

**City of Big Lake
Sherburne County, Minnesota**

Financial Statements

December 31, 2020



**City of Big Lake
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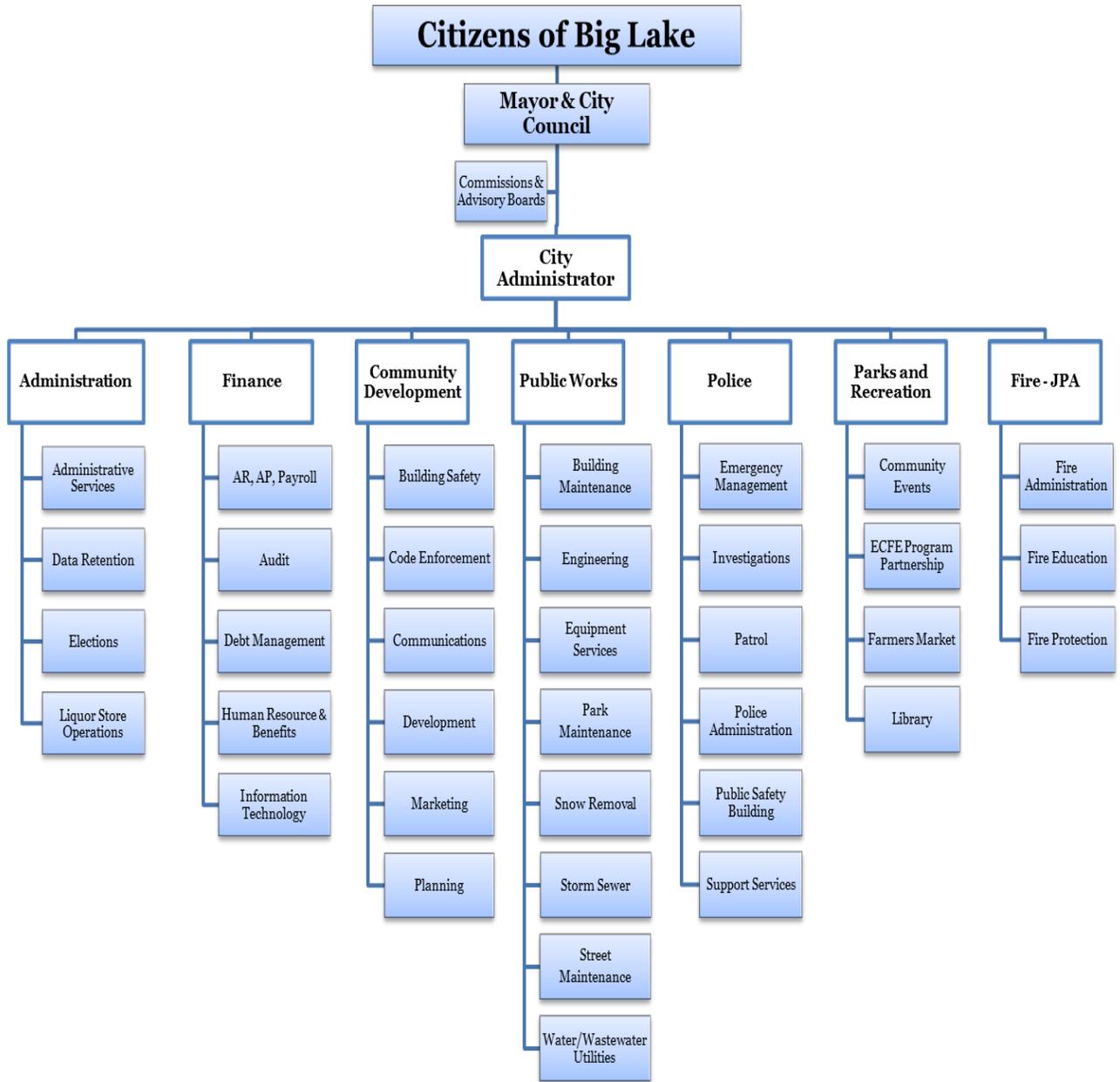
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**City of Big Lake
Elected Officials and Administration
December 31, 2020**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mike Wallen	Mayor	December 31, 2020
Ken Halverson	Council Member	December 31, 2022
Seth Hansen	Council Member	December 31, 2020
Rose Johnson **partial year	Council Member	December 31, 2020
Paul Knier	Council Member	December 31, 2022
Scott Zetervall	Council Member	December 31, 2020
<u>Administration</u>		
Clay Wilfahrt	City Administrator	Appointed
Deb Wegeleben	Finance Director	Appointed



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph 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, 2020, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

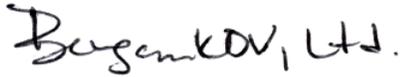
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Big Lake's basic financial statements. The supplementary information 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the City of Big Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Big Lake's internal control over financial reporting and compliance.



St. Cloud, Minnesota
March 26, 2021

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

As management of the City of Big Lake (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended in December 31, 2020. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows resources at the close of the most recent fiscal year by \$65,157,322. Of this amount, \$10,854,663 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$5,522,858 from the prior year. Of the increase, 57% was attributable to governmental activities and 43% to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,178,737, an increase of \$1,140,630 from the previous year. This was due to receiving Grant funds for the County Road 5 signal in the amount of \$680,522, Cares Act funds in the amount of \$313,524 and increases in property taxes, permits and licenses.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,746,172 or 71%, of the total General Fund expenditures not including transfers out. When transfers out are included the unassigned fund balance is at 64%
- The City's total bonded debt decreased by \$4,336,968 during the current fiscal year and no new debt was issued in 2020. The total outstanding bonded debt is \$25,989,414, of which \$10,862,193 is governmental activities and supported by the Debt Levy and Special Assessments. The remaining \$15,127,221 is contributed to business-type activities. Total bond indebtedness is down by 14% compared to 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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 23-26 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 35 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 as it is considered a major fund and for the Capital Project/Infrastructure Improvement Fund, and for the Capital Project/Equipment and Building Replacement Fund. Data from the other 32 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The basic governmental fund financial statements can be found on pages 27-34 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 major funds of the City.

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

Notes to 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 Financial Statements can be found on pages 38-70 of this report.

Other Information

Required supplementary information pertaining to the net pension liability can be found on pages 73-79 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements and required supplementary information. Combining and individual fund statements and schedules can be found on pages 81-96 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$65,157,322 at the close of the most recent fiscal year.

Approximately 77% of the City's net position 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 position, 6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10,854,663 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all categories of the governmental activities and business-type activities.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

City of Big Lake's Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 14,474,389	\$ 12,756,673	\$ 7,932,787	\$ 7,668,411	\$ 22,407,176	\$ 20,425,084
Capital Assets	30,934,916	31,218,877	45,083,023	45,027,773	76,017,939	76,246,650
Total Assets	\$ 45,409,305	\$ 43,975,550	\$ 53,015,810	\$ 52,696,184	\$ 98,425,115	\$ 96,671,734
Deferred Outflows of Resources	\$ 833,994	\$ 1,172,741	\$ 94,957	\$ 110,299	\$ 928,951	\$ 1,283,040
Noncurrent Liabilities Outstanding	\$ 11,495,681	\$ 13,087,306	\$ 14,439,516	\$ 16,255,179	\$ 25,935,197	\$ 29,342,485
Other Liabilities	4,390,926	3,856,182	2,594,602	2,767,232	6,985,528	6,623,414
Total Liabilities	\$ 15,886,607	\$ 16,943,488	\$ 17,034,118	\$ 19,022,411	\$ 32,920,725	\$ 35,965,899
Deferred Inflows of Resources	\$ 1,213,012	\$ 2,183,311	\$ 63,007	\$ 171,100	\$ 1,276,019	\$ 2,354,411
Net Position						
Net Investment in Capital Assets	\$ 20,600,087	\$ 18,897,428	\$ 29,791,292	\$ 27,572,611	\$ 50,391,379	\$ 46,470,039
Restricted	3,911,280	4,208,477	-	-	3,911,280	4,208,477
Unrestricted	4,632,313	2,915,587	6,222,350	6,040,361	10,854,663	8,955,948
Total Net Position	\$ 29,143,680	\$ 26,021,492	\$ 36,013,642	\$ 33,612,972	\$ 65,157,322	\$ 59,634,464

The City's net position increased by \$5,522,858 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 57% or \$3,122,188. Of the net position increase to the Governmental Activities \$1,716,726 was to unrestricted. Business-type activities increased the City's net position by 43% or \$2,400,670.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

City of Big Lake's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUE:						
Program Revenues:						
Charges for Services	\$ 1,058,915	\$ 965,497	\$ 10,740,101	\$ 8,739,028	\$ 11,799,016	\$ 9,704,525
Operating Grants and Contributions	1,052,421	393,643	34,228	29,676	1,086,649	423,319
Capital Grants and Contributions	2,569,604	1,070,391	2,200,515	909,981	4,770,119	1,980,372
General Revenues:						
Property Taxes and Tax Increment and Franchise Fees	5,283,687	5,018,324	-	-	5,283,687	5,018,324
State Aids	741,969	625,901	-	-	741,969	625,901
Unrestricted Investment Earnings	220,407	353,274	113,950	155,016	334,357	508,290
Other Income	68,775	99,312	1,000	-	69,775	99,312
Total Revenues	\$10,995,778	\$8,526,342	\$13,089,794	\$9,833,701	\$24,085,572	\$18,360,043
EXPENSES:						
General Government	1,004,068	936,323	-	-	1,004,068	936,323
Public Safety	3,169,311	2,627,794	-	-	3,169,311	2,627,794
Streets and Highways	2,038,384	1,710,146	-	-	2,038,384	1,710,146
Culture and Recreation	938,626	834,271	-	-	938,626	834,271
Economic Development	1,075,887	522,633	-	-	1,075,887	522,633
Interest on Long-Term Debt	278,924	336,680	-	-	278,924	336,680
Water	-	-	2,025,958	1,923,044	2,025,958	1,923,044
Sewer	-	-	2,685,199	2,600,311	2,685,199	2,600,311
Municipal Liquor	-	-	4,937,241	3,992,566	4,937,241	3,992,566
Storm Sewer	-	-	409,116	402,679	409,116	402,679
Total Expenses	8,505,200	6,967,847	10,057,514	8,918,600	18,562,714	15,886,447
Increase (Decrease) in Net Position						
before Transfers & Capital Contributions	2,490,578	1,558,495	3,032,280	915,101	5,522,858	2,473,596
Transfers	631,610	713,063	(631,610)	(713,063)	-	-
Increase (Decrease) in Net Position	3,122,188	2,271,558	2,400,670	202,038	5,522,858	2,473,596
Net Position - Beginning	26,021,492	23,749,934	33,612,972	33,410,934	59,634,464	57,160,868
Net Position - Ending	\$ 29,143,680	\$ 26,021,492	\$ 36,013,642	\$ 33,612,972	\$ 65,157,322	\$ 59,634,464

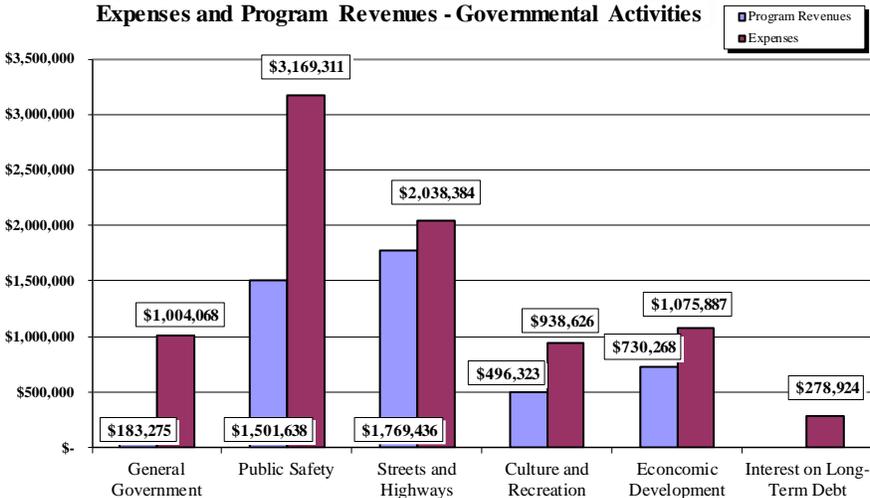
The City's total revenues for 2020 was \$24,085,572, an increase of \$5,725,529 over 2019, total expenses before transfers was \$18,562,714 an increased \$2,676,267 and total transfers from Business Type Activities to Governmental Activities was \$631,610, a decrease of \$81,453 over 2019. In 2019 the City transferred an additional \$200,000 from the Liquor Store to the Capital Improvement – Infrastructure fund for the completion of the McDowall Trail improvements, in 2020 the City only transferred \$450,000 from the Liquor Store to the General Fund compared to \$600,000 in 2019. In 2020 the City transferred \$70,000 from the Water fund to the Street Maintenance found for a water line repair County Road 81. The overall net position of the City increased by \$5,522,858.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities

The City's net position increased by \$5,522,858 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 57% or \$3,122,188. This increase can be attributed to new development, with the increase in property tax payments, the increase in local government aid, state grants as well as franchise fees. In addition, the additional increase in the transfer from the City's Liquor Store to the General Fund of \$50,000. In 2020 the City issued 44 new single-family building permits, welcomed the completion of the development of a 38-townhome rental unit, the continuing development of 105 rental units as well as a 12-unit development project. The City also welcomed new developments in the commercial construction of, Big Lake Car Condos, Great River Federal Credit Union, Nystrom & Associates and Liberty Savings Bank. The City welcomed expansion of the City's Wastewater Treatment Facility, the Mete Council's Metro Transit NorthStar Maintenance Facility, and Cargill Protein's Big Lake Facility.



In 2020, the City of Big Lake was voted the 2nd safest city in the state of Minnesota, for city population over 10,000, but less than 20,000. In 2020, 37% of the total governmental activities' expenses were attributed to public safety. The cost to provide City Services for 2020 for each household and business was \$5.95 per day. With this cost, the citizens and business get the best public safety around which includes the police, fire and building departments contributing to the City being awarded one the Safest City in Minnesota.

