54%	1,889,000	2011	1,866,465	32,383
G.O. Tax Increment Bonds:						
G.O. Tax Increment Bonds of 2004	2004	5.0%-5.9%	795,000	2030	775,000	5,000
Other Financing:						
G.O. Capital Note of 2005	2005	3.25%-3.60%	740,000	2012	538,835	150,874
Total G.O. Bonds					<u>25,231,219</u>	<u>1,981,022</u>
Capital Lease	2008		21,224	2012	15,565	4,485
Compensated Absences					108,373	108,373
Severance					46,169	-
Total Governmental Activities					<u>25,401,326</u>	<u>2,093,880</u>
Business-Type Activities:						
G.O. Revenue Bonds, Including						
Refunding Bonds:						
G.O. Wastewater Revenue Refunding Bonds of 2004	2004	1.45%-4.00%	1,255,000	2017	855,000	90,000
Public Facility Authority Drinking Water G.O. Revenue Loan	2004	2.53%	9,111,996	2024	7,161,996	398,996
Public Facility Authority Clean Water G.O. Revenue Loan	2009	2.41%	13,470,120	2029	1,911,544	200,120
G.O. Utility Revenue Bonds 2005	2005	4.00%-4.375%	2,625,000	2026	2,370,000	95,000
Public Project Revenue Bonds of 2005	2005	4.0%-5.3%	1,311,694	2026	1,204,081	47,236
G.O. Utility Revenue Bonds 2007B	2007	4.00%-4.35%	2,060,000	2027	1,900,000	75,000
G.O. Utility Revenue Refunding Bonds of 2007D	2007	3.6%-4.0%	2,670,000	2020	2,370,000	175,000
G.O. Revenue Bonds of 2007F	2007	4.0%-4.5%	1,325,000	2027	1,205,000	45,000
G.O. Utility Revenue Bonds of 2008B	2008	3.5%-4.75%	3,000,000	2029	3,000,000	80,000
Other Financing:						
G.O. Capital Note of 2005	2005	3.25%-3.60%	290,000	2012	211,165	59,126
Discount on Bonds Payable					22,188,786	1,265,478
Other Liabilities					(204,076)	(12,832)
Compensated Absences					196,000	-
Total Business-Type Activities					<u>57,235</u>	<u>57,235</u>
Total all Long-Term Liabilities					<u>\$ 47,639,271</u>	<u>\$ 3,403,761</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 – LONG-TERM DEBT

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009 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	\$ 22,485,000	\$ 620,000	\$ 1,495,000	\$ 21,610,000	\$ 1,775,000
Revenue Bonds	3,006,317	-	698,933	2,307,384	50,148
G.O. Tax Increment Bonds	1,230,000	-	455,000	775,000	5,000
Other Financing	660,971	-	122,136	538,835	150,874
Total Bonds Payable	<u>27,382,288</u>	<u>620,000</u>	<u>2,771,069</u>	<u>25,231,219</u>	<u>1,981,022</u>
Capital Lease	19,696	-	4,131	15,565	4,485
Compensated Absences	119,693	133,469	144,789	108,373	108,373
Severance	42,642	3,527	-	46,169	-
Total Governmental Activities	<u>27,564,319</u>	<u>756,996</u>	<u>2,919,989</u>	<u>25,401,326</u>	<u>2,093,880</u>
Business-Type Activities:					
Bonds Payable:					
G.O. Revenue Bonds	13,407,684	-	503,603	12,904,081	607,236
PFA G.O. Revenue Notes	7,518,550	1,979,990	425,000	9,073,540	599,116
Other Financing	259,029	-	47,864	211,165	59,126
Discount on Bonds	(216,910)	-	(12,834)	(204,076)	(12,832)
Total Bonds Payable	<u>20,968,353</u>	<u>1,979,990</u>	<u>963,633</u>	<u>21,984,710</u>	<u>1,252,646</u>
Other Liabilities	196,000	-	-	196,000	-
Compensated Absences	64,100	66,125	72,990	57,235	57,235
Total Business-Type Activities	<u>21,228,453</u>	<u>2,046,115</u>	<u>1,036,623</u>	<u>22,237,945</u>	<u>1,309,881</u>
Total Long-Term Liabilities	<u>\$ 48,792,772</u>	<u>\$ 2,803,111</u>	<u>\$ 3,956,612</u>	<u>\$ 47,639,271</u>	<u>\$ 3,403,761</u>

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

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 1,775,000	\$ 780,198	\$ 2,555,198	\$ 50,148	\$ 143,544	\$ 193,692
2011	1,345,000	728,655	2,073,655	1,851,847	81,677	1,933,524
2012	1,555,000	679,576	2,234,576	19,131	20,394	39,525
2013	1,650,000	624,729	2,274,729	20,498	19,522	40,020
2014	1,715,000	565,711	2,280,711	20,498	18,599	39,097
2015-2019	9,300,000	1,785,858	11,085,858	121,619	76,845	198,464
2020-2024	3,955,000	425,984	4,380,984	157,146	41,325	198,471
2025-2029	315,000	28,149	343,149	66,497	4,020	70,517
Total	<u>\$ 21,610,000</u>	<u>\$ 5,618,860</u>	<u>\$ 27,228,860</u>	<u>\$ 2,307,384</u>	<u>\$ 405,926</u>	<u>\$ 2,713,310</u>

Year Ending December 31,	Governmental Activities					
	Tax Increment Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 5,000	\$ 44,443	\$ 49,443	\$ 150,874	\$ 16,513	\$ 167,387
2011	5,000	44,193	49,193	186,796	10,558	197,354
2012	10,000	43,818	53,818	201,165	3,621	204,786
2013	10,000	43,305	53,305	-	-	-
2014	10,000	42,780	52,780	-	-	-
2015-2019	90,000	202,801	292,801	-	-	-
2020-2024	200,000	162,733	362,733	-	-	-
2025-2029	350,000	83,782	433,782	-	-	-
2030-2034	95,000	2,803	97,803	-	-	-
Total	<u>\$ 775,000</u>	<u>\$ 670,658</u>	<u>\$ 1,445,658</u>	<u>\$ 538,835</u>	<u>\$ 30,692</u>	<u>\$ 569,527</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 – LONG-TERM DEBT