2020 Cost per day to provide City services for each household and business was \$5.94



**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

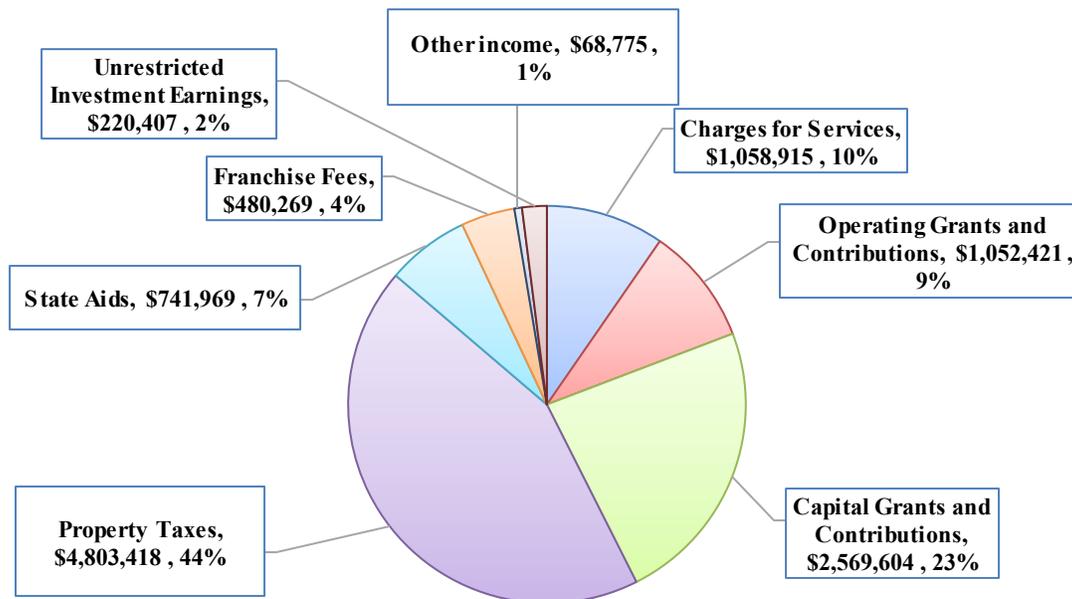
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities (Continued)

The 2020 total cost to provide City Services including interest on long-term debt was \$8,505,200. Based on per capita of 11,551, the estimated 2020 population for Big Lake, the cost to provide the services was \$736 a year or \$2.02 per day. If using the total residential and business utility connections of 3,785 and including interest on long term debt, then the total cost per year for each is \$2,242 or \$6.16 per day.

The City's total 2020 revenues for governmental activities was \$10,995,778 of which 44% is contributed to property taxes collected. Capital Grants and Contribution, which is 23% of all revenues received includes prepaid special assessments and intergovernmental revenues or grants for capital items and experienced an increase due to the \$680,522 grant as well as increase of Park Dedication fees due to development. Charges for Services is 10% of all revenues received for governmental activities and experienced an increase due to development within the City. Operating Grants and Contributions is 10% of all revenues received and experienced an increase due to the CARES Act grant received in the amount of \$863,098. Total governmental activities revenues increased by \$2,469,436 over 2019, with the largest increases recorded in Capital Grants and Contributions of \$1,499,213. Operating Grants and Contributions increase was \$658,778, Property Taxes, which includes Tax Increment increased by \$285,216 and Charges for Services increased by \$93,418. Staff believes the increase in Charges for Services was due to the increase in other permits as many were working from home due to the pandemic. Franchise Fees, Unrestricted Investments Earnings and Other income recorded a decrease over 2019.

Revenue by Source - Governmental Activities



**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

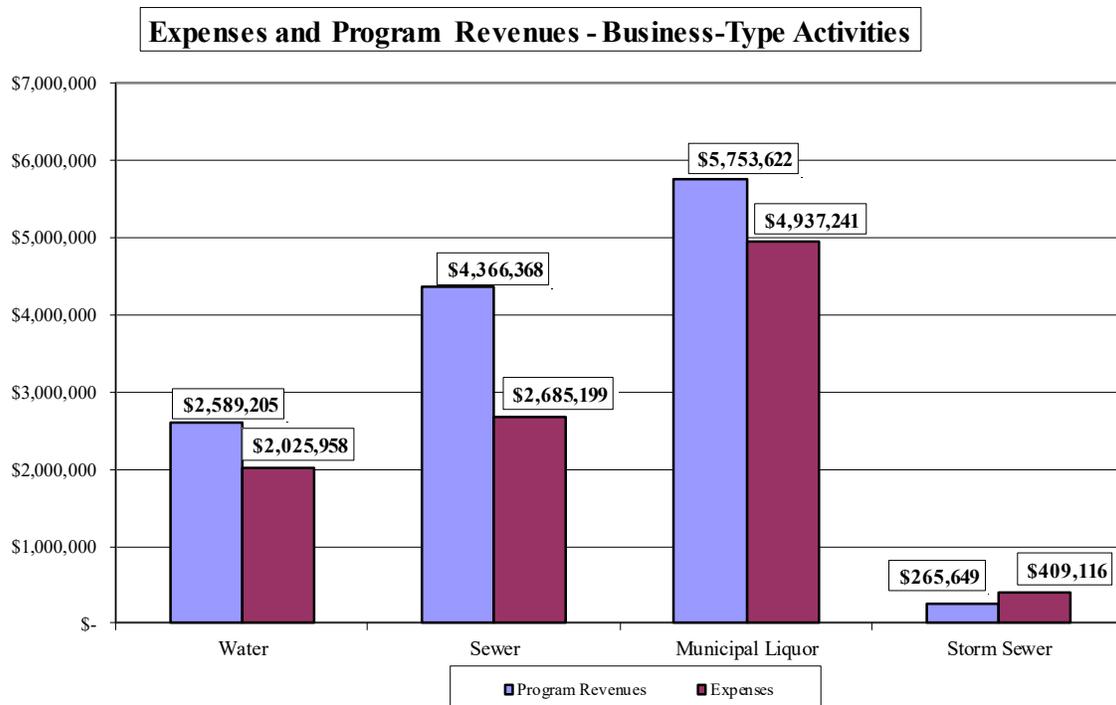
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Business-Type Activities

Business-type activities increased the City's net position by \$2,400,670, resulting in 43% of the total increase in the government's net position. The City's Liquor Store contributed \$450,000 to the General Fund, this was a total decrease of \$150,000 over 2019. In 2020 due to the pandemic, the Liquor Store saw a 29% increase in sales over 2019 or \$1,305,160, with a net profit of \$379,753 after transfers and depreciation expense.

For the Utility funds, Water usage was up by 9%, a reflection of more residents working from home, in addition the Water usage rates were increased by 6% in 2020, resulting in overall revenues being up. Sewer sales were up compared to 2019 due to the increase in water use, new development, the \$1,000,000 grant from the State and the increase to rates by 5%. In 2020, there were 44 new home permits, 3 multi-unit and 1 commercial unit which was an increase in WAC/SAC and Trunk fees. Development in 2020 represents the normal and anticipated development the City expects for 2021, however for long term planning the City only anticipates 40 new homes each year. In 2020 there was a new development that was billed the Storm Sewer trunk charges which is the reason why Storm Sewer showed an increase in total nonoperating revenues; that and along with the new homes built the 2020 total revenues are up compared to 2019.

The Liquor Store total revenues were up by 29% compared to 2019, with overall expenses, including transfers, up by 17% compared to 2019. There was an increase to the cost of goods sold by 28%, The huge increase in cost of goods sold is contributed to the additional sales as well as the increase in product cost due to the pandemic. In 2020 there was a decrease to transferred out to other funds of 25% or \$150,000, but the increase in cost of goods sold led to a total increase in expense of \$794,672 or an overall increase of 17%. The Liquor Store ended 2020 with a 7% Net Profit, which covered depreciation expense as well as the transfer to the General Fund.



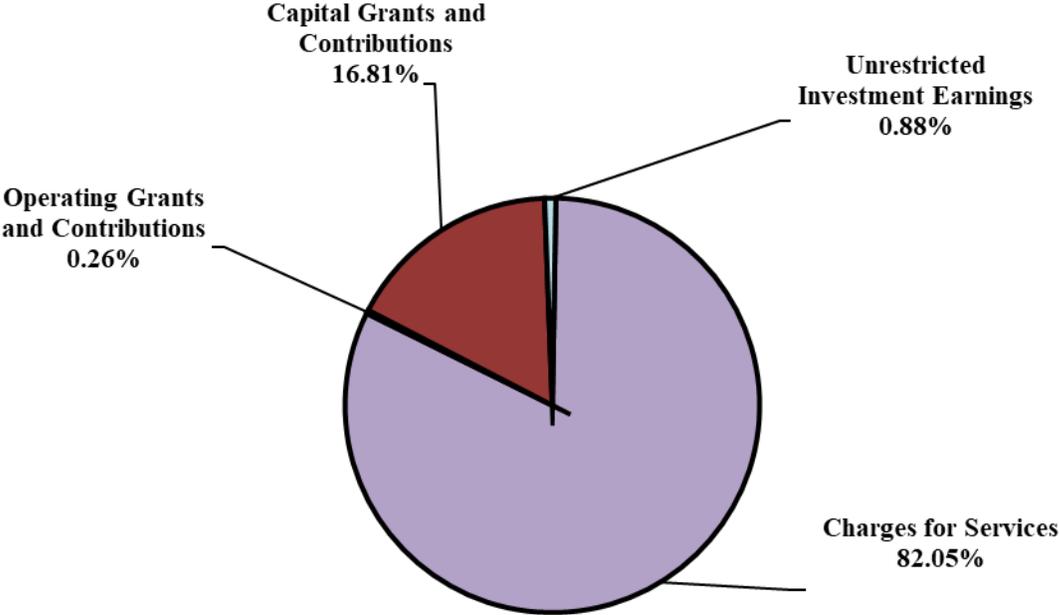
**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Business-Type Activities (continued)

The total revenues collected from business-type activities for 2020 was \$13,089,794; of this 82% is revenues received from services provided or \$10,740,101, this is an increase of \$2,001,073 over 2019. This increase is a representation of the increase in water usage, rate increases and the huge increase in sales at the Liquor Store. Investment earnings totaled \$114,950 or 1% of total revenues, down slightly from 2019. Operating Grants and Contributions revenues received for the year totaled \$34,228, which is constant with prior years. Final Capital Grants and Contributions for the year totaled \$2,200,515, this included the grant received from the State and the WAC/SAC received from new development within the City. The increase in revenues over 2019 was \$3,256,093, the total increase of net position for business-type activities was \$2,400,670.

Revenue by Source - Business-Type Activities



**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

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 \$10,178,737, an increase of \$1,140,630 from the previous year. Approximately 67% of this total amount, \$6,854,603, constitutes assigned and unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted, committed or non-spendable to indicate that it is not available for new spending because it has external spending requirements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unrestricted, spendable fund balance of the General Fund was \$3,821,497, while total fund balance reached \$3,915,369. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 66% of the total General Fund expenditures and transfers out, while total fund balance represents 67% of that same amount.

The fund balance of the City's General Fund increased by \$401,919 during the current fiscal year. Total revenues and other sources in were \$338,027 over the amended budget due to an increase in revenues for Building permits, Property Tax, Franchise Fees, and Investment Income. Expenditures and transfers out ended 2020 under the amended budget by \$86,254, primarily due to an approved transfer of \$250,000 to the Capital Street Maintenance Funds for future street improvements/projects at year end per the City's financial policies. The policies state that any excess fund balance over the 50% can be transferred to the Capital Improvement funds at year end.

Proprietary Funds

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

Unrestricted net position of the water operations at the end of the year was \$940,229; for the sewer operations the year ended at \$3,581,787 and the storm sewer operation was \$314,779 and for the liquor operation the year ended at \$1,385,555. The changes in net position for each of the utility funds were as follows: water an increase of \$463,733, sewer an increase of \$1,735,429, and storm sewer a decrease of \$(178,245). The liquor fund saw an increase of \$379,753. 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 \$828,634. With an operating transfer of \$450,000 to the General Fund, resulted in net position increase of \$379,753, far exceeding the projections for 2020 and can be contributed to the pandemic, going forward the budgeted transfer to the General Fund will remain at the \$450,000 and the sales with a more realistic increase of 3% above 2019 actual numbers.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

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, 2020, amounts to \$76,017,939 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 8,045,419	\$ 8,045,419	\$ 1,534,320	\$ 1,534,320	\$ 9,579,739	\$ 9,579,739
Construction in Progress	228,672	1,337,203	5,310	369,753	233,982	1,706,956
Leasehold Improvements	215,630	65,754	73,698	79,740	289,328	145,494
Infrastructure	18,089,346	18,011,539	-	-	18,089,346	18,011,539
Collection and Distribution Systems	-	-	23,745,125	22,474,735	23,745,125	22,474,735
Buildings	2,482,611	2,648,392	19,318,843	20,240,446	21,801,454	22,888,838
Machinery and Equipment	1,873,238	1,110,570	405,727	328,779	2,278,965	1,439,349
Total	\$ 30,934,916	\$ 31,218,877	\$ 45,083,023	\$ 45,027,773	\$ 76,017,939	\$ 76,246,650

Additional information on the City's capital assets can be found in Note 6 on pages 51-53 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$25,989,414. Of this amount, \$1,668,000 comprises of debt backed by the full faith and credit of the government and \$7,030,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., tax increment financing [TIF] bonds, revenue bonds, lease revenue bonds).

City of Big Lake's Outstanding Bonded Debt

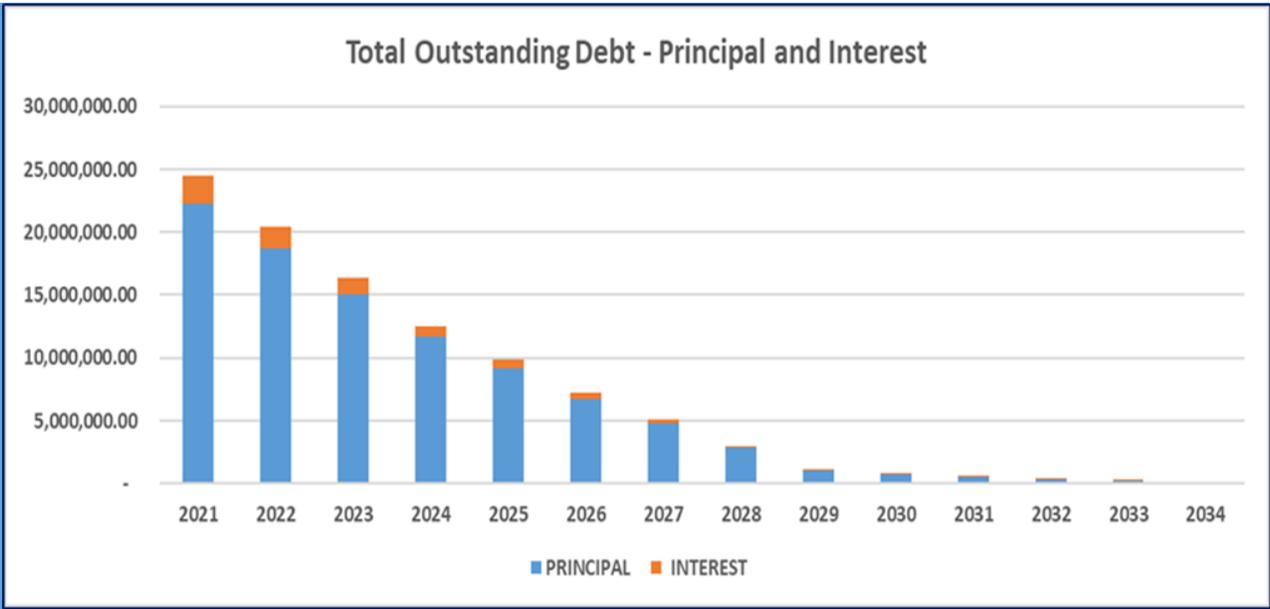
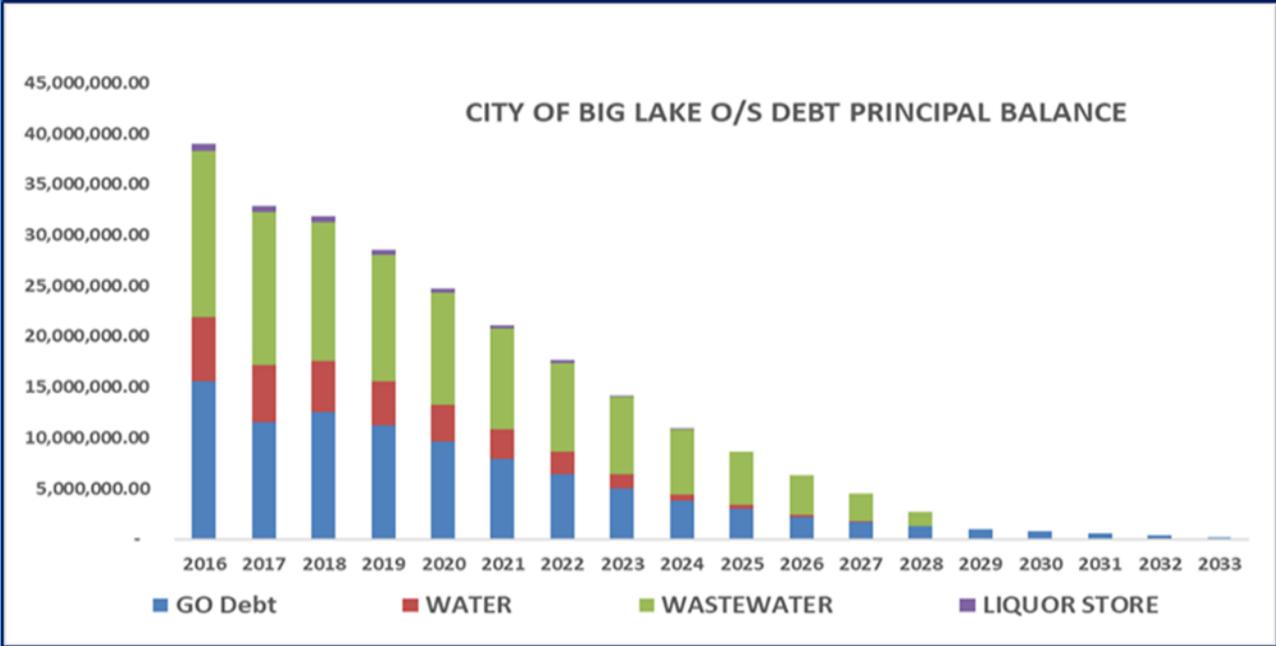
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
G.O. Bonds/Notes	\$ 1,668,000	\$ 1,847,000	\$ -	\$ -	\$ 1,668,000	\$ 1,847,000
G.O. Tax Increment Bonds	2,000,000	2,250,000	-	-	2,000,000	2,250,000
G.O. Special Assessment Bonds	7,030,000	8,760,000	-	-	7,030,000	8,760,000
PFA Drinking Water Revolving Loan	-	-	2,179,000	2,691,000	2,179,000	2,691,000
PFA Clean Water Revolving Loan	-	-	7,849,000	8,622,000	7,849,000	8,622,000
G.O. Taxable Tax Abatement Bonds	155,781	185,844	414,221	494,156	570,002	680,000
G.O. Revenue Bonds/Notes	-	-	4,685,000	5,460,001	4,685,000	5,460,001
Capital Lease	8,412	16,381	-	-	8,412	16,381
Total	\$ 10,862,193	\$ 13,059,225	\$ 15,127,221	\$ 17,267,157	\$ 25,989,414	\$ 30,326,382

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

The following graph shows the amount of existing outstanding principal debt for the City of Big Lake based on activities and how it has decreased over the years. The total outstanding bonded debt decreased by \$4,336,968 and no new debt was issued in 2020. Also shown is the outstanding principal and interest debt for the City.

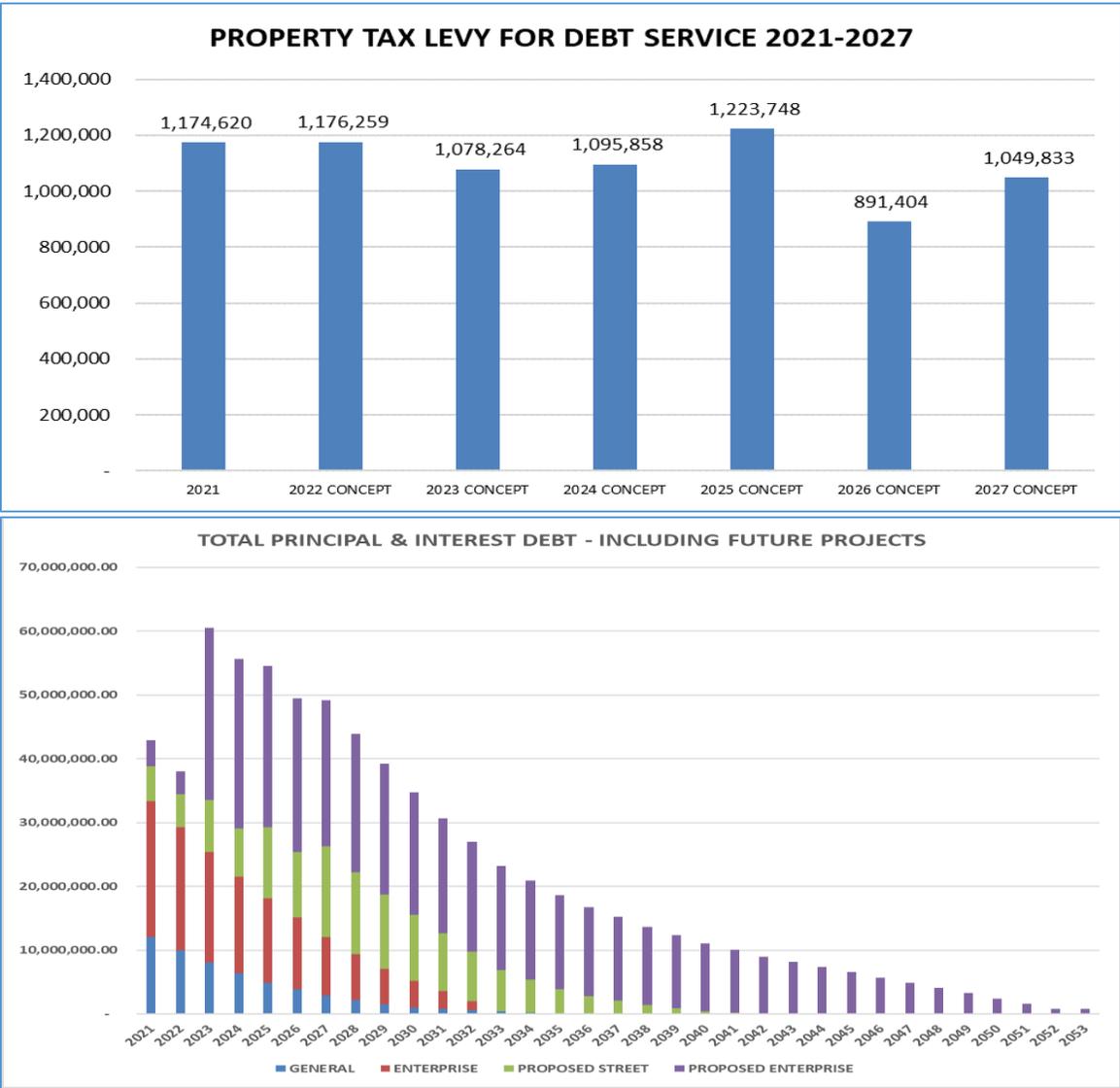


**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

The following graph shows the amount of existing and projected debt service levies for the next seven years. The current finance plan shows debt levies for bonds currently outstanding with no projected new debt levies until 2022. The 2018 street improvements that was bonded will not be levied until 2025, but instead the debt payments will be paid from allocation of the Local Government Aid and MSA Street Aid that was advanced to completed the project. In 2020, the City did not issue any new debt, but does have projected bond issuances in 2021, 2023, 2025, and 2027 for street reconstruction as outlined in the City's Capital Improvement Plan. Also included is a graph the indicates all future projects that could be funded by debt. The proposed projects are in the green and purple on the second chart. These are not guaranteed debt, just used for future financial planning.



Additional information on the City's long-term debt can be found in Note 7 on pages 53-57 of this report.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Bond Rating



Rationale

S&P Global Ratings raised its rating on Big Lake, Minn.'s general obligation (GO) debt to 'AA' from 'AA'-The outlook is stable. The upgrade reflects our view of the combination of the city's ongoing maintenance of extremely strong available reserves, steady growth in the city's economic base, market value in particular, and the adoption of more robust financial policies and practices, as reflected its now-"strong" Financial Management Assessment (FMA) and very strong overall management.

The 'AA' rating reflects S&P view of the city's:

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with an operating surplus in the general fund but a slight operating deficit at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with a high available fund balance in fiscal 2017 of 93% of operating expenditures;
- Very strong liquidity, with total government available cash at 1.5x total governmental fund expenditures and 5.1 x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges at 30.0% of expenditures and net direct debt that is 186.1% of total governmental fund revenue, but rapid amortization, with 86.5% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Budgeted spending for the City's General Fund for 2021 was increased by 3.69% over the 2020 budget; for an overall balanced budget of \$5,616,012. In 2021, the City did budget for additional staff to the Public Works Department and Community Development.
- The 2021 total levy amount of \$4,824,599 was a 5.66% increase over the 2020 amount.
- The Net Tax Capacity is projected to increase by 7% for 20201 with Taxable Market Value increasing by 8%.
- In 2021, the City anticipates receiving approximately \$756,115 in Local Government Aid (LGA), as compared to \$720,974 received in 2020. The City continues to budget the LGA in the Capital Improvement and Equipment replacement funds instead of the general operating fund. These funds will be used for future purchase or improvement of Capital Assets. LGA payments are typically received in July and December.
- In 2020 the water usage rates were increased by 6%, the sewer usage fee increased by 5% and the base fees remained flat. The city implemented the new rate fee in January of 2020.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

- For 2021, water usage rates will be increased by 3%; sewer usage rates by 1% and the base fees will remain flat. For the next coming years, it is projected that the base fees will remain flat, water usage will need to increase 2 to 3 percent and sewer usage will need to increase 3 - 4 percent to cover the rising cost of infrastructure replacement and treatment.
- Building Permits for single family homes continues to grow, the City is anticipating approximately 40 new permits in 2021, which is in line with what was received for 2020.
- The City continues to see existing business expand their operations as well as an increase in multi-family projects that should be completed in the coming years.
- The City began the street reconstruction projects in 2018, they posted the project in 2020 due to the uncertainty of the economy but will continue on in 2021, 2023, 2025 and 2027.
- The City Five-Year plan for the General Fund reflects tax levy increases necessary to deliver the current scope of services and capital replacement plans, assuming the normal budget “pressures” as stated below:
 - Health Insurance – the plan reflects a 10 percent increase each year to the budget
 - Wages – the plan reflects a 6 percent increase each year to the budget to reflect the step increases as well as market value increases to the total pay plan to remain competitive in the market.
 - Building Permits – the plan reflects growth at a slow and steady pace with 40 new home permits a year.
 - Operational Expenditures – the plan reflects a three percent increase in some expenditures such as supplies and utilities.
 - Transfer of Franchise fees beginning in 2023 to the Street Improvement Capital Fund for future street projects.
 - The tax capacity would increase three (3) percent and the increase to the total levy would be in the five (5) percent to seven (7) percent increase, which would take into consideration the growth anticipated for upcoming years as well as future debt levies.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**City of Big Lake
Statement of Net Position
December 31, 2020**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 12,345,764	\$ 5,983,357	\$ 18,329,121
Receivables			
Property tax receivable	117,281	-	117,281
Accounts receivable	136,318	420,770	557,088
Interest receivable	17,483	-	17,483
Notes receivable	340,000	-	340,000
Special assessments receivable			
Delinquent	15,001	4,944	19,945
Deferred	1,338,049	105,757	1,443,806
Due from other governments	95,813	16,419	112,232
Advances to other funds (internal balances)			
Within one year	(152,737)	152,737	-
After one year	(711,670)	711,670	-
Inventories	-	351,804	351,804
Land held for resale	839,085	-	839,085
Prepaid items	94,002	60,329	154,331
Restricted cash and cash equivalents	-	125,000	125,000
Capital assets not being depreciated			
Land	8,045,419	1,534,320	9,579,739
Construction in progress	228,672	5,310	233,982
Capital assets being depreciated			
Infrastructure	41,784,526	-	41,784,526
Buildings	4,979,619	27,648,091	32,627,710
Leasehold improvements	236,258	223,833	460,091
Machinery and equipment	5,853,195	1,548,010	7,401,205
Collection and distribution systems	-	49,017,022	49,017,022
Less accumulated depreciation	(30,192,773)	(34,893,563)	(65,086,336)
Total assets	<u>45,409,305</u>	<u>53,015,810</u>	<u>98,425,115</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	833,994	94,957	928,951
Total assets and deferred outflows of resources	<u>\$ 46,243,299</u>	<u>\$ 53,110,767</u>	<u>\$ 99,354,066</u>