D. Minimum Debt Payments (Continued)

Year Ending December 31,	Total Governmental Activities		
	Principal	Interest	Total
2010	\$ 1,981,022	\$ 984,698	\$ 2,965,720
2011	3,388,643	865,083	4,253,726
2012	1,785,296	747,409	2,532,705
2013	1,680,498	687,556	2,368,054
2014	1,745,498	627,090	2,372,588
2015-2019	9,511,619	2,065,504	11,577,123
2020-2024	4,312,146	630,042	4,942,188
2025-2029	731,497	115,951	847,448
2030-2034	95,000	2,803	97,803
Total	\$ 25,231,219	\$ 6,726,136	\$ 31,957,355

Year Ending December 31,	Business-Type Activities					
	G.O. Business Revenue Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 607,236	\$ 529,583	\$ 1,136,819	\$ 59,126	\$ 6,472	\$ 65,598
2011	632,236	506,536	1,138,772	73,204	4,137	77,341
2012	665,869	482,089	1,147,958	78,835	1,419	80,254
2013	694,503	456,145	1,150,648	-	-	-
2014	719,502	428,774	1,148,276	-	-	-
2015-2019	3,808,382	1,686,483	5,494,865	-	-	-
2020-2024	3,142,851	940,851	4,083,702	-	-	-
2025-2029	2,633,502	273,203	2,906,705	-	-	-
Total	\$ 12,904,081	\$ 5,303,664	\$ 18,207,745	\$ 211,165	\$ 12,028	\$ 223,193

Year Ending December 31,	Business-Type Activities					
	Public Facility G.O. Revenue Note			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 599,116	\$ 234,482	\$ 833,598	\$ 1,265,478	\$ 770,537	\$ 2,036,015
2011	634,000	491,442	1,125,442	1,339,440	1,002,115	2,341,555
2012	669,000	475,663	1,144,663	1,413,704	959,171	2,372,875
2013	704,000	459,027	1,163,027	1,398,503	915,172	2,313,675
2014	740,000	441,535	1,181,535	1,459,502	870,309	2,329,811
2015-2019	5,973,000	1,829,081	7,802,081	9,781,382	3,515,564	13,296,946
2020-2024	6,745,000	1,057,194	7,802,194	9,887,851	1,998,045	11,885,896
2025-2029	4,568,000	336,102	4,904,102	7,201,502	609,305	7,810,807
Total	\$ 20,632,116	\$ 5,324,526	\$ 25,956,642	\$ 33,747,362	\$ 10,640,218	\$ 44,387,580

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 – LONG-TERM DEBT

D. Minimum Debt Payments (Continued)

At December 31, 2009, the City had expended \$ 9,111,996 of the total 2004 G.O. PFA Revenue Note and \$ 1,911,544 of the total 2009 G.O. PFA Revenue Note. As of December 31, 2009, the City had made principal payments of \$ 1,950,000 on the 2004 Note, with no principal payments yet made on the 2009 Note. The amortization schedule for the 2009 Note includes the entire remaining note liability of \$ 13,470,120. The remaining balance on this note is expected to be drawn in 2010 and 2011. There will be no further draws on the 2004 Note. The amortization schedule for the 2004 Note includes the entire remaining note liability of \$ 7,161,996.

E. Capital Lease Obligations

The City is obligated under a capital lease for a computer server. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets.

Minimum future lease payments under the capital lease in the aggregate are as follows:

<u>Year Ending</u> <u>December 31,</u>			
2010		\$	5,602
2011			5,602
2012			5,602
2013			935
Net Minimum Lease Payments			17,741
Less Amount Representing Interest			(2,176)
Present Value of Net Minimum Lease Payments		\$	15,565

F. 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.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 – LONG-TERM DEBT

F. Conduit Debt (Continued)

As of December 31, 2009, the City's outstanding conduit debt balances consisted of the following:

\$ 1,950,000 Commercial Facility Revenue Note (Options, Inc. Project), Series 2005	<u>\$ 1,756,397</u>
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NOTE 8 – FUND BALANCE/NET ASSETS

Reserved/Designated Fund Equity

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

A. Fund Balance

Fund balance is comprised of the following components:

	General	Street Improvement	Other Governmental Funds	Total
Reserved for:				
Notes Receivable	\$ -	\$ -	\$ 192,736	\$ 192,736
Capital Projects	40,154	-	-	40,154
Prepaid Expense	86,657	-	574	87,231
Land Held for Resale	-	-	4,048,187	4,048,187
Unreserved:				
Designated for:				
Compensated Absences and Severance Liability	154,542	-	-	154,542
Economic Development	-	-	2,375	2,375
Capital Improvements	111,621	50,114	722,278	884,013
Debt Service	-	-	3,274,588	3,274,588
Undesignated	1,858,897	-	(1,641,265)	217,632
Total	\$ 2,251,871	\$ 50,114	\$ 6,599,473	\$ 8,901,458

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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 2009 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2009, 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 Public Employees' Retirement Fund (PERF) 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.

PERF 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.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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 three 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.

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 PERF 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 PERF 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
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, and 14.1% for PEPFF members. The City's contributions to the PERF for the years ending December 31, 2009, 2008 and 2007 were \$ 123,270, \$ 118,940 and \$ 107,148, respectively. The City's contributions to the PEPFF for the years ending December 31, 2009, 2008 and 2007 were \$ 95,772, \$ 92,046 and \$ 86,305, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Defined Contribution Plan

One City Council member is covered by the Public Employees' Defined Contribution Plan (PEDCP), a multi-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of the employees are tax deferred until the time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty.

The City and the elected government official made the required 5% contribution, amounting to \$ 325 for the employee and \$ 325 for the City.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN BENEFITS

A. Plan Description

The City administers a single-employer defined benefit health care plan. The City provides medical insurance to eligible retired city employees and beneficiaries through the City's group health insurance plan, which covers both active and retired employees. Benefit provisions are established through *Minnesota Statutes* 431.61 and 299A.465, which require public sector employers to provide eligible retirees and beneficiaries continuation in the group health insurance plan at the group plan premium rate. The plan does not issue a publicly available financial report.

B. Funding Status and Funding Progress

As of December 31, 2009, the actuarial accrued liability for benefits was \$ 119,995 all of which was unfunded and represents the implicit rate subsidies for eligible retirees and beneficiaries. The City's annual required contribution (ARC) to fund this liability is determined to be \$ 19,554. This unfunded liability and the calculated ARC to fund the liability are considered immaterial to the financial statements.