**City of Big Lake
Statement of Net Position
December 31, 2020**

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 357,063	\$ 137,016	\$ 494,079
Salaries and benefits payable	90,889	49,793	140,682
Escrow payable	1,493,766	125,000	1,618,766
Contracts payable	38,853	-	38,853
Due to other governments	137,712	65,565	203,277
Interest payable	112,496	155,602	268,098
Unearned revenue	27,808	-	27,808
Net G.O. Bonds principal payable			
Payable within one year	1,660,000	-	1,660,000
Payable after one year	8,007,332	-	8,007,332
G.O. revenue bonds and notes payable			
Payable within one year	30,063	1,915,938	1,946,001
Payable after one year	129,022	13,375,793	13,504,815
Notes payable			
Payable within one year	131,000	-	131,000
Payable after one year	1,132,000	-	1,132,000
Capital lease payable			
Payable within one year	8,412	-	8,412
Compensated absences payable			
Payable within one year	302,864	145,688	448,552
Net pension liability	2,180,608	1,063,723	3,244,331
Severance payable			
Payable after one year	46,719	-	46,719
Total liabilities	<u>15,886,607</u>	<u>17,034,118</u>	<u>32,920,725</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	873,782	63,007	936,789
State aid received for subsequent years	339,230	-	339,230
Total deferred inflows of resources	<u>1,213,012</u>	<u>63,007</u>	<u>1,276,019</u>
Net Position			
Net investment of capital assets	20,600,087	29,791,292	50,391,379
Restricted for			
Debt service	3,187,288	-	3,187,288
Tax increment	227,799	-	227,799
Parkland dedication	474,889	-	474,889
Other purposes	21,304	-	21,304
Unrestricted	<u>4,632,313</u>	<u>6,222,350</u>	<u>10,854,663</u>
Total net position	<u>29,143,680</u>	<u>36,013,642</u>	<u>65,157,322</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 46,243,299</u>	 <u>\$ 53,110,767</u>	 <u>\$ 99,354,066</u>

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City of Big Lake
Statement of Activities
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 1,004,068	\$ 156,413	\$ 26,862	\$ -	\$ (820,793)	\$ -	\$ (820,793)
Public safety	3,169,311	608,112	302,318	591,208	(1,667,673)	-	(1,667,673)
Streets and highways	2,038,384	179,554	59,199	1,530,683	(268,948)	-	(268,948)
Culture and recreation	938,626	106,385	35,267	354,671	(442,303)	-	(442,303)
Economic development	1,075,887	8,451	628,775	93,042	(345,619)	-	(345,619)
Interest on long-term debt	278,924	-	-	-	(278,924)	-	(278,924)
Total governmental activities	<u>8,505,200</u>	<u>1,058,915</u>	<u>1,052,421</u>	<u>2,569,604</u>	<u>(3,824,260)</u>	<u>-</u>	<u>(3,824,260)</u>
Business-type activities							
Water	2,025,958	2,110,066	18,082	461,057	-	563,247	563,247
Sewer	2,685,199	2,622,429	12,981	1,730,958	-	1,681,169	1,681,169
Liquor	4,937,241	5,751,346	2,276	-	-	816,381	816,381
Storm sewer	409,116	256,260	889	8,500	-	(143,467)	(143,467)
Total business-type activities	<u>10,057,514</u>	<u>10,740,101</u>	<u>34,228</u>	<u>2,200,515</u>	<u>-</u>	<u>2,917,330</u>	<u>2,917,330</u>
Total governmental and business-type activities	<u>\$ 18,562,714</u>	<u>\$ 11,799,016</u>	<u>\$ 1,086,649</u>	<u>\$ 4,770,119</u>	<u>(3,824,260)</u>	<u>2,917,330</u>	<u>(906,930)</u>
General revenues							
Property taxes					4,558,089	-	4,558,089
Franchise Fees					480,269	-	480,269
Tax increments					245,329	-	245,329
State aids					741,969	-	741,969
Unrestricted investment and other interest income					220,407	113,950	334,357
Other general revenue					8,659	-	8,659
Gain on sale of assets					60,116	1,000	61,116
Transfers					631,610	(631,610)	-
Total general revenues and transfers					<u>6,946,448</u>	<u>(516,660)</u>	<u>6,429,788</u>
Change in net position					3,122,188	2,400,670	5,522,858
Net position - beginning					<u>26,021,492</u>	<u>33,612,972</u>	<u>59,634,464</u>
Net position - ending					<u>\$ 29,143,680</u>	<u>\$ 36,013,642</u>	<u>\$ 65,157,322</u>

See notes to financial statements.

City of Big Lake
Balance Sheet - Governmental Funds
December 31, 2020

	General (101)	Capital Projects	
		Equipment and Building Replacements (199)	Infrastructure Improvement Fund (198)
Assets			
Cash and investments	\$ 4,190,242	\$ 1,272,765	\$ 1,741,593
Taxes receivable - delinquent	79,974	-	-
Accounts receivable	135,430	-	-
Interest receivable	17,483	-	-
Due from other governments	58,168	-	-
Notes receivable	-	-	-
Special assessment receivable			
Delinquent	627	-	2,804
Deferred	7,300	-	109,997
Land held for resale	-	-	-
Prepaid items	93,872	-	-
	<u>4,583,096</u>	<u>1,272,765</u>	<u>1,854,394</u>
Total assets			
Liabilities			
Accounts payable	\$ 66,503	\$ 181,700	\$ 155
Salaries and benefits payable	88,722	-	-
Escrow payable	391,851	-	6,510
Contracts payable	-	-	-
Due to other governments	4,942	-	-
Advances from other funds	-	-	-
Unearned revenue	27,808	-	-
	<u>579,826</u>	<u>181,700</u>	<u>6,665</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenue - notes receivables	-	-	-
Unavailable revenue - property taxes	79,974	-	-
Unavailable revenue - special assessments	7,927	-	112,801
State aid received for subsequent years	-	-	339,230
	<u>87,901</u>	<u>-</u>	<u>452,031</u>
Total deferred inflows of resources			
Fund Balances			
Nonspendable	93,872	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	75,325	1,091,065	1,395,698
Unassigned	3,746,172	-	-
	<u>3,915,369</u>	<u>1,091,065</u>	<u>1,395,698</u>
Total fund balances			
	<u>\$ 4,583,096</u>	<u>\$ 1,272,765</u>	<u>\$ 1,854,394</u>
Total liabilities, deferred inflows of resources, and fund balances			

Other Governmental Funds	Total Governmental Funds
\$ 5,141,164	\$ 12,345,764
37,307	117,281
888	136,318
-	17,483
37,645	95,813
340,000	340,000
11,570	15,001
1,220,752	1,338,049
839,085	839,085
130	94,002
<u>\$ 7,628,541</u>	<u>\$ 15,338,796</u>
\$ 108,705	\$ 357,063
2,167	90,889
1,095,405	1,493,766
38,853	38,853
132,770	137,712
864,407	864,407
-	27,808
<u>2,242,307</u>	<u>3,010,498</u>
340,000	340,000
37,307	117,281
1,232,322	1,353,050
-	339,230
<u>1,609,629</u>	<u>2,149,561</u>
682,130	776,002
2,422,038	2,422,038
126,094	126,094
1,257,621	3,819,709
(711,278)	3,034,894
<u>3,776,605</u>	<u>10,178,737</u>
<u>\$ 7,628,541</u>	<u>\$ 15,338,796</u>

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City of Big Lake
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2020

Total fund balances - governmental funds \$ 10,178,737

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

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

Cost of capital assets	61,127,689
Less accumulated depreciation	(30,192,773)

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

Long-term liabilities at year-end consist of:

G.O. bonds principal payable	(9,590,781)
Unamortized bond premiums	(235,636)
Notes payable	(1,263,000)
Capital lease payable	(8,412)
Compensated absences payable	(302,864)
Severance payable	(46,719)
Net pension liability	(2,180,608)

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	117,281
Special assessments	15,001

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(873,782)
Deferred outflows of resources related to pensions	833,994

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

Special assessments	1,338,049
Notes receivable	340,000

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

(112,496)

Total net position - governmental activities \$ 29,143,680

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2020

	General (101)	Capital Projects	
		Equipment and Building Replacements (199)	Infrastructure Improvement Fund (198)
Revenues			
Property taxes	\$ 3,296,205	\$ -	\$ -
Tax increments	-	-	-
Franchise fees	436,739	-	-
Special assessments	4,598	-	25,086
Licenses and permits	671,381	-	-
Intergovernmental	509,477	883,104	1,090,079
Charges for services	280,963	-	-
Fines and forfeitures	50,942	-	-
Miscellaneous			
Investment and other interest income	151,396	16,541	16,810
Contributions and donations	24,801	-	-
Other	18,753	3,931	-
Total revenues	<u>5,445,255</u>	<u>903,576</u>	<u>1,131,975</u>
Expenditures			
Current			
General government	881,189	23,920	-
Public safety	2,785,404	41,759	-
Streets and highways	680,587	2,508	899
Culture and recreation	765,163	5,263	-
Economic development	100,087	-	-
Debt service			
Principal	-	7,969	-
Interest and other charges	-	914	-
Capital outlay			
General government	-	127,441	-
Public safety	37,550	521,332	-
Streets and highways	-	547,174	29,157
Culture and recreation	-	55,441	-
Economic development	-	-	-
Total expenditures	<u>5,249,980</u>	<u>1,333,721</u>	<u>30,056</u>
Excess of revenues over (under) expenditures	195,275	(430,145)	1,101,919
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	20,610	106,610	-
Insurance recoveries	10,055	38,658	-
Transfers in	753,307	30,857	-
Transfers out	(577,328)	(75,000)	(106,729)
Total other financing sources (uses)	<u>206,644</u>	<u>101,125</u>	<u>(106,729)</u>
Net change in fund balances	401,919	(329,020)	995,190
Fund Balances			
Beginning of year	<u>3,513,450</u>	<u>1,420,085</u>	<u>400,508</u>
End of year	<u>\$ 3,915,369</u>	<u>\$ 1,091,065</u>	<u>\$ 1,395,698</u>

Other Governmental Funds	Total Governmental Funds
\$ 1,284,947	\$ 4,581,152
245,329	245,329
43,530	480,269
294,045	323,729
3,255	674,636
1,160,212	3,642,872
337,588	618,551
21,265	72,207
35,660	220,407
14,634	39,435
9,295	31,979
<u>3,449,760</u>	<u>10,930,566</u>
38,289	943,398
9,087	2,836,250
302	684,296
16,738	787,164
743,296	843,383
2,189,063	2,197,032
334,450	335,364
142,539	269,980
20,295	579,177
292,107	868,438
-	55,441
197,556	197,556
<u>3,983,722</u>	<u>10,597,479</u>
(533,962)	333,087
-	127,220
-	48,713
1,230,152	2,014,316
(623,649)	(1,382,706)
<u>606,503</u>	<u>807,543</u>
72,541	1,140,630
<u>3,704,064</u>	<u>9,038,107</u>
<u>\$ 3,776,605</u>	<u>\$ 10,178,737</u>

City of Big Lake
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended December 31, 2020

Total net change in fund balances - governmental funds \$ 1,140,630

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	1,126,223
Depreciation expense	(1,666,830)
Disposal of Capital Assets	(67,104)
Assets contributed from outside entity	323,750

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (35,252)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 2,197,032

Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 34,338

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. 22,102

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

Special assessments	(6,440)
Long-term notes receivable	(35,000)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. 111,802

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. (23,063)

Change in net position - governmental activities \$ 3,122,188

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 3,190,691	\$ 3,214,691	\$ 3,296,205	\$ 81,514
Franchise fees	429,962	429,962	436,739	6,777
Special assessments	2,000	2,000	4,598	2,598
Licenses and permits	523,990	656,990	671,381	14,391
Intergovernmental	429,653	458,853	509,477	50,624
Charges for services	272,404	272,404	280,963	8,559
Fines and forfeitures	51,750	51,750	50,942	(808)
Miscellaneous revenues				
Investment income	31,500	31,500	151,396	119,896
Contributions and donations	4,800	4,800	24,801	20,001
Other	2,450	2,450	18,753	16,303
Total revenues	4,939,200	5,125,400	5,445,255	319,855
Expenditures				
Current				
General government	849,548	1,223,748	881,189	(342,559)
Public safety	2,655,582	2,701,882	2,785,404	83,522
Streets and highways	717,587	738,587	680,587	(58,000)
Culture and recreation	749,913	805,913	765,163	(40,750)
Economic development	104,528	104,528	100,087	(4,441)
Capital outlay				
Public safety	19,000	19,000	37,550	18,550
Total expenditures	5,096,158	5,593,658	5,249,980	(343,678)
	(156,958)	(468,258)	195,275	663,533
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	500	8,500	20,610	12,110
Insurance recoveries	4,000	4,000	10,055	6,055
Transfers in	450,000	753,300	753,307	7
Transfers out	(319,904)	(319,904)	(577,328)	(257,424)
Total other financing sources (uses)	134,596	445,896	206,644	(239,252)
Net change in fund balances	\$ (22,362)	\$ (22,362)	401,919	\$ 424,281
Fund Balances				
Beginning of year			3,513,450	
End of year			\$ 3,915,369	

Statement of Net Position - Proprietary Funds
December 31, 2020

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 1,373,905	\$ 2,762,061	\$ 1,460,385	\$ 387,006	\$ 5,983,357
Accounts receivable	131,268	265,478	141	23,883	420,770
Advances to other funds - within one year	-	152,737	-	-	152,737
Due from other governments	1	16,418	-	-	16,419
Special assessment receivable					
Delinquent	2,664	1,949	-	331	4,944
Deferred	34,420	65,338	-	5,999	105,757
Inventories	-	-	351,804	-	351,804
Prepaid items	24,385	20,320	11,296	4,328	60,329
Total current assets	<u>1,566,643</u>	<u>3,284,301</u>	<u>1,823,626</u>	<u>421,547</u>	<u>7,096,117</u>
Noncurrent assets					
Restricted cash and cash equivalents	-	125,000	-	-	125,000
Advances to other funds - after one year	-	865,590	-	-	865,590
Capital assets not being depreciated					
Land	277,006	1,257,023	-	291	1,534,320
Construction in progress	5,310	-	-	-	5,310
Capital assets being depreciated					
Buildings	9,651,417	15,996,156	1,915,613	84,905	27,648,091
Collection and distribution systems	16,750,392	25,547,639	-	6,718,991	49,017,022
Leasehold improvements	166,068	-	57,765	-	223,833
Machinery and equipment	355,888	671,650	218,745	301,727	1,548,010
Total capital assets	<u>27,206,081</u>	<u>43,472,468</u>	<u>2,192,123</u>	<u>7,105,914</u>	<u>79,976,586</u>
Less accumulated depreciation	<u>(12,557,696)</u>	<u>(16,987,270)</u>	<u>(1,092,471)</u>	<u>(4,256,126)</u>	<u>(34,893,563)</u>
Net capital assets	<u>14,648,385</u>	<u>26,485,198</u>	<u>1,099,652</u>	<u>2,849,788</u>	<u>45,083,023</u>
Total noncurrent assets	<u>14,648,385</u>	<u>27,475,788</u>	<u>1,099,652</u>	<u>2,849,788</u>	<u>46,073,613</u>
Total assets	<u>16,215,028</u>	<u>30,760,089</u>	<u>2,923,278</u>	<u>3,271,335</u>	<u>53,169,730</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to city pensions	<u>30,151</u>	<u>30,151</u>	<u>26,371</u>	<u>8,284</u>	<u>94,957</u>
Total assets and deferred outflows of resources	<u>\$ 16,245,179</u>	<u>\$ 30,790,240</u>	<u>\$ 2,949,649</u>	<u>\$ 3,279,619</u>	<u>\$ 53,264,687</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 32,237	\$ 61,459	\$ 42,695	\$ 625	\$ 137,016
Salaries and benefits payable	16,224	16,224	14,140	3,205	49,793
Interest payable	38,114	113,432	4,056	-	155,602
Due to other governments	8,930	-	56,635	-	65,565
Current compensated absences	49,374	49,374	34,011	12,929	145,688
Amount due within one year	716,355	1,119,646	79,937	-	1,915,938
Total current liabilities	<u>861,234</u>	<u>1,360,135</u>	<u>231,474</u>	<u>16,759</u>	<u>2,469,602</u>
Noncurrent liabilities					
Escrow payable	-	125,000	-	-	125,000
Advances from other funds	153,920	-	-	-	153,920
G.O. Revenue Bonds, net of unamortized premium	1,484,121	3,356,605	423,005	-	5,263,731
PFA G.O. Revenue notes	2,179,000	7,849,000	-	-	10,028,000
Net pension liability	337,760	337,760	295,407	92,796	1,063,723
Less amount due within one year	<u>(716,355)</u>	<u>(1,119,646)</u>	<u>(79,937)</u>	<u>-</u>	<u>(1,915,938)</u>
Total noncurrent liabilities	<u>3,438,446</u>	<u>10,548,719</u>	<u>638,475</u>	<u>92,796</u>	<u>14,718,436</u>
Total liabilities	<u>4,299,680</u>	<u>11,908,854</u>	<u>869,949</u>	<u>109,555</u>	<u>17,188,038</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to city pensions	<u>20,006</u>	<u>20,006</u>	<u>17,498</u>	<u>5,497</u>	<u>63,007</u>
Net Position					
Net investment in capital assets	10,985,264	15,279,593	676,647	2,849,788	29,791,292
Unrestricted	940,229	3,581,787	1,385,555	314,779	6,222,350
Total net position	<u>11,925,493</u>	<u>18,861,380</u>	<u>2,062,202</u>	<u>3,164,567</u>	<u>36,013,642</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,245,179</u>	<u>\$ 30,790,240</u>	<u>\$ 2,949,649</u>	<u>\$ 3,279,619</u>	<u>\$ 53,264,687</u>

See notes to financial statements.