NOTE 12 – COMMITMENTS

	<u>Project Authorization</u>	<u>Expended Through 12/31/09</u>	<u>Remaining Commitment</u>
Water Fund:			
Well No. 7	\$ 441,659	\$ 406,839	\$ 34,820
Sanitary Sewer Fund:			
County Road 43 Interceptor	3,869,600	3,775,877	93,723
Wastewater Treatment Facility Expansion	13,114,400	640,882	12,473,518

NOTE 13 – SUBSEQUENT EVENTS

On April 1, 2010, the City issued a G.O. State Aid Loan Note, Series 2010, in the amount of \$ 2,465,000 to fund improvements at the intersection of State Trunk Highways 10 and 25.

An amendment to the Neighborhood Stabilization Program dated April 10, 2010, increased the grant award from \$ 940,676 to \$ 1,214,521, an increase of \$ 273,845.

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 14 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was completed to correct the 2008 financial statements. The adjustment was made to recognize revenues received from Sherburne County and the state related to the Highway 5/10 Intersection Project in the period earned. The total adjustment increased fund balance in the Street Improvement Fund by \$ 551,389.

SUPPLEMENTARY INFORMATION

CITY OF BIG LAKE
Sherburne County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009

	Special Revenue			Debt Service		
	Economic Development Authority (275)	Crime Reward Fund (130)	Total	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 1998B (255)	G.O. Refunding Bonds of 1995 (230)
ASSETS:						
Cash and Investments	\$ -	\$ 2,375	\$ 2,375	\$ -	\$ 200	\$ 8,557
Cash with Fiscal Agent	12,500	-	12,500	-	-	-
Taxes Receivable - Delinquent	-	-	-	6	-	-
Accounts Receivable	27,454	-	27,454	-	-	-
Due from Other Governments	-	-	-	1,374	-	-
Notes Receivable	331,682	-	331,682	-	-	-
Special Assessments Receivable:						
Delinquent	-	-	-	2,276	-	-
Deferred	-	-	-	43,386	-	-
Land Held for Resale	491,190	-	491,190	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Total Assets	\$ 862,826	\$ 2,375	\$ 865,201	\$ 47,042	\$ 200	\$ 8,557
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ 2,405	\$ -	\$ 2,405	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-	-	-
Contracts Payable	628	-	628	-	-	-
Due to Other Funds	121,586	-	121,586	133,731	-	-
Due to Other Governments	-	-	-	-	-	-
Deferred Revenue	138,946	-	138,946	45,668	-	-
Total Liabilities	263,565	-	263,565	179,399	-	-
Fund Balances:						
Reserved for:						
Notes Receivable	192,736	-	192,736	-	-	-
Land Held for Resale	491,190	-	491,190	-	-	-
Prepaid Expense	-	-	-	-	-	-
Unreserved, Reported in:						
Special Revenue - Designated	-	2,375	2,375	-	-	-
Special Revenue - Undesignated	(84,665)	-	(84,665)	-	-	-
Debt Service - Designated	-	-	-	-	200	8,557
Debt Service - Undesignated	-	-	-	(132,357)	-	-
Capital Projects - Designated	-	-	-	-	-	-
Capital Projects - Undesignated	-	-	-	-	-	-
Total Fund Balances	599,261	2,375	601,636	(132,357)	200	8,557
Total Liabilities and Fund Balances	\$ 862,826	\$ 2,375	\$ 865,201	\$ 47,042	\$ 200	\$ 8,557

Debt Service

G.O. Improvement Bonds of 2002A (220)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Improvement Bonds of 2005A (210)	G.O. Capital Equipment Note 2005 (240)	G.O. Improvement Bonds of 2006A (265)	G.O. Improvement Bonds of 2006B (270)	G.O. Improvement Bonds of 2003A (225)
\$ 865,312	\$ -	\$ 228,476	\$ 213,688	\$ 307,863	\$ 28,350	\$ 1,136,726
-	-	-	-	-	-	-
15,236	-	13,478	16,654	8,643	5,248	14,720
-	-	-	-	-	-	-
5,283	2,018	3,643	3,109	6,447	964	4,206
-	-	-	-	-	455,500	-
-	-	-	-	-	-	-
11,804	-	7,412	-	523	-	3,642
420,239	-	665,437	-	433,832	-	804,574
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,317,874</u>	<u>\$ 2,018</u>	<u>\$ 918,446</u>	<u>\$ 233,451</u>	<u>\$ 757,308</u>	<u>\$ 490,062</u>	<u>\$ 1,963,868</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	58,659	-	-	-	-	-
-	-	-	-	-	-	-
447,279	-	686,327	16,654	442,998	460,748	822,936
<u>447,279</u>	<u>58,659</u>	<u>686,327</u>	<u>16,654</u>	<u>442,998</u>	<u>460,748</u>	<u>822,936</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
870,595	-	232,119	216,797	314,310	29,314	1,140,932
-	(56,641)	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>870,595</u>	<u>(56,641)</u>	<u>232,119</u>	<u>216,797</u>	<u>314,310</u>	<u>29,314</u>	<u>1,140,932</u>
<u>\$ 1,317,874</u>	<u>\$ 2,018</u>	<u>\$ 918,446</u>	<u>\$ 233,451</u>	<u>\$ 757,308</u>	<u>\$ 490,062</u>	<u>\$ 1,963,868</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009

	Debt Service					
	G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007A (215)	G.O. Improvement Bonds of 2007C (235)	G.O. Improvement Bonds of 2007E (207)	G.O. Improvement Bonds of 2008A (208)	G.O. Taxable Lease Revenue Bonds of 2008 (241)
ASSETS:						
Cash and Investments	\$ 157,037	\$ 186,685	\$ 62,417	\$ -	\$ 1,110	\$ -
Cash with Fiscal Agent	-	-	-	-	-	-
Taxes Receivable - Delinquent	-	5,829	7,146	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	3,134	1,476	-	49,905	-
Notes Receivable	-	-	-	-	-	936,449
Special Assessments Receivable:						
Delinquent	93,085	2,450	-	146,441	-	-
Deferred	44,959	228,976	-	1,013,415	874,243	-
Land Held for Resale	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Total Assets	\$ 295,081	\$ 427,074	\$ 71,039	\$ 1,159,856	\$ 925,258	\$ 936,449
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-	-	-
Contracts Payable	-	-	-	-	-	-
Due to Other Funds	-	-	-	23,055	-	39,394
Due to Other Governments	-	-	-	-	-	-
Deferred Revenue	138,044	237,255	7,146	1,159,856	874,243	936,449
Total Liabilities	138,044	237,255	7,146	1,182,911	874,243	975,843
Fund Balances:						
Reserved for:						
Notes Receivable	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-
Unreserved, Reported in:						
Special Revenue - Designated	-	-	-	-	-	-
Special Revenue - Undesignated	-	-	-	-	-	-
Debt Service - Designated	157,037	189,819	63,893	-	51,015	-
Debt Service - Undesignated	-	-	-	(23,055)	-	(39,394)
Capital Projects - Designated	-	-	-	-	-	-
Capital Projects - Undesignated	-	-	-	-	-	-
Total Fund Balances	157,037	189,819	63,893	(23,055)	51,015	(39,394)
Total Liabilities and Fund Balances	\$ 295,081	\$ 427,074	\$ 71,039	\$ 1,159,856	\$ 925,258	\$ 936,449

Debt Service		Capital Projects					
Total	Neighborhood Stablization Program (116)	Park Development (120)	Lakeside Park Improvements (125)	2008 Storm Damage (135)	Industrial Park Expansion Land Purchase (141)	Local Development (150)	Food Shelf/Senior Center Project (195)
\$ 3,196,421	\$ -	\$ 112,720	\$ 4,063	\$ -	\$ 2,566	\$ 309,752	\$ 443
-	-	-	-	-	-	-	-
86,960	-	-	-	-	-	-	-
-	-	-	-	-	-	46,205	-
81,559	281,148	-	-	-	25,197	-	-
1,391,949	-	-	-	-	-	-	-
267,633	-	-	-	-	-	708	-
4,529,061	-	-	-	-	-	1,885	-
-	452,560	-	-	-	1,732,099	-	-
-	574	-	-	-	-	-	-
<u>\$ 9,553,583</u>	<u>\$ 734,282</u>	<u>\$ 112,720</u>	<u>\$ 4,063</u>	<u>\$ -</u>	<u>\$ 1,759,862</u>	<u>\$ 358,550</u>	<u>\$ 443</u>
\$ -	\$ 290	\$ -	\$ -	\$ 325	\$ -	\$ 7,920	\$ 290
-	-	-	-	-	-	254,561	-
-	-	-	5,642	-	-	51,468	-
254,839	281,434	-	-	10,122	120,000	-	-
-	-	-	-	-	86,405	-	-
6,275,603	-	-	-	-	-	2,593	-
<u>6,530,442</u>	<u>281,724</u>	<u>-</u>	<u>5,642</u>	<u>10,447</u>	<u>206,405</u>	<u>316,542</u>	<u>290</u>
-	-	-	-	-	-	-	-
-	452,560	-	-	-	1,732,099	-	-
-	574	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,274,588	-	-	-	-	-	-	-
(251,447)	-	-	-	-	-	-	-
-	-	112,720	-	-	-	42,008	153
-	(576)	-	(1,579)	(10,447)	(178,642)	-	-
<u>3,023,141</u>	<u>452,558</u>	<u>112,720</u>	<u>(1,579)</u>	<u>(10,447)</u>	<u>1,553,457</u>	<u>42,008</u>	<u>153</u>
<u>\$ 9,553,583</u>	<u>\$ 734,282</u>	<u>\$ 112,720</u>	<u>\$ 4,063</u>	<u>\$ -</u>	<u>\$ 1,759,862</u>	<u>\$ 358,550</u>	<u>\$ 443</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009

	Capital Projects					
	Industrial Park TIF 2-1 (155)	Industrial Park TIF 2-2 (160)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)
ASSETS:						
Cash and Investments	\$ 884	\$ 306,442	\$ 86,416	\$ 62,541	\$ 31,474	\$ 24,170
Cash with Fiscal Agent	-	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Due from Other Governments	-	-	17,646	-	-	-
Notes Receivable	-	-	-	-	-	-
Special Assessments Receivable:						
Delinquent	-	-	-	-	-	-
Deferred	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Total Assets	\$ 884	\$ 306,442	\$ 104,062	\$ 62,541	\$ 31,474	\$ 24,170
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-	-	-
Contracts Payable	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Fund Balances:						
Reserved for:						
Notes Receivable	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-
Prepaid Expense	-	-	-	-	-	-
Unreserved, Reported in:						
Special Revenue - Designated	-	-	-	-	-	-
Special Revenue - Undesignated	-	-	-	-	-	-
Debt Service - Designated	-	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-	-
Capital Projects - Designated	884	306,442	104,062	62,541	31,474	24,170
Capital Projects - Undesignated	-	-	-	-	-	-
Total Fund Balances	884	306,442	104,062	62,541	31,474	24,170
Total Liabilities and Fund Balances	\$ 884	\$ 306,442	\$ 104,062	\$ 62,541	\$ 31,474	\$ 24,170

Capital Projects

Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	Industrial Park Street Assessments (168)	Public Works Building Expansion (180)	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 63,077	\$ 17,963	1,022,511	\$ 4,221,307
-	-	-	-	-	-	12,500
-	-	-	-	-	-	86,960
-	-	15,143	-	-	61,348	88,802
-	524	-	3,017	-	327,532	409,091
-	-	-	-	-	-	1,723,631
-	-	-	5,010	-	5,718	273,351
-	-	-	157,057	-	158,942	4,688,003
-	1,372,338	-	-	-	3,556,997	4,048,187
-	-	-	-	-	574	574
<u>\$ -</u>	<u>\$ 1,372,862</u>	<u>\$ 15,143</u>	<u>\$ 228,161</u>	<u>\$ 17,963</u>	<u>\$ 5,133,622</u>	<u>\$ 15,552,406</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,816	\$ 15,641	\$ 18,046
-	-	-	-	-	254,561	254,561
-	-	-	-	8,600	65,710	66,338
23,258	1,085,484	20,834	-	-	1,541,132	1,917,557
-	-	-	30,817	-	117,222	117,222
-	-	-	162,067	-	164,660	6,579,209
<u>23,258</u>	<u>1,085,484</u>	<u>20,834</u>	<u>192,884</u>	<u>15,416</u>	<u>2,158,926</u>	<u>8,952,933</u>
-	-	-	-	-	-	192,736
-	1,372,338	-	-	-	3,556,997	4,048,187
-	-	-	-	-	574	574
-	-	-	-	-	-	2,375
-	-	-	-	-	-	(84,665)
-	-	-	-	-	-	3,274,588
-	-	-	-	-	-	(251,447)
-	-	-	35,277	2,547	722,278	722,278
(23,258)	(1,084,960)	(5,691)	-	-	(1,305,153)	(1,305,153)
<u>(23,258)</u>	<u>287,378</u>	<u>(5,691)</u>	<u>35,277</u>	<u>2,547</u>	<u>2,974,696</u>	<u>6,599,473</u>
<u>\$ -</u>	<u>\$ 1,372,862</u>	<u>\$ 15,143</u>	<u>\$ 228,161</u>	<u>\$ 17,963</u>	<u>\$ 5,133,622</u>	<u>\$ 15,552,406</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**
For the Year Ended December 31, 2009