City of Big Lake
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2020

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Totals
Sales and cost of sales					
Sales	\$ -	\$ -	\$ 5,751,171	\$ -	\$ 5,751,171
Cost of sales	-	-	4,148,340	-	4,148,340
Gross profit	<u>-</u>	<u>-</u>	<u>1,602,831</u>	<u>-</u>	<u>1,602,831</u>
Operating revenues					
Charges for services	2,108,306	2,598,080	-	256,260	4,962,646
Operating expenses					
Wages and salaries	440,791	440,790	386,715	115,762	1,384,058
Employee benefits	166,570	165,560	116,001	53,280	501,411
Materials and supplies	40,317	118,498	6,907	105	165,827
Repairs and maintenance	87,793	51,436	10,126	2,890	152,245
Professional services	70,658	40,355	124,220	6,269	241,502
Insurance	26,527	21,916	12,621	4,501	65,565
Utilities and refuse	140,106	207,004	34,278	1,117	382,505
Depreciation	870,852	1,303,509	66,578	222,329	2,463,268
Travel	3,988	4,809	-	89	8,886
Bad debt expense	846	1,301	-	192	2,339
Equipment	6,142	9,993	4,921	-	21,056
Advertising	1,536	1,025	5,976	705	9,242
Dues, memberships, and training	12,583	5,015	3,751	155	21,504
Telephone	5,165	9,446	6,754	335	21,700
Postage	11,247	5,338	355	1,111	18,051
Water meters	21,319	-	-	-	21,319
Uniforms	1,850	1,780	379	276	4,285
Rental expense and real estate taxes	-	170	-	-	170
Miscellaneous	15,066	28,270	1,344	-	44,680
Total operating expenses	<u>1,923,356</u>	<u>2,416,215</u>	<u>780,926</u>	<u>409,116</u>	<u>5,529,613</u>
Operating income (loss)	184,950	181,865	821,905	(152,856)	1,035,864
Nonoperating revenues (expenses)					
Investment and other interest income	12,409	84,425	12,253	4,863	113,950
Gain on sale of asset	-	1,000	-	-	1,000
Refunds and reimbursements	18,082	12,981	2,090	889	34,042
Trunk and access charges	461,057	730,958	-	8,500	1,200,515
Interest expense	(107,428)	(285,394)	(10,235)	-	(403,057)
Amortization	4,826	16,410	2,260	-	23,496
Rent	-	24,349	-	-	24,349
Other income	1,760	-	361	-	2,121
Total nonoperating revenues (expenses)	<u>390,706</u>	<u>584,729</u>	<u>6,729</u>	<u>14,252</u>	<u>996,416</u>
Income (loss) before transfers	575,656	766,594	828,634	(138,604)	2,032,280
Capital contributions	-	1,000,000	-	-	1,000,000
Transfers in	144	190	1,119	-	1,453
Transfers out	<u>(112,067)</u>	<u>(31,355)</u>	<u>(450,000)</u>	<u>(39,641)</u>	<u>(633,063)</u>
Change in net position	463,733	1,735,429	379,753	(178,245)	2,400,670
Net position					
Beginning of year	<u>11,461,760</u>	<u>17,125,951</u>	<u>1,682,449</u>	<u>3,342,812</u>	<u>33,612,972</u>
End of year	<u>\$ 11,925,493</u>	<u>\$ 18,861,380</u>	<u>\$ 2,062,202</u>	<u>\$ 3,164,567</u>	<u>\$ 36,013,642</u>

See notes to financial statements.

City of Big Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2020

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 2,157,277	\$ 2,612,118	\$ 5,752,783	\$ 257,818	\$ 10,779,996
Payments to suppliers	(442,644)	(484,309)	(4,296,485)	(17,394)	(5,240,832)
Payments to employees	(583,401)	(582,384)	(489,201)	(161,197)	(1,816,183)
Net cash flows - operating activities	<u>1,131,232</u>	<u>1,545,425</u>	<u>967,097</u>	<u>79,227</u>	<u>3,722,981</u>
Cash Flows - Noncapital Financing Activities					
Payment of advances to other funds	-	156,783	-	-	156,783
Receipt of advances from other funds	(100,000)	-	-	-	(100,000)
Refunds and reimbursements	18,082	12,981	2,090	889	34,042
Rent	-	24,349	-	-	24,349
Transfer from other funds	144	190	1,119	-	1,453
Transfer to other funds	(112,067)	(31,355)	(450,000)	(39,641)	(633,063)
Net cash flows - noncapital financing activities	<u>(193,841)</u>	<u>162,948</u>	<u>(446,791)</u>	<u>(38,752)</u>	<u>(516,436)</u>
Cash Flows - Capital and Related Financing Activities					
Trunk and access charges	461,057	730,958	-	8,500	1,200,515
Principal paid on debt	(703,354)	(1,356,645)	(79,937)	-	(2,139,936)
Interest paid on debt	(114,763)	(299,104)	(10,900)	-	(424,767)
Proceeds from sale of capital assets	-	1,000	-	-	1,000
Federal grant proceeds	-	1,000,000	-	-	1,000,000
Acquisition of capital assets	(18,910)	(2,507,951)	-	-	(2,526,861)
Net cash flows - capital and related financing activities	<u>(375,970)</u>	<u>(2,431,742)</u>	<u>(90,837)</u>	<u>8,500</u>	<u>(2,890,049)</u>
Cash Flows - Investing Activities					
Interest and dividends received	12,411	84,425	12,253	4,863	113,952
Net change in cash and cash equivalents	573,832	(638,944)	441,722	53,838	430,448
Cash and Cash Equivalents, January 1	<u>800,073</u>	<u>3,526,005</u>	<u>1,018,663</u>	<u>333,168</u>	<u>5,677,909</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,373,905</u>	<u>\$ 2,887,061</u>	<u>\$ 1,460,385</u>	<u>\$ 387,006</u>	<u>\$ 6,108,357</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	\$ 184,950	\$ 181,865	\$ 821,905	\$ (152,856)	\$ 1,035,864
Adjustments to reconcile operating Income (loss) to net cash flows - Operating activities					
Other revenues	1,760	-	361	-	2,121
Depreciation expense	870,852	1,303,509	66,578	222,329	2,463,268
Net pension liability expense	7,994	8,000	6,976	8,047	31,017
Accounts receivable	23,720	38,372	1,251	5,831	69,174
Special assessments receivable	(13,456)	(50,225)	-	(4,437)	(68,118)
Due from other governments	36,947	36,060	-	164	73,171
Prepaid items	(897)	(166)	774	623	334
Inventory	-	-	34,728	-	34,728
Accounts payable	1,076	22,213	13,329	(272)	36,346
Due to other governmental units	2,320	-	14,656	-	16,976
Salaries payable	5,286	5,286	3,890	116	14,578
Unearned revenue	-	(10,169)	-	-	(10,169)
Compensated absences payable	10,680	10,680	2,649	(318)	23,691
Total adjustments	<u>946,282</u>	<u>1,363,560</u>	<u>145,192</u>	<u>232,083</u>	<u>2,687,117</u>
Net cash flows - operating activities	<u>\$ 1,131,232</u>	<u>\$ 1,545,425</u>	<u>\$ 967,097</u>	<u>\$ 79,227</u>	<u>\$ 3,722,981</u>

See notes to financial statements.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

1. Blended Component Unit

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

2. 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 Town of Big Lake and the Town of Orrock, Minnesota.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

2. Joint Ventures and Jointly Governed Organization (Continued)

Big Lake Volunteer Fire Department (Continued)

On January 1, 2018, the City entered into an agreement with the Town of Big Lake to establish a joint powers agreement for fire protections services. The Big Lake Fire Department Joint Powers Board is a legal entity separate from the City. Each party appoints two members of the governing body. Separate audited financial statements are issued for the Fire Department and annual financial statements are submitted to the State of Minnesota.

The City and the Town shall each contribute 50% of the total operating budget to the department. For the year ended December 31, 2020, the City contributed \$170,265 to the department.

Central Mississippi River Regional Planning Partnership

The Central Mississippi River Regional Planning Partnership (the "Partnership") was created to develop and implement a compelling regional vision and framework that guides local decisions on thoughtful and collaborative planning, growth, and development to benefit both individual jurisdictions and the region as a whole with the City of Monticello, City of Big Lake, City of Becker, Big Lake and Becker Townships, and Sherburne and Wright Counties.

On November 13, 2019, the City entered into an agreement with the Partnership to establish a joint powers agreement for developing and implementing a compelling regional vision and framework. The Partnership Board is a legal entity separate from the City. Each party appoints one member of the governing body.

In January of each year, each partner shall contribute its share of the Partnership's annual budget based on the following formula: the two counties to evenly split 50% of the total budget and the City and Township partners to evenly split the remaining 50% of the total budget. No amount was contributed for 2020.

B. Government-Wide and Fund Financial Statements

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

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Description of Funds:

Major Governmental 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.

Equipment and Building Replacements Fund – This fund accounts for all the costs associated with the replacement of equipment and buildings within the City.

Infrastructure Improvement Capital Projects Fund – This fund accounts for all the costs associated with infrastructure improvements within the City.

Proprietary Funds:

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Proprietary Funds: (Continued)

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Further, the City's applies unrestricted funds in this order if various levels of unrestricted fund balances exists: committed, assigned, and unassigned.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Cash and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

1. Cash and Investments (Continued)

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days' interest on the amount withdrawn.

2. Restricted Cash

Resources are restricted within the Sewer Fund for the solar garden decomposition escrow deposit.

3. Receivables/Property Taxes

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

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

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

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

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. Prepaid items are recorded as an expenditure at the time of consumption.

**City of Big Lake
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

4. Inventory and Prepaid Items (Continued)

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventories are recorded as expenses 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 acquisition value at the date of donation.

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

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

Assets	Years
Buildings	30
Leasehold improvements	10-30
Machinery and equipment	5-10
Utility collection and distribution system	30
Infrastructure	30
Police Vehicles and Software	3

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**City of Big Lake
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has five types of items that qualify for reporting in this category. Four of the items reported arise under the modified accrual basis of accounting and are reported in the Governmental Funds Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from four sources: notes receivable, property taxes, special assessments and state aid received for subsequent years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to state aid received for subsequent years and to pensions for various estimate differences that will be amortized and recognized over future years.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Compensated Absences

Employees who retire are compensated for their unused sick leave. After 800 hours have accrued, employees can either take vacation or get paid for half of every hour earned in excess of 800 hours on an annual basis. Upon separation from the City, employees are eligible to 20 days of sick leave to be paid out, if they have 10 years of employment.

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.

9. Severance

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

10. Long-Term Obligations

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

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

11. Fund Equity

a. Classification

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

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority). The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.
- Assigned fund balance – these are amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments may be made by the city's finance director based on the city council's delegation.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

11. Fund Equity

a. Classification

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

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

12. Net Position

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

13. Use of Estimates

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

14. 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.

**City of Big Lake
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

14. Budgetary Information (Continued)

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 the EDA Special Revenue Fund.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund and the EDA Special Revenue Fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through G.O. bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. The budgets for the General Fund and the EDA Special Revenue Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

The following Fund had a deficit fund balance at December 31, 2020:

Non-major Governmental Fund	
Industrial Park Expansion Land Purchase Capital Projects Fund	\$ 29,278

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.

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. At December 31, 2020, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by pledging financial institutions trust department or agent and in the City's name.

Savings	\$ 20,066
Certificates of deposit	737,500
Total	\$ 757,566

City of Big Lake
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

At December 31, 2020, the City had the following investments:

Investment Type	Total Fair Value	Investment Maturities			
		Less Than One Year	1-2 Years	2-5 years	5+ years
Pooled Investments					
Brokered Certificates of Deposit	\$ 5,172,611	\$ 672,201	\$ 760,732	\$ 2,242,949	\$ 1,496,729
Cash and Brokered Money Market Accounts	137,174	137,174	-	-	-
Municipal Bonds	103,539	-	-	103,539	-
4M Fund	7,848,248	7,848,248	-	-	-
4M Plus	4,256,640	4,256,640	-	-	-
Total	17,518,212	12,914,263	760,732	2,346,488	1,496,729
Non-Pooled Restricted Cash and Cash Equivalents					
4M Fund	175,368	175,368	-	-	-
Total Investments	\$ 17,693,580	\$ 13,089,631	\$ 760,732	\$ 2,346,488	\$ 1,496,729

The City has the following recurring fair value measurements as of December 31, 2020:

- \$5,276,150 of investments are valued using a matrix pricing model (Level 2 inputs)

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 reviewing cash flow requirements and making investments to meet the shorter cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity. It also includes specific limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. The average maturity of the overall portfolio is to be consistent with the risk profile of the City not to extend beyond seven years.