	Special Revenue			Debt Service		
	Economic Development Authority (275)	Crime Reward Fund (130)	Total	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 1998B (255)	G.O. Refunding Bonds of 1995 (230)
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-	369,091
Special Assessments	-	-	-	44,621	-	-
Intergovernmental	-	-	-	-	-	5,494
Charges for Services	118,364	-	118,364	-	-	-
Miscellaneous:						
Investment Income	10,631	96	10,727	(6,749)	658	3,358
Contributions and Donations	23,700	-	23,700	-	-	-
Other	4,000	-	4,000	-	-	-
Total Revenues	<u>156,695</u>	<u>96</u>	<u>156,791</u>	<u>37,872</u>	<u>658</u>	<u>377,943</u>
EXPENDITURES:						
Current:						
Economic Development	73,832	-	73,832	-	-	-
Debt Service:						
Principal	81,398	-	81,398	-	50,000	400,000
Interest and Other Charges	67,769	-	67,769	-	1,782	13,911
Capital Outlay:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Streets and Highways	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Total Expenditures	<u>222,999</u>	<u>-</u>	<u>222,999</u>	<u>-</u>	<u>51,782</u>	<u>413,911</u>
Excess of Revenues Over (Under) Expenditures	(66,304)	96	(66,208)	37,872	(51,124)	(35,968)
OTHER FINANCING SOURCES (USES):						
Issuance of Debt	595,700	-	595,700	-	-	-
Bond Discount	-	-	-	-	-	-
Refunding Bond Payment	(595,000)	-	(595,000)	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-	-
Transfers In	-	-	-	54,000	51,188	-
Transfers Out	(38,000)	-	(38,000)	-	(8,070)	(405,311)
Total Other Financing Sources (Uses)	<u>(37,300)</u>	<u>-</u>	<u>(37,300)</u>	<u>54,000</u>	<u>43,118</u>	<u>(405,311)</u>
Net Change in Fund Balances	<u>(103,604)</u>	<u>96</u>	<u>(103,508)</u>	<u>91,872</u>	<u>(8,006)</u>	<u>(441,279)</u>
FUND BALANCES:						
Beginning Balance	702,865	2,279	705,144	(224,229)	8,206	449,836
End of Year	<u>\$ 599,261</u>	<u>\$ 2,375</u>	<u>\$ 601,636</u>	<u>\$ (132,357)</u>	<u>\$ 200</u>	<u>\$ 8,557</u>

Debt Service

G.O. Improvement Bonds of 2002A (220)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Improvement Bonds of 2005A (210)	G.O. Capital Equipment Note 2005 (240)	G.O. Improvement Bonds of 2006A (265)	G.O. Improvement Bonds of 2006B (270)	G.O. Improvement Bonds of 2003A (225)	G.O. Improvement Bonds of 2009 (209)	G.O. Improvement Bonds of 2004B (245)
\$ 159,064	\$ -	\$ 121,548	\$ 167,034	\$ 94,498	\$ 51,695	\$ 99,105	\$ -	\$ -
-	41,366	-	-	-	-	-	-	-
65,787	-	115,707	-	89,975	-	145,115	-	17,282
9,373	2,770	6,970	9,687	5,558	59,458	5,329	-	-
-	-	-	-	-	-	-	-	-
29,310	(3,181)	2,956	3,681	7,815	(215)	40,309	-	5,956
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>263,534</u>	<u>40,955</u>	<u>247,181</u>	<u>180,402</u>	<u>197,846</u>	<u>110,938</u>	<u>289,858</u>	<u>-</u>	<u>23,238</u>
-	-	-	-	-	-	-	-	-
200,000	5,000	145,000	122,136	110,000	65,000	360,000	-	540,000
104,146	45,242	89,542	21,619	93,789	42,912	153,194	19,030	27,825
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>304,146</u>	<u>50,242</u>	<u>234,542</u>	<u>143,755</u>	<u>203,789</u>	<u>107,912</u>	<u>513,194</u>	<u>19,030</u>	<u>567,825</u>
(40,612)	(9,287)	12,639	36,647	(5,943)	3,026	(223,336)	(19,030)	(544,587)
-	-	-	-	-	-	-	24,300	-
-	-	-	-	-	-	-	(5,270)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	54,901	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	<u>54,901</u>	<u>-</u>	<u>-</u>	<u>19,030</u>	<u>-</u>
(40,612)	(9,287)	12,639	36,647	48,958	3,026	(223,336)	-	(544,587)
911,207	(47,354)	219,480	180,150	265,352	26,288	1,364,268	-	701,624
<u>\$ 870,595</u>	<u>\$ (56,641)</u>	<u>\$ 232,119</u>	<u>\$ 216,797</u>	<u>\$ 314,310</u>	<u>\$ 29,314</u>	<u>\$ 1,140,932</u>	<u>\$ -</u>	<u>\$ 157,037</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009**

Debt Service

	G.O. Improvement Bonds of 2007A (215)	G.O. Improvement Bonds of 2007C (235)	G.O. Improvement Bonds of 2007E (207)	G.O. Improvement Bonds of 2008A (208)	G.O. Taxable Lease Revenue Bonds of 2008 (241)	Total
REVENUES:						
Property Taxes	\$ 73,538	\$ 82,416	\$ -	\$ -	\$ -	\$ 848,898
Tax Increments	-	-	-	-	-	410,457
Special Assessments	52,281	-	66,783	99,809	-	697,360
Intergovernmental	4,393	4,865	-	-	38,490	152,387
Charges for Services	-	-	-	-	-	-
Miscellaneous:						
Investment Income	4,946	462	(2,591)	536	(436)	86,815
Contributions and Donations	-	-	-	-	-	-
Other	8,222	-	-	-	-	8,222
Total Revenues	<u>143,380</u>	<u>87,743</u>	<u>64,192</u>	<u>100,345</u>	<u>38,054</u>	<u>2,204,139</u>
EXPENDITURES:						
Current:						
Economic Development	-	-	-	-	-	-
Debt Service:						
Principal	-	-	75,000	-	16,101	2,088,237
Interest and Other Charges	85,203	47,320	35,255	140,968	127,785	1,049,523
Capital Outlay:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Streets and Highways	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Total Expenditures	<u>85,203</u>	<u>47,320</u>	<u>110,255</u>	<u>140,968</u>	<u>143,886</u>	<u>3,137,760</u>
Excess of Revenues Over (Under) Expenditures	58,177	40,423	(46,063)	(40,623)	(105,832)	(933,621)
OTHER FINANCING SOURCES (USES):						
Issuance of Debt	-	-	-	-	-	24,300
Bond Discount	-	-	-	-	-	(5,270)
Refunding Bond Payment	-	-	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-	-
Transfers In	45,766	-	-	25,293	-	231,148
Transfers Out	-	-	-	-	-	(413,381)
Total Other Financing Sources (Uses)	<u>45,766</u>	<u>-</u>	<u>-</u>	<u>25,293</u>	<u>-</u>	<u>(163,203)</u>
Net Change in Fund Balances	103,943	40,423	(46,063)	(15,330)	(105,832)	(1,096,824)
FUND BALANCES:						
Beginning Balance	85,876	23,470	23,008	66,345	66,438	4,119,965
End of Year	<u>\$ 189,819</u>	<u>\$ 63,893</u>	<u>\$ (23,055)</u>	<u>\$ 51,015</u>	<u>\$ (39,394)</u>	<u>\$ 3,023,141</u>

Capital Projects

Neighborhood Stablization Program (116)	Park Development (120)	Lakeside Park Improvements (125)	2008 Storm Damage (135)	Industrial Park Expansion Land Purchase (141)	Local Development (150)	Food Shelf/Senior Center Project (195)	Industrial Park TIF 2-1 (155)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
504,566	-	-	-	-	-	12,827	-
-	2,500	-	-	-	-	-	-
-	4,712	-	-	(1,216)	14,160	-	1,652
-	630	-	-	-	-	45,477	-
300	-	-	-	-	48,299	-	-
<u>504,866</u>	<u>7,842</u>	<u>-</u>	<u>-</u>	<u>(1,216)</u>	<u>62,459</u>	<u>58,304</u>	<u>1,652</u>
-	-	-	-	-	57,751	-	-
-	-	-	-	1,294	-	-	-
-	-	-	14,593	-	-	96,151	-
-	-	-	34,051	-	-	-	-
-	-	-	48,645	-	-	-	-
-	5,619	3,048	-	-	-	-	-
30,021	-	-	-	127,787	-	-	108,315
<u>30,021</u>	<u>5,619</u>	<u>3,048</u>	<u>97,289</u>	<u>129,081</u>	<u>57,751</u>	<u>96,151</u>	<u>108,315</u>
474,845	2,223	(3,048)	(97,289)	(130,297)	4,708	(37,847)	(106,663)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	100,000	-	-	-	-
-	-	-	-	-	-	38,000	8,070
(22,287)	-	-	-	-	-	-	(61,580)
<u>(22,287)</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>38,000</u>	<u>(53,510)</u>
452,558	2,223	(3,048)	2,711	(130,297)	4,708	153	(160,173)
-	110,497	1,469	(13,158)	1,683,754	37,300	-	161,057
<u>\$ 452,558</u>	<u>\$ 112,720</u>	<u>\$ (1,579)</u>	<u>\$ (10,447)</u>	<u>\$ 1,553,457</u>	<u>\$ 42,008</u>	<u>\$ 153</u>	<u>\$ 884</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009**

	Capital Projects					
	Industrial Park TIF 2-2 (160)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)	Lake Street Redevelopment TIF 1-3 (165)
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	200,298	83,034	37,923	21,320	15,936	-
Special Assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous:						
Investment Income	10,623	2,390	1,689	775	663	(831)
Contributions and Donations	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	<u>210,921</u>	<u>85,424</u>	<u>39,612</u>	<u>22,095</u>	<u>16,599</u>	<u>(831)</u>
EXPENDITURES:						
Current:						
Economic Development	-	-	-	-	-	22
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	3,912
Capital Outlay:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Streets and Highways	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Economic Development	243,875	46,213	17,973	10,324	14,365	-
Total Expenditures	<u>243,875</u>	<u>46,213</u>	<u>17,973</u>	<u>10,324</u>	<u>14,365</u>	<u>3,934</u>
Excess of Revenues Over (Under) Expenditures	(32,954)	39,211	21,639	11,771	2,234	(4,765)
OTHER FINANCING SOURCES (USES):						
Issuance of Debt	-	-	-	-	-	-
Bond Discount	-	-	-	-	-	-
Refunding Bond Payment	-	-	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-	-
Transfers In	-	-	-	-	-	300,000
Transfers Out	(3,639)	(6,516)	(2,707)	-	(174)	(1,945)
Total Other Financing Sources (Uses)	<u>(3,639)</u>	<u>(6,516)</u>	<u>(2,707)</u>	<u>-</u>	<u>(174)</u>	<u>298,055</u>
Net Change in Fund Balances	(36,593)	32,695	18,932	11,771	2,060	293,290
FUND BALANCES:						
Beginning Balance	343,035	71,367	43,609	19,703	22,110	(316,548)
End of Year	<u>\$ 306,442</u>	<u>\$ 104,062</u>	<u>\$ 62,541</u>	<u>\$ 31,474</u>	<u>\$ 24,170</u>	<u>\$ (23,258)</u>

Capital Projects

Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	Industrial Park Street Assessments (168)	Public Works Building Expansion (180)	Police Facility (185)	2005 Capital Equipment (140)	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 848,898
21,435	-	-	-	-	-	379,946	790,403
-	-	72,617	-	-	-	72,617	769,977
-	-	-	-	-	-	517,393	669,780
-	-	-	-	-	-	2,500	120,864
(2,331)	(394)	923	(418)	(111)	(14)	32,272	129,814
-	-	-	-	-	-	46,107	69,807
-	-	-	-	-	-	48,599	60,821
<u>19,104</u>	<u>(394)</u>	<u>73,540</u>	<u>(418)</u>	<u>(111)</u>	<u>(14)</u>	<u>1,099,434</u>	<u>3,460,364</u>
-	-	-	-	-	-	57,773	131,605
40,000	-	-	-	-	-	-	2,169,635
-	-	-	-	-	-	45,206	1,162,498
-	-	-	-	-	-	110,744	110,744
-	-	-	-	-	-	34,051	34,051
-	-	-	27,504	-	-	76,149	76,149
-	-	-	-	-	-	8,667	8,667
<u>2,724</u>	<u>5,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>606,894</u>	<u>606,894</u>
<u>42,724</u>	<u>5,297</u>	<u>-</u>	<u>27,504</u>	<u>-</u>	<u>-</u>	<u>939,484</u>	<u>4,300,243</u>
(23,620)	(5,691)	73,540	(27,922)	(111)	(14)	159,950	(839,879)
-	-	-	-	-	-	-	620,000
-	-	-	-	-	-	-	(5,270)
-	-	-	-	-	-	-	(595,000)
-	-	-	-	-	-	100,000	100,000
-	-	-	-	4,472	468	351,010	582,158
-	-	-	-	-	-	(98,848)	(550,229)
-	-	-	-	<u>4,472</u>	<u>468</u>	<u>352,162</u>	<u>151,659</u>
(23,620)	(5,691)	73,540	(27,922)	4,361	454	512,112	(688,220)
<u>310,998</u>	<u>-</u>	<u>(38,263)</u>	<u>30,469</u>	<u>(4,361)</u>	<u>(454)</u>	<u>2,462,584</u>	<u>7,287,693</u>
<u>\$ 287,378</u>	<u>\$ (5,691)</u>	<u>\$ 35,277</u>	<u>\$ 2,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,974,696</u>	<u>\$ 6,599,473</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$ 2,175,873	\$ 2,185,873	\$ 2,216,160	\$ 30,287
Special Assessments	7,500	7,500	10,088	2,588
Licenses and Permits	413,975	413,975	266,436	(147,539)
Intergovernmental Revenue:				
Local Government Aid	479,869	275,819	352,551	76,732
Market Value Credit	140,000	140,000	130,058	(9,942)
PERA Aid	3,106	3,106	3,106	-
Fire Aid	75,000	75,000	53,374	(21,626)
Police Aid	78,000	78,000	94,565	16,565
Other Grants and Aids	72,000	72,000	93,450	21,450
Total Intergovernmental Revenue	<u>847,975</u>	<u>643,925</u>	<u>727,104</u>	<u>83,179</u>
Charges for Services:				
General Government	88,250	98,250	120,061	21,811
Public Safety	214,500	208,600	138,906	(69,694)
Streets and Highways	7,000	7,000	5,017	(1,983)
Park and Recreation	4,000	4,000	4,195	195
Total Charges for Services	<u>313,750</u>	<u>317,850</u>	<u>268,179</u>	<u>(49,671)</u>
Fines and Forfeitures	44,750	44,750	44,271	(479)
Miscellaneous Revenues:				
Investment Income	90,000	90,000	73,339	(16,661)
Contributions and Donations	7,000	7,000	9,013	2,013
Total Miscellaneous Revenues	<u>97,000</u>	<u>97,000</u>	<u>82,352</u>	<u>(14,648)</u>
Total Revenues	<u>3,900,823</u>	<u>3,710,873</u>	<u>3,614,590</u>	<u>(96,283)</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Mayor and Council	\$ 42,520	\$ 42,520	\$ 42,583	\$ 63
Administrative and Finance	469,971	470,571	435,793	(34,778)
Other General Government	238,800	205,400	179,214	(26,186)
Capital Outlay	<u>5,602</u>	<u>5,602</u>	<u>5,285</u>	<u>(317)</u>
Total General Government	756,893	724,093	662,875	(61,218)
Public Safety:				
Police:				
Current	1,416,575	1,365,175	1,245,724	(119,451)
Fire:				
Current	389,000	377,200	288,422	(88,778)
Capital Outlay	30,000	9,600	9,620	20
Other:				
Current	<u>439,730</u>	<u>407,430</u>	<u>340,765</u>	<u>(66,665)</u>
Total Public Safety	2,275,305	2,159,405	1,884,531	(274,874)
Public Works:				
Streets and Highways:				
Street Maintenance	413,880	401,180	348,465	(52,715)
Street Engineering	4,500	4,500	11,326	6,826
Street Lighting	<u>70,625</u>	<u>70,625</u>	<u>94,003</u>	<u>23,378</u>
Total Public Works	489,005	476,305	453,794	(22,511)
Culture and Recreation:				
Libraries:				
Current	74,100	74,100	77,583	3,483
Parks and Recreation:				
Current Expenditures	<u>380,670</u>	<u>351,070</u>	<u>332,023</u>	<u>(19,047)</u>
Total Culture and Recreation	454,770	425,170	409,606	(15,564)

CITY OF BIG LAKE
Sherburne County, Minnesota

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
EXPENDITURES:				
Economic Development:				
Current	\$ 192,850	\$ 173,900	\$ 155,240	\$ (18,660)
Total Expenditures	4,168,823	3,958,873	3,566,046	(392,827)
Excess of Revenues Over (Under) Expenditures	(268,000)	(248,000)	48,544	296,544
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Asset	-	-	855	855
Transfers In	220,000	230,000	53,196	(176,804)
Transfers Out	(10,000)	(10,000)	(7,029)	2,971
Total Other Financing Sources (Uses)	210,000	220,000	47,022	(172,978)
Net Change in Fund Balances	\$ (58,000)	\$ (28,000)	95,566	\$ 123,566
FUND BALANCES:				
Beginning of Year			2,156,305	
End of Year			\$ 2,251,871	

CITY OF BIG LAKE
Sherburne County, Minnesota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

<u>Federal Assistance Number and Funding Source</u>	<u>Administering Department</u>	<u>Grant Name/Program</u>	<u>2009 Expenditures</u>
CFDA No. 14.256 Housing and Urban Development	Minnesota Housing Finance Agency	Neighborhood Stabilization Program	\$ 501,466
CFDA No. 97.044 Federal Emergency Management Agency	FEMA	Assistance to Firefighters Grant	2,911
CFDA No. 66.458 Department of Employment and Economic Development	Minnesota PFA	Clean Water Revolving Fund (Cluster)	1,911,544
CFDA No. 66.458 Department of Employment and Economic Development - ARRA	Minnesota PFA	Clean Water Revolving Fund (Cluster)	306,036
CFDA No. 66.468 U.S. Environmental Protection Agency	Minnesota PFA	Capitalization Grant for Drinking Water	<u>68,446</u>
Total			<u><u>\$2,790,403</u></u>

CITY OF BIG LAKE
Sherburne County, Minnesota

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2009

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – PUBLIC FACILITIES AUTHORITY

On September 24, 2009, the City entered into an agreement with the Minnesota PFA for a project loan for \$ 13,470,120. In addition to the project loan, the City qualified for a \$ 2,000,000 Federal ARRA Green Grant administered through the Minnesota PFA. As of December 31, 2009, the City had expended \$ 1,911,544 of the loan and received \$ 306,036 of the Grant proceeds.

NOTE 3 – NEIGHBORHOOD STABILIZATION PROGRAM GRANT

On May 26, 2009, the City was awarded \$ 940,676 in Neighborhood Stabilization Program (NSP) Grant proceeds, administered through the Minnesota Housing Finance Agency. As of December 31, 2009, the City had expended \$ 501,466 of the Grant proceeds.



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**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***

May 13, 2010

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

We have audited 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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 13, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.



We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*, as Audit Findings 09-01 and 09-02 to be material weaknesses.

A significant deficiency is a deficiency or 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133* as Audit Finding 04-01 to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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*.

We noted certain matters that we reported to management of the City in a separate letter dated May 13, 2010.

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management and state and federal awarding and oversight agencies and is not intended to be and should not be used by anyone other than those specified parties.

Kern, Dewenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133***

May 13, 2010

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

COMPLIANCE

We have audited the compliance of City of Big Lake, Minnesota, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Those Standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, City of Big Lake, Minnesota, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.



INTERNAL CONTROL OVER COMPLIANCE

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, state and federal awarding agencies and pass-through entities 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

CITY OF BIG LAKE
Sherburne County, Minnesota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2009

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Findings 09-01 and 09-02
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Finding 04-01
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No

Identification of Major Programs

CFDA No.:	14.256
Name of Federal Program or Cluster:	Neighborhood Stabilization Program
CFDA No.:	66.458
Name of Federal Program or Cluster:	Clean Water Revolving Fund
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low risk auditee?	No

CITY OF BIG LAKE
Sherburne County, Minnesota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 09-01 – Prior Period Adjustments

Criteria or Specific Requirement:

Internal control that supports the City's ability to report financial data consistent with the assertions of management in the financial statements requires thorough review of the accounting records at year end.

Condition:

A prior period adjustment was completed to correct the 2008 financial statements. The prior period adjustment to beginning fund balance was made to recognize revenues received from Sherburne County and the State in the period in which they were earned. These revenues related to the Highway 5/10 intersection project. It is the responsibility of City management to properly present financial statement information and ensure prior period adjustments are not needed.

Questioned Costs:

None

Context:

This finding impacts the internal control for year end reconciling and reporting accounting functions.

Effect:

The City's reporting of financial data was misstated in the prior year's financial statements.

Cause:

There are a limited number of office employees, as well as limited review of year end reconciliations and adjustments.

Recommendation:

Implement additional reconciling and reporting processes.

Management's Response:

City staff will work to ensure all transactions are recorded in the proper year.

CITY OF BIG LAKE
Sherburne County, Minnesota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 09-02 – Material Audit Adjustments

Criteria or Specific Requirement:

Internal control that supports the City's ability to report financial data consistent with the assertions of management in the financial statements requires thorough review of the accounting records at year end.

Condition:

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal control system, and therefore, could have resulted in material misstatements of the City's financial statements.

In order to ensure financial statements were free from material misstatements, audit adjustments were required in the following areas:

- Grants Receivable
- Debt Proceeds
- Capital Assets and Capital Contributions
- Contracts Payable

Questioned Costs:

None

Context:

This finding impacts the internal control for year end reconciling and reporting accounting functions.

Effect:

The City's financial data was misstated in the current year's financial general ledger system.

Cause:

There are a limited number of office employees, as well as limited review of year end reconciliations and adjustments.

Recommendation:

Implement additional reconciling and reporting processes.

Management's Response:

City staff will work to ensure grant revenues are recorded as related grant obligations occur and contract payments are properly recognized to account for their impact on construction in progress balances at year-end.

CITY OF BIG LAKE
Sherburne County, Minnesota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 04-01 – Segregation of Accounting Duties

Criteria or Specific Requirement:

Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended December 31, 2009, 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. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all inclusive list:

Electronic Disbursements

- Both the Finance Director and the Accounting Clerk have access to initiate and record these transactions, which are used for payroll, investment transactions and payment of debt.
- The Accounting Clerk prepares the monthly cash reconciliation and has read/write access to the general ledger.
- The Finance Director reconciles investment and debt transactions.

Cash Disbursements

- The Finance Assistant prepares checks, handles the blank check stock and signature plate and posts disbursements to the general ledger.
- The Finance Director has read/write access to the general ledger.

Electronic Receipts

- The Accounting Clerk electronically posts receipts received by the City to the general ledger.
- The Accounting Clerk prepares the cash reconciliation monthly and has read/write access to the general ledger.

CITY OF BIG LAKE
Sherburne County, Minnesota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 04-01 – Segregation of Accounting Duties (Continued)

Cash Receipts

- The Accounting Clerk processes the receipt batches from the point of sale system, reconciles them to the deposits and brings the deposits to the bank.
- The Accounting Clerk prepares the cash reconciliation monthly and has read/write access to the general ledger.

Payroll

- The Accounting Clerk receipts and records all payroll data and posts to the general ledger.
- The Finance Director has read/write access to the general ledger.

Utility Billing

- The Accounting Clerk posts utility billing activity, received from the external utility billing contractor, to the general ledger.
- The Accounting Clerk prepares the cash reconciliation monthly and has read/write access to the general ledger.

Capital Outlay

- The Accounting Clerk maintains a Microsoft® Excel ledger of project costs and reconciles cash.
- The Finance Director enters additions and disposals into the Banyon asset module, while also reconciling this activity and asset balances at year-end.
- Both employees have access to the Excel ledger, the general ledger and the Banyon asset module.

Questioned Costs:
None

Context:
This finding impacts the internal control for all significant accounting functions.

Effect:
The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

**CITY OF BIG LAKE
Sherburne County, Minnesota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
December 31, 2009**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 04-01 – Segregation of Accounting Duties (Continued)

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management'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.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



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REPORT ON LEGAL COMPLIANCE

May 13, 2010

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

We have audited 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, for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 13, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to *Minnesota Statutes Sec. 6.65*. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main 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 study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

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

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota