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, and furthermore specified based on the list in their investment policy. The City's investment in a municipal bond is rated AA2 by Moody's.

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 that they will diversify the investment portfolio so the impact of potential losses from any one type of security or from any individual issuer will be minimized.

**City of Big Lake
Notes to Financial Statements**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that the City Finance Director shall maintain a list of financial institutions authorized to provide investment services. Financial service providers who wish to offer investments must provide the City Finance Director with a list of items before they become authorized.

Summary of cash, deposits, and investments as of December 31, 2020:

Petty cash	\$ 2,975
Deposits (Note 3.A.)	757,566
Investments (Note 3.B.)	<u>17,693,580</u>
Total deposits and investments	<u><u>\$ 18,454,121</u></u>

Cash, deposits, and investments are presented in the December 31, 2020, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 18,329,121
Restricted cash and cash equivalents	<u>125,000</u>
Total	<u><u>\$ 18,454,121</u></u>

NOTE 4 – NOTES RECEIVABLE

Governmental funds notes receivable includes receivables from the Big Lake Township for their portion of debt payments on the Taxable G.O. Refunding Bonds, Series 2016A, for \$340,000.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2020, was as follows:

	<u>Advances to Sewer Fund</u>
Advances from	
Other Governmental Funds	\$ 864,407
Water Fund	<u>153,920</u>
Total	<u><u>\$ 1,018,327</u></u>

The amounts due to the Sewer Fund represent interfund loans to absorb temporary negative cash balances and to temporarily fund capital projects.

**City of Big Lake
Notes to Financial Statements**

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2020, was as follows:

	Transfers In						Total
	General Fund	Equipment/Bldg Replacements	Other Governmental Funds	Water Fund	Sewer Fund	Liquor Fund	
Transfers out							
General Fund	\$ -	\$ 20,640	\$ 556,688	\$ -	\$ -	\$ -	\$ 577,328
Infrastructure Improvement Fund	-	-	106,729	-	-	-	106,729
Equipment/Bldg Replacements	-	-	75,000	-	-	-	75,000
Other Governmental Funds	303,307	10,217	308,672	144	190	1,119	623,649
Liquor Fund	450,000	-	-	-	-	-	450,000
Water Fund	-	-	112,067	-	-	-	112,067
Sewer Fund	-	-	31,355	-	-	-	31,355
Storm Sewer Fund	-	-	39,641	-	-	-	39,641
Total	<u>\$ 753,307</u>	<u>\$ 30,857</u>	<u>\$ 1,230,152</u>	<u>\$ 144</u>	<u>\$ 190</u>	<u>\$ 1,119</u>	<u>\$ 2,015,769</u>

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

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,045,419	\$ -	\$ -	\$ 8,045,419
Construction in progress	1,337,203	136,785	1,245,316	228,672
Total capital assets not being depreciated	<u>9,382,622</u>	<u>136,785</u>	<u>1,245,316</u>	<u>8,274,091</u>
Capital assets being depreciated				
Infrastructure	40,539,210	1,245,316	-	41,784,526
Buildings	4,979,619	-	-	4,979,619
Leasehold improvements	80,156	156,102	-	236,258
Machinery and equipment	5,012,431	1,157,086	316,322	5,853,195
Total capital assets being depreciated	<u>50,611,416</u>	<u>2,558,504</u>	<u>316,322</u>	<u>52,853,598</u>
Less accumulated depreciation for				
Infrastructure	22,527,671	1,167,509	-	23,695,180
Buildings	2,331,227	165,781	-	2,497,008
Leasehold improvements	14,402	6,227	-	20,629
Machinery and equipment	3,901,861	327,313	249,218	3,979,956
Total accumulated depreciation	<u>28,775,161</u>	<u>1,666,830</u>	<u>249,218</u>	<u>30,192,773</u>
Total capital assets being depreciated, net	<u>21,836,255</u>	<u>891,674</u>	<u>67,104</u>	<u>22,660,825</u>
Governmental activities capital assets, net	<u>\$ 31,218,877</u>	<u>\$ 1,028,459</u>	<u>\$ 1,312,420</u>	<u>\$ 30,934,916</u>

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,534,320	\$ -	\$ -	\$ 1,534,320
Construction in progress	369,753	2,371,767	2,736,210	5,310
Total capital assets not being depreciated	<u>1,904,073</u>	<u>2,371,767</u>	<u>2,736,210</u>	<u>1,539,630</u>
Capital assets being depreciated				
Buildings	27,648,091	-	-	27,648,091
Collection and distribution systems	46,280,812	2,736,210	-	49,017,022
Leasehold improvements	223,833	-	-	223,833
Machinery and equipment	1,401,259	146,751	-	1,548,010
Total capital assets being depreciated	<u>75,553,995</u>	<u>2,882,961</u>	<u>-</u>	<u>78,436,956</u>
Less accumulated depreciation for				
Buildings	7,407,645	921,603	-	8,329,248
Collection and distribution systems	23,806,077	1,465,945	-	25,272,022
Leasehold improvements	144,093	6,042	-	150,135
Machinery and equipment	1,072,480	69,678	-	1,142,158
Total accumulated depreciation	<u>32,430,295</u>	<u>2,463,268</u>	<u>-</u>	<u>34,893,563</u>
Total capital assets being depreciated, net	<u>43,123,700</u>	<u>419,693</u>	<u>-</u>	<u>43,543,393</u>
Business-type activities capital assets, net	<u>\$ 45,027,773</u>	<u>\$ 2,791,460</u>	<u>\$ 2,736,210</u>	<u>\$ 45,083,023</u>

**City of Big Lake
Notes to Financial Statements**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 51,988
Public safety	245,847
Streets and highways	1,161,078
Culture and recreation	159,144
Economic development	<u>48,773</u>
Total depreciation expense - governmental activities	<u>\$ 1,666,830</u>
Business-type activities	
Water	\$ 870,852
Sewer	1,303,509
Liquor	66,578
Storm sewer	<u>222,329</u>
Total depreciation expense - business-type activities	<u>\$ 2,463,268</u>

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues General Obligation (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.

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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. Refunding Improvement Bonds of 2011B	2011	2.00% - 2.80%	\$ 3,415,000	2022	\$ 650,000	\$ 430,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	1,040,000	2026	135,000	45,000
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,330,000	2029	2,350,000	530,000
G.O. Capital Improvement Bonds of 2016B	2016	1.00%-2.25%	590,000	2028	405,000	50,000
G.O. Refunding Improvement Bonds of 2016C	2016	2.00%	1,875,000	2026	1,675,000	205,000
G.O. Improvement Bonds of 2018A	2018	3%-3.30%	2,350,000	2034	2,220,000	130,000
Tax Abatement Bonds						
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	296,530	2025	155,781	30,063
Taxable G.O. Refunding Bonds						
Taxable G.O. Refunding Bond of 2016A	2016	0.90%-3.10%	2,885,000	2030	2,000,000	270,000
Notes payable from direct borrowing						
Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	1,263,000	131,000
					<u>10,853,781</u>	<u>1,821,063</u>
Premium on bonds payable					235,636	-
Capital Lease					8,412	8,412
Severance					46,719	-
Compensated absences					302,864	302,864
Total governmental activities					<u>11,447,412</u>	<u>2,132,339</u>
Business-type activities						
G.O. Revenue Bonds, including Refunding Bonds						
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	3,745,000	2026	1,060,000	165,000
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	788,470	2025	414,221	79,938
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,955,000	2029	3,625,000	355,000
					<u>5,099,221</u>	<u>599,938</u>
Notes from direct borrowing						
Public Facility Authority Drinking Water G.O. Revenue Note						
	2004	2.53%	9,787,000	2024	2,179,000	525,000
Public Facility Authority Clean Water G.O. Revenue Note of 2009						
	2009	2.41%	13,470,120	2024	7,849,000	791,000
					<u>10,028,000</u>	<u>1,316,000</u>
Premium on bonds payable					164,510	-
Compensated absences					145,688	145,688
Total business-type activities					<u>15,437,419</u>	<u>2,061,626</u>

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, 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	\$ 9,215,000	\$ -	\$ 1,780,000	\$ 7,435,000	\$ 1,390,000
G.O. Revenue /Tax Abatement Bonds	185,844	-	30,063	155,781	30,063
Taxable G.O. Refunding Bonds	2,250,000	-	250,000	2,000,000	270,000
Notes payable from direct borrowing	1,392,000	-	129,000	1,263,000	131,000
Capital lease	16,381	-	7,969	8,412	8,412
Premium on bonds	269,974	-	34,338	235,636	-
Total bonds payable	<u>13,329,199</u>	<u>-</u>	<u>2,231,370</u>	<u>11,097,829</u>	<u>1,829,475</u>
Compensated absences	269,609	301,379	268,124	302,864	302,864
Severance	44,722	1,997	-	46,719	-
Total governmental activities	<u>13,643,530</u>	<u>303,376</u>	<u>2,499,494</u>	<u>11,447,412</u>	<u>2,132,339</u>
Business-type activities					
Bonds payable					
G.O. Revenue Bonds	5,954,157	-	854,936	5,099,221	599,938
Premium on bonds	188,005	-	23,495	164,510	-
Total bonds payable	<u>6,142,162</u>	<u>-</u>	<u>878,431</u>	<u>5,263,731</u>	<u>599,938</u>
Notes from direct borrowing					
PFA G.O. Revenue Notes	<u>11,313,000</u>	<u>-</u>	<u>1,285,000</u>	<u>10,028,000</u>	<u>1,316,000</u>
Compensated absences	<u>121,997</u>	<u>160,221</u>	<u>136,530</u>	<u>145,688</u>	<u>145,688</u>
Total business-type activities	<u>17,577,159</u>	<u>160,221</u>	<u>2,299,961</u>	<u>15,437,419</u>	<u>2,061,626</u>

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

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

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

Year Ending December 31,	Governmental Activities					
	G.O. Bonds			G.O. Tax Abatement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,390,000	\$ 176,142	\$ 1,566,142	\$ 30,063	\$ 3,368	\$ 33,431
2022	1,205,000	141,434	1,346,434	30,063	2,730	32,793
2023	1,110,000	110,519	1,220,519	31,430	1,999	33,429
2024	900,000	86,313	986,313	31,430	1,213	32,643
2025	585,000	70,012	655,012	32,795	410	33,205
2026-2030	1,515,000	196,397	1,711,397	-	-	-
2031-2034	730,000	48,291	778,291	-	-	-
Total	<u>\$ 7,435,000</u>	<u>\$ 829,108</u>	<u>\$ 8,264,108</u>	<u>\$ 155,781</u>	<u>\$ 9,720</u>	<u>\$ 165,501</u>

Year Ending December 31,	Governmental Activities		
	Notes Payable from Direct Borrowing		
	Principal	Interest	Total
2021	\$ 131,000	\$ 21,800	\$ 152,800
2022	133,000	19,538	152,538
2023	135,000	17,242	152,242
2024	138,000	14,912	152,912
2025	140,000	12,530	152,530
2026-2029	586,000	25,494	611,494
Total	<u>\$ 1,263,000</u>	<u>\$ 111,516</u>	<u>\$ 1,374,516</u>

Year Ending December 31,	Taxable G.O. Refunding Bond			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2021	\$ 270,000	\$ 46,917	\$ 316,917	\$ 1,821,063	\$ 248,227
2022	270,000	41,720	311,720	1,638,063	205,422	1,843,485
2023	280,000	35,940	315,940	1,556,430	165,700	1,722,130
2024	280,000	29,500	309,500	1,349,430	131,938	1,481,368
2025	170,000	23,930	193,930	927,795	106,882	1,034,677
2026-2030	730,000	47,070	777,070	2,831,000	268,961	3,099,961
	-	-	-	730,000	48,291	778,291
Total	<u>\$ 2,000,000</u>	<u>\$ 225,077</u>	<u>\$ 2,225,077</u>	<u>\$ 10,853,781</u>	<u>\$ 1,175,421</u>	<u>\$ 12,029,202</u>

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

Year Ending December 31,	Business-Type Activities					
	G.O. Revenue Bonds			Notes from Direct Borrowing		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 599,938	\$ 121,679	\$ 721,617	\$ 1,316,000	\$ 244,602	\$ 1,560,602
2022	614,938	105,411	720,349	1,348,000	212,226	1,560,226
2023	638,571	85,367	723,938	1,381,000	179,060	1,560,060
2024	648,571	72,465	721,036	1,415,000	145,085	1,560,085
2025	667,204	57,300	724,504	870,000	110,272	980,272
2026-2029	1,930,000	95,878	2,025,878	3,698,000	225,830	3,923,830
Total	\$ 5,099,222	\$ 538,100	\$ 5,637,322	\$ 10,028,000	\$ 1,117,075	\$ 11,145,075

Year Ending December 31,	Business-Type Activities		
	Total Business-Type Activities		
	Principal	Interest	Total
2021	\$ 1,915,938	\$ 366,281	\$ 2,282,219
2022	1,962,938	317,637	2,280,575
2023	2,019,571	264,427	2,283,998
2024	2,063,571	217,550	2,281,121
2025	1,537,204	167,572	1,704,776
2026-2029	5,628,000	321,708	5,949,708
Total	\$ 15,127,222	\$ 1,655,175	\$ 16,782,397

E. Capital Lease

On September 15, 2016, the City entered into a lease purchase agreement for portable radios. The capital lease obligation totaled \$39,746. The capital lease agreement includes annual principal and interest payment ranging from \$4,205 to \$8,882 and final payment on September 15, 2021.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending December 31,	Total
2021	\$ 8,882
Total minimum lease payments	8,882
Less amount representing interest	(470)
Present value of net minimum lease payments	\$ 8,412

**City of Big Lake
Notes to Financial Statements**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

E. Capital Lease (Continued)

The assets purchased through the 2016 lease for portable radios did not meet the threshold for capitalization and are not included in capital assets, therefore there is no depreciation or net value to report.

NOTE 8 – FUND BALANCE DETAIL

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

	General	Equipment and Building Replacements	Infrastructure Improvement	Nonmajor Governmental Fund	Total
Nonspendable					
Land held for resale	\$ -	\$ -	\$ -	\$ 682,000	\$ 682,000
Prepaid items	93,872	-	-	130	94,002
Total nonspendable	<u>93,872</u>	<u>-</u>	<u>-</u>	<u>682,130</u>	<u>776,002</u>
Restricted					
Debt service	-	-	-	1,698,046	1,698,046
Park development	-	-	-	474,889	474,889
TIF	-	-	-	227,799	227,799
Police traffic safety	-	-	-	20	20
DWI forfeiture	-	-	-	2,968	2,968
Farmers market	-	-	-	15,762	15,762
Narcotic forfeiture	-	-	-	2,554	2,554
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,422,038</u>	<u>2,422,038</u>
Committed					
Economic development	-	-	-	126,094	126,094
Assigned					
Veterans memorial	-	-	-	10,445	10,445
Street improvement	-	-	-	18,315	18,315
Local development	-	-	-	143,543	143,543
Capital infrastructure replacement	-	-	1,395,098	-	1,395,098
Computer replacement	-	-	-	160,356	160,356
Lake maintenance	-	-	-	41,199	41,199
Police capital purchases	33,297	-	-	-	33,297
Street maintenance	-	-	-	844,210	844,210
Equipment and building replacements	-	1,091,065	-	-	1,091,065
Parks capital purchases	878	-	-	-	878
Wellness program	3,780	-	-	-	3,780
ECFE - Reading in the park program	30,092	-	-	-	30,092
Movie in the park program	7,278	-	-	-	7,278
Parks and Trails Maintenance	-	-	-	39,553	39,553
Total assigned	<u>75,325</u>	<u>1,091,065</u>	<u>1,395,098</u>	<u>1,257,621</u>	<u>3,819,109</u>
Unassigned					
	<u>3,746,172</u>	<u>-</u>	<u>-</u>	<u>(711,278)</u>	<u>3,034,894</u>
Total	<u>\$ 3,915,369</u>	<u>\$ 1,091,065</u>	<u>\$ 1,395,098</u>	<u>\$ 3,776,605</u>	<u>\$ 10,178,137</u>

City of Big Lake
Notes to Financial Statements

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 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 2019 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2020, 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 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2020, was \$330,972. The components of pension expense are noted in the following plan summaries.

The General Fund, Water, Sewer, Storm Sewer, and Liquor Funds typically liquidate the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

City of Big Lake
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

City of Big Lake
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase was fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$180,472. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of pay to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$207,548. The City's contributions were equal to the required contributions as set by the state statute.

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,936,533 for its proportionate share of the general employees fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$59,723. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0323% at the end of the measurement period and 0.0330% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,936,533
State of Minnesota's proportionate share of net pension liability associated with the City	59,723
Total	\$ 1,996,256

For the year ended December 31, 2020, the City recognized pension expense of \$121,524 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$5,198 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 18,043	\$ 7,327
Changes in actuarial assumptions	-	72,805
Net collective difference between projected and actual investment earnings	34,268	-
Changes in proportion	30,324	34,573
Contributions paid to PERA subsequent to the measurement date	90,236	-
Total	\$ 172,871	\$ 114,705

The \$90,236 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2021	\$ (90,798)
2022	(15,264)
2023	27,204
2024	46,788
Total	\$ (32,070)

City of Big Lake
Notes to Financial Statements

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,307,798 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0999%, at the end of the measurement period and 0.0976% for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$209,448 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$9,548 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$8,991 for the year ended December 31, 2020 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

At December 31, 2020, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 54,268	\$ 55,083
Changes in actuarial assumptions	388,718	673,361
Net collective difference between projected and actual investment earnings	71,371	-
Changes in proportion	137,949	93,640
Contributions paid to PERA subsequent to the measurement date	<u>103,774</u>	<u>-</u>
Total	<u>\$ 756,080</u>	<u>\$ 822,084</u>

The \$103,774 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2021	\$ (49,589)
2022	(298,362)
2023	94,072
2024	79,093
2025	<u>5,008</u>
Total	<u>\$ (169,778)</u>

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employee Plan, 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for that plan was adopted by the Board and will be effective with the July 1, 2021, actual valuation if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
	<u>100 %</u>	
Total		

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 3,103,590	\$ 1,936,533	\$ 973,804
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 2,615,559	\$ 1,307,798	\$ 225,855

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

City of Big Lake
Notes to Financial Statements

NOTE 11 – TAX INCREMENT FINANCING

The City has entered into three (3) Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2020, the City generated \$245,329 in tax increment revenue and made \$137,474 in payments to developers.

The City has the following TIF Districts:

- TIF District No. 5 was established in 2009 for the purpose of constructing a banking building. Under the agreement, up to \$127,025 of development costs will be reimbursed through tax increment over a 17 year period. During the year ended December 31, 2020, the City generated \$12,960 of tax increment revenue and made payments on the pay-as-you-go note of \$11,664. The note's balance at year end was \$121,032.
- TIF District No. 6 was established in 2014 for the purpose of establishing a new 20-unit rate assisted living and advanced care facility. Under the agreement, up to \$195,000 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2020, the City generated \$30,770 of tax increment revenue and made payments on the pay-as-you-go note of \$27,367. The note's balance at year end was \$18,654.
- TIF District No. 7 was established in 2012 for the purpose of establishing a new 38-unit income based housing apartment. Under the agreement, up to \$490,000 of development costs will be reimbursed through tax increment over a seven year period. During the year ended December 31, 2020, the City generated \$115,250 of tax increment revenue and made payments on the pay-as-you-go note of \$98,443. The note's balance at year end was \$296,797.

TIF Districts 3 and 4 are not separately disclosed as they have related G.O. bonds.

**City of Big Lake
Notes to Financial Statements**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Commitments

	<u>Project Authorization</u>	<u>Expended Through 12/31/2020</u>	<u>Remaining Commitment</u>
2020/2021 Street Projects	\$ 317,163	\$ 169,555	\$ 147,608
New Well Location	<u>17,990</u>	<u>5,343</u>	<u>12,647</u>
Totals	<u>\$ 335,153</u>	<u>\$ 174,898</u>	<u>\$ 160,255</u>

B. Contingencies

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2020, cannot be determined at this time.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2022.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Big Lake
Schedule of City's Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0270%	\$ 1,399,280	\$ -	\$ 1,399,280	\$ 1,562,440	89.56%	78.19%
2016	0.0305%	2,476,449	32,345	2,508,794	1,893,227	130.81%	68.91%
2017	0.0313%	1,998,171	25,092	2,023,263	2,013,733	99.23%	75.90%
2018	0.0332%	1,841,800	60,434	1,902,234	2,232,853	82.49%	79.53%
2019	0.0330%	1,824,496	56,664	1,881,160	2,332,333	78.23%	80.23%
2020	0.0323%	1,936,533	59,723	1,996,256	2,305,187	84.01%	79.06%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of City's Proportionate Share
of Net Pension Liability - Public Employees Police and Fire Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0870%	\$ 988,524	N/A	\$ 988,524	\$ 773,321	127.83%	86.61%
2016	0.0880%	3,531,593	N/A	3,531,593	848,407	416.26%	63.88%
2017	0.0810%	1,093,596	N/A	1,093,596	834,926	130.98%	85.43%
2018	0.0875%	932,660	N/A	932,660	922,562	101.09%	88.84%
2019	0.0976%	1,025,875	N/A	1,025,875	1,006,383	101.94%	89.26%
2020	0.0999%	1,307,798	\$ 31,035	1,338,833	1,103,960	118.46%	87.19%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Big Lake
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years***

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 123,699	\$ 123,699	\$ -	\$ 1,649,320	7.50%
2016	146,423	146,423	-	1,952,307	7.50%
2017	158,725	158,725	-	2,116,333	7.50%
2018	169,709	169,709	-	2,262,787	7.50%
2019	175,658	175,658	-	2,342,107	7.50%
2020	180,472	180,472	-	2,406,293	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years***

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 133,141	\$ 133,141	\$ -	\$ 821,858	16.20%
2016	131,713	131,713	-	813,043	16.20%
2017	141,471	141,471	-	873,278	16.20%
2018	160,720	160,720	-	992,099	16.20%
2019	181,880	181,880	-	1,073,038	16.95%
2020	207,548	207,548	-	1,172,588	17.70%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of Big Lake
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

City of Big Lake
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2018 Changes Continued)

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Big Lake
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

City of Big Lake
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

City of Big Lake
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

SUPPLEMENTARY INFORMATION

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020**

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Assets				
Cash and investments	\$ 85,766	\$ 2,554	\$ 3,045	\$ 20
Taxes receivable - delinquent	2,826	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	1,808	-	-	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	61,925	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 152,325	\$ 2,554	\$ 3,045	\$ 20
Liabilities				
Accounts payable	\$ 400	\$ -	\$ 77	\$ -
Salaries and benefits payable	2,121	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	20,884	-	-	-
Total liabilities	23,405	-	77	-
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	2,826	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	2,826	-	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	2,554	2,968	20
Committed	126,094	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	126,094	2,554	2,968	20
Total liabilities, deferred inflows of resources, and fund balances	\$ 152,325	\$ 2,554	\$ 3,045	\$ 20

Special Revenue			Debt Service			
Farmers Market (280)	Veterans Memorial Fund (281)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)	G.O. Refunding Bond 2015A (222)	G.O. Improvement Bond 2018A (227)
\$ 16,388	\$ 10,745	\$ 361,004	\$ 13,578	\$ 160,802	\$ 162,374	\$ 926,729
-	-	6,153	1,518	6,652	9,198	-
-	-	-	-	-	-	-
-	-	2,897	831	2,978	19,532	2,272
-	-	340,000	-	-	-	-
-	-	-	-	306	274	134
-	-	-	-	7,898	735,724	343,764
-	-	-	-	-	-	-
130	-	-	-	-	-	-
<u>\$ 16,518</u>	<u>\$ 10,745</u>	<u>\$ 710,054</u>	<u>\$ 15,927</u>	<u>\$ 178,636</u>	<u>\$ 927,102</u>	<u>\$ 1,272,899</u>
\$ 579	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -
46	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1	-	-	-	-	-	-
-	-	264,852	-	-	-	-
<u>626</u>	<u>300</u>	<u>264,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	340,000	-	-	-	-
-	-	6,153	1,518	6,652	9,198	-
-	-	-	-	8,204	735,998	343,898
-	-	346,153	1,518	14,856	745,196	343,898
130	-	-	-	-	-	-
15,762	-	99,049	14,409	163,780	181,906	929,001
-	-	-	-	-	-	-
-	10,445	-	-	-	-	-
-	-	-	-	-	-	-
<u>15,892</u>	<u>10,445</u>	<u>99,049</u>	<u>14,409</u>	<u>163,780</u>	<u>181,906</u>	<u>929,001</u>
<u>\$ 16,518</u>	<u>\$ 10,745</u>	<u>\$ 710,054</u>	<u>\$ 15,927</u>	<u>\$ 178,636</u>	<u>\$ 927,102</u>	<u>\$ 1,272,899</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020**

	Debt Service			
	G.O. State Aid Loan (211)	G.O. Refunding Bonds of 2014A (221)	G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)
Assets				
Cash and investments	\$ 12,326	\$ 31,257	\$ 5,181	\$ 119,894
Taxes receivable - delinquent	-	668	2,463	7,402
Accounts receivable	-	-	-	-
Due from other governments	-	344	763	4,789
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	850	6,826
Deferred	-	-	-	32,827
Land held for resale	-	-	-	-
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 12,326</u>	<u>\$ 32,269</u>	<u>\$ 9,257</u>	<u>\$ 171,738</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	-	668	2,463	7,402
Unavailable revenue - special assessments	-	-	850	39,653
Total deferred inflows of resources	<u>-</u>	<u>668</u>	<u>3,313</u>	<u>47,055</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	12,326	31,601	5,944	124,683
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>12,326</u>	<u>31,601</u>	<u>5,944</u>	<u>124,683</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,326</u>	<u>\$ 32,269</u>	<u>\$ 9,257</u>	<u>\$ 171,738</u>

Debt Service	Capital Projects					
GO Refunding Bonds 2012A (217)	Neighborhood Stabilization Program (116)	Street Improvement (175)	Parks and Trails Maintenance (195)	Park Development (120)	Industrial Park Expansion Land Purchase (141)	Local Development (150)
\$ 135,119	\$ -	\$ 92,498	\$ 39,553	\$ 474,889	\$ 162	\$ 1,249,194
427	-	-	-	-	-	-
-	888	-	-	-	-	-
228	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,180	-	-	-	-
98,654	-	-	-	-	-	1,885
-	-	-	-	-	682,000	-
-	-	-	-	-	-	-
<u>\$ 234,428</u>	<u>\$ 888</u>	<u>\$ 95,678</u>	<u>\$ 39,553</u>	<u>\$ 474,889</u>	<u>\$ 682,162</u>	<u>\$ 1,251,079</u>
\$ -	\$ 888	\$ 41,130	\$ -	\$ -	\$ -	\$ 4,446
-	-	-	-	-	-	-
-	-	10,000	-	-	-	1,085,405
-	-	23,053	-	-	-	15,800
-	-	-	-	-	132,769	-
-	-	-	-	-	578,671	-
-	888	74,183	-	-	711,440	1,105,651
-	-	-	-	-	-	-
427	-	-	-	-	-	-
98,654	-	3,180	-	-	-	1,885
<u>99,081</u>	<u>-</u>	<u>3,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,885</u>
-	-	-	-	-	682,000	-
135,347	-	-	-	474,889	-	-
-	-	-	-	-	-	-
-	-	18,315	39,553	-	-	143,543
-	-	-	-	-	(711,278)	-
<u>135,347</u>	<u>-</u>	<u>18,315</u>	<u>39,553</u>	<u>474,889</u>	<u>(29,278)</u>	<u>143,543</u>
<u>\$ 234,428</u>	<u>\$ 888</u>	<u>\$ 95,678</u>	<u>\$ 39,553</u>	<u>\$ 474,889</u>	<u>\$ 682,162</u>	<u>\$ 1,251,079</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2020**

	Capital Projects			
	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)
Assets				
Cash and investments	\$ 11,246	\$ 11,356	\$ 1,736	\$ 24,206
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	1,203	-	-	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	-	95,160	-	-
Prepaid expenses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 12,449</u>	<u>\$ 106,516</u>	<u>\$ 1,736</u>	<u>\$ 24,206</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	12,449	106,516	1,736	24,206
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<hr/>	<hr/>	<hr/>	<hr/>
	12,449	106,516	1,736	24,206
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,449</u>	<u>\$ 106,516</u>	<u>\$ 1,736</u>	<u>\$ 24,206</u>

Capital Projects

Northern Star TIF1-7 (173)	Computer Replacement Fund (194)	Street Maintenance Fund (196)	Lake Maintenance Fund (197)	Total Other Governmental Funds
\$ 82,892	\$ 221,241	\$ 844,210	\$ 41,199	\$ 5,141,164
-	-	-	-	37,307
-	-	-	-	888
-	-	-	-	37,645
-	-	-	-	340,000
-	-	-	-	11,570
-	-	-	-	1,220,752
-	-	-	-	839,085
-	-	-	-	130
<u>\$ 82,892</u>	<u>\$ 221,241</u>	<u>\$ 844,210</u>	<u>\$ 41,199</u>	<u>\$ 7,628,541</u>
\$ -	\$ 60,885	\$ -	\$ -	108,705
-	-	-	-	2,167
-	-	-	-	1,095,405
-	-	-	-	38,853
-	-	-	-	132,770
-	-	-	-	864,407
-	60,885	-	-	2,242,307
-	-	-	-	340,000
-	-	-	-	37,307
-	-	-	-	1,232,322
-	-	-	-	1,609,629
-	-	-	-	682,130
82,892	-	-	-	2,422,038
-	-	-	-	126,094
-	160,356	844,210	41,199	1,257,621
-	-	-	-	(711,278)
<u>82,892</u>	<u>160,356</u>	<u>844,210</u>	<u>41,199</u>	<u>3,776,605</u>
<u>\$ 82,892</u>	<u>\$ 221,241</u>	<u>\$ 844,210</u>	<u>\$ 41,199</u>	<u>\$ 7,628,541</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Special Revenue			
	Economic Development Authority (275)	CARES Act Fund (279)	Narcotic Forfeiture (276)	DWI Forfeiture (277)
Revenues				
Property taxes	\$ 129,836	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	863,098	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	6,242	15,023
Miscellaneous				
Investment and other interest income	1,136	-	29	98
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>130,972</u>	<u>863,098</u>	<u>6,271</u>	<u>15,121</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	1,854	7,233
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	102,454	548,121	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	1,377	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	3,113	17,182
Streets and highways	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>103,831</u>	<u>548,121</u>	<u>4,967</u>	<u>24,415</u>
Excess of revenues over (under) expenditures	27,141	314,977	1,304	(9,294)
Other Financing Sources (Uses)				
Transfers in	25,000	-	-	-
Transfers out	<u>(46,361)</u>	<u>(314,977)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(21,361)</u>	<u>(314,977)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,780	-	1,304	(9,294)
Fund Balances				
Beginning balance	<u>120,314</u>	<u>-</u>	<u>1,250</u>	<u>12,262</u>
End of year	<u>\$ 126,094</u>	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ 2,968</u>

Special Revenue			Debt Service		
Traffic Safety Program (278)	Farmers Market (280)	Veterans Memorial Fund (281)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)
\$ -	\$ -	\$ -	\$ 208,597	\$ 59,694	\$ 208,475
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,373
-	3,255	-	-	-	-
-	1,000	-	43,659	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	276	101	2,777	(366)	319
-	7,609	7,025	-	-	-
-	13	-	-	-	-
-	12,153	7,126	255,033	59,328	211,167
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	14,988	1,750	-	-	-
-	-	-	-	-	-
-	-	-	250,000	50,000	200,000
-	-	-	62,293	8,395	35,995
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	14,988	1,750	312,293	58,395	235,995
-	(2,835)	5,376	(57,260)	933	(24,828)
-	-	-	76,632	-	-
-	-	-	-	-	-
-	-	-	76,632	-	-
-	(2,835)	5,376	19,372	933	(24,828)
20	18,727	5,069	79,677	13,476	188,608
\$ 20	\$ 15,892	\$ 10,445	\$ 99,049	\$ 14,409	\$ 163,780

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Debt Service			
	G.O. Refunding Bond 2015A (222)	G.O. Improvement Bond 2018A (227)	G.O. State Aid Loan (211)	G.O. Refunding Bonds of 2014A (221)
Revenues				
Property taxes	\$ 304,740	\$ -	\$ -	\$ 24,672
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	150,667	57,780	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	151,913	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	(1,815)	12,696	133	116
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>453,592</u>	<u>70,476</u>	<u>152,046</u>	<u>24,788</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	520,000	130,000	129,000	30,063
Interest and other charges	72,801	70,695	24,026	4,100
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>592,801</u>	<u>200,695</u>	<u>153,026</u>	<u>34,163</u>
Excess of revenues over (under) expenditures	(139,209)	(130,219)	(980)	(9,375)
Other Financing Sources (Uses)				
Transfers in	113,063	-	-	7,831
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>113,063</u>	<u>-</u>	<u>-</u>	<u>7,831</u>
Net change in fund balances	(26,146)	(130,219)	(980)	(1,544)
Fund Balances				
Beginning balance	<u>208,052</u>	<u>1,059,220</u>	<u>13,306</u>	<u>33,145</u>
End of year	<u>\$ 181,906</u>	<u>\$ 929,001</u>	<u>\$ 12,326</u>	<u>\$ 31,601</u>

Debt Service			Capital Projects			
G.O. Refunding Bond of 2011A (214)	G.O. Improvement		Neighborhood Stabilization Program (116)	Small Cities Development Program (118)	Street Improvement (175)	Parks and Trails Maintenance (195)
	Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)				
\$ 51,691	\$ 282,001	\$ 15,241	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
62	83,163	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	46,681	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(436)	(1,863)	1,753	-	-	1,337	553
-	-	-	-	-	-	-
-	-	-	8,451	-	-	-
<u>51,317</u>	<u>363,301</u>	<u>16,994</u>	<u>8,451</u>	<u>46,681</u>	<u>1,337</u>	<u>553</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	302	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
410,000	425,000	45,000	-	-	-	-
5,023	22,915	3,613	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	292,107	-
-	-	-	8,451	46,681	-	-
<u>415,023</u>	<u>447,915</u>	<u>48,613</u>	<u>8,451</u>	<u>46,681</u>	<u>292,409</u>	<u>-</u>
(363,706)	(84,614)	(31,619)	-	-	(291,072)	553
-	-	-	-	-	292,408	14,000
-	-	-	-	-	-	-
-	-	-	-	-	<u>292,408</u>	<u>14,000</u>
(363,706)	(84,614)	(31,619)	-	-	1,336	14,553
<u>369,650</u>	<u>209,297</u>	<u>166,966</u>	<u>-</u>	<u>-</u>	<u>16,979</u>	<u>25,000</u>
<u>\$ 5,944</u>	<u>\$ 124,683</u>	<u>\$ 135,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,315</u>	<u>\$ 39,553</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Capital Projects			
	Park Development (120)	Industrial Park Expansion Land Purchase (141)	Local Development (150)	Lake Street Redevelopment TIF 1-3 (165)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	46,257
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	46,361	-	-
Charges for services	337,588	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	4,223	161	-	120
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>341,811</u>	<u>46,522</u>	<u>-</u>	<u>46,377</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	92,721	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	23,217	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Economic development	-	-	-	989
Total expenditures	<u>-</u>	<u>115,938</u>	<u>-</u>	<u>989</u>
Excess of revenues over (under) expenditures	341,811	(69,416)	-	45,388
Other Financing Sources (Uses)				
Transfers in	-	71,361	-	-
Transfers out	-	-	-	(40,549)
Total other financing sources (uses)	<u>-</u>	<u>71,361</u>	<u>-</u>	<u>(40,549)</u>
Net change in fund balances	341,811	1,945	-	4,839
Fund Balances				
Beginning balance	<u>133,078</u>	<u>(31,223)</u>	<u>143,543</u>	<u>7,610</u>
End of year	<u>\$ 474,889</u>	<u>\$ (29,278)</u>	<u>\$ 143,543</u>	<u>\$ 12,449</u>

Capital Projects

Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Northern Star TIF1-7 (173)	Computer Replacement Fund (194)	Street Maintenance Fund (196)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40,092	12,960	30,770	115,250	-	-
-	-	-	-	43,530	-
-	-	-	-	-	-
-	-	-	-	7,500	-
-	-	-	-	-	-
-	-	-	-	-	-
126	22	147	415	3,302	9,814
-	-	-	-	-	-
-	-	-	831	-	-
<u>40,218</u>	<u>12,982</u>	<u>30,917</u>	<u>116,496</u>	<u>54,332</u>	<u>9,814</u>
-	-	-	-	38,289	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	142,539	-
-	-	-	-	-	-
-	-	-	-	-	-
990	12,654	28,358	99,433	-	-
<u>990</u>	<u>12,654</u>	<u>28,358</u>	<u>99,433</u>	<u>180,828</u>	<u>-</u>
39,228	328	2,559	17,063	(126,496)	9,814
-	-	-	-	73,400	549,033
(36,083)	-	-	-	-	(185,679)
<u>(36,083)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,400</u>	<u>363,354</u>
3,145	328	2,559	17,063	(53,096)	373,168
<u>103,371</u>	<u>1,408</u>	<u>21,647</u>	<u>65,829</u>	<u>213,452</u>	<u>471,042</u>
<u>\$ 106,516</u>	<u>\$ 1,736</u>	<u>\$ 24,206</u>	<u>\$ 82,892</u>	<u>\$ 160,356</u>	<u>\$ 844,210</u>

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City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2020

	Lake Maintenance Fund (197)	Total Other Governmental Funds
Revenues		
Property taxes	\$ -	\$ 1,284,947
Tax increments	-	245,329
Franchise fees	-	43,530
Special assessments	-	294,045
Licenses and permits	-	3,255
Intergovernmental	-	1,160,212
Charges for services	-	337,588
Fines and forfeitures	-	21,265
Miscellaneous		
Investment and other interest income	486	35,660
Contributions and donations	-	14,634
Other	-	9,295
Total revenues	486	3,449,760
Expenditures		
Current		
General government	-	38,289
Public safety	-	9,087
Public works	-	302
Culture and recreation	-	16,738
Economic development	-	743,296
Debt service		
Principal	-	2,189,063
Interest and other charges	-	334,450
Capital outlay		
General government	-	142,539
Public safety	-	20,295
Streets and highways	-	292,107
Economic development	-	197,556
Total expenditures	-	3,983,722
Excess of revenues over (under) expenditures	486	(533,962)
Other Financing Sources (Uses)		
Transfers in	7,424	1,230,152
Transfers out	-	(623,649)
Total other financing sources (uses)	7,424	606,503
Net change in fund balances	7,910	72,541
Fund Balances		
Beginning balance	33,289	3,704,064
End of year	\$ 41,199	\$ 3,776,605

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,190,691	\$ 3,214,691	\$ 3,296,205	\$ 81,514
Franchise fees	429,962	429,962	436,739	6,777
Special assessments	2,000	2,000	4,598	2,598
Licenses and permits	523,990	656,990	671,381	14,391
Intergovernmental revenue				
Fire aid	98,000	113,000	112,298	(702)
Police aid	127,000	127,000	154,350	27,350
Federal grants	16,124	16,124	14,653	(1,471)
Other grants and aids	188,529	202,729	228,176	25,447
Total intergovernmental revenue	<u>429,653</u>	<u>458,853</u>	<u>509,477</u>	<u>50,624</u>
Charges for services				
General government	66,908	66,908	66,825	(83)
Public safety	32,205	32,205	38,717	6,512
Public works	171,941	171,941	171,926	(15)
Culture and recreation	1,350	1,350	3,495	2,145
Total charges for services	<u>272,404</u>	<u>272,404</u>	<u>280,963</u>	<u>8,559</u>
Fines and forfeitures	51,750	51,750	50,942	(808)
Miscellaneous revenues				
Investment income	31,500	31,500	151,396	119,896
Contributions and donations	4,800	4,800	24,801	20,001
Other	2,450	2,450	18,753	16,303
Total miscellaneous revenues	<u>38,750</u>	<u>38,750</u>	<u>194,950</u>	<u>156,200</u>
Total revenues	<u>4,939,200</u>	<u>5,125,400</u>	<u>5,445,255</u>	<u>319,855</u>
Expenditures				
General government				
Mayor and council	34,171	34,171	30,001	(4,170)
Administrative and finance	542,979	542,979	529,145	(13,834)
Other general government	272,398	646,598	322,043	(324,555)
Total general government	<u>849,548</u>	<u>1,223,748</u>	<u>881,189</u>	<u>(342,559)</u>
Public safety				
Police				
Current	2,035,458	2,035,458	2,134,539	99,081
Capital outlay	19,000	19,000	37,550	18,550
Total police	<u>2,054,458</u>	<u>2,054,458</u>	<u>2,172,089</u>	<u>117,631</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Public safety (continued)				
Fire				
Current	\$ 416,460	\$ 432,760	\$ 429,010	\$ (3,750)
Other:				
Current	203,664	233,664	221,855	(11,809)
Total public safety	<u>2,674,582</u>	<u>2,720,882</u>	<u>2,822,954</u>	<u>102,072</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	524,428	539,428	502,654	(36,774)
Street engineering	86,568	92,568	87,466	(5,102)
Street lighting	105,000	105,000	87,994	(17,006)
Total streets and highways	<u>715,996</u>	<u>736,996</u>	<u>678,114</u>	<u>(58,882)</u>
Sanitation				
Garbage and other refuse				
Collection and disposal	1,591	1,591	2,473	882
Total public works	<u>717,587</u>	<u>738,587</u>	<u>680,587</u>	<u>(58,000)</u>
Culture and recreation				
Libraries				
Current	69,491	69,491	66,391	(3,100)
Parks and recreation				
Current	680,422	736,422	698,772	(37,650)
Total culture and recreation	<u>749,913</u>	<u>805,913</u>	<u>765,163</u>	<u>(40,750)</u>
Economic Development				
Economic development				
Current	104,528	104,528	100,087	(4,441)
Total expenditures	<u>5,096,158</u>	<u>5,593,658</u>	<u>5,249,980</u>	<u>(343,678)</u>
Excess of revenues over (under) expenditures	<u>(156,958)</u>	<u>(468,258)</u>	<u>195,275</u>	<u>663,533</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	500	8,500	20,610	12,110
Insurance recoveries	4,000	4,000	10,055	6,055
Transfers in	450,000	753,300	753,307	7
Transfers out	(319,904)	(319,904)	(577,328)	(257,424)
Total other financing sources (uses)	<u>134,596</u>	<u>445,896</u>	<u>206,644</u>	<u>(239,252)</u>
Net change in fund balances	<u>\$ (22,362)</u>	<u>\$ (22,362)</u>	401,919	<u>\$ 424,281</u>
Fund Balances				
Beginning of year			<u>3,513,450</u>	
End of year			<u>\$ 3,915,369</u>	

City of Big Lake
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Funding Source	Federal CFDA Number	Grant Name	Expenditures
U.S Department of Housing and Urban Development Through DEED	14.228	Small Cities Development Program	\$ 46,681
U.S Department of Justice Through Bureau of Justice Assistance	16.607	Bullet Proof Vest Partnership Program	716
U.S. Department of Transportation Through MNDOT	20.200	2017 Safe Route to School Improvements	22,466
U.S. Department of Transportation Through the City of Elk River	20.600	State and Community Highway Safety - Enforcement Grant - Toward Zero Deaths	13,937
U.S. Department of Treasury Through MNDOR & MMB	21.019C	Coronavirus Relief Fund	863,098
U.S. Department of Treasury Through MNDOR & MMB Pass through from Orrock Township Total Coronavirus Relief Fund	21.019C	Coronavirus Relief Fund	5,880
			<u>868,978</u>
			<u>\$ 952,778</u>

The City provided federal awards to sub recipients as follows:

Program Title/Subrecipients	Federal CFDA Number	Amount Provided to Subrecipients
Small Cities Development Program Central MN Housing	14.228	\$ 46,681

City of Big Lake
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Big Lake, Minnesota and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the regulatory basis financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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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***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, audit finding 2020-001.

Compliance and Other Matters

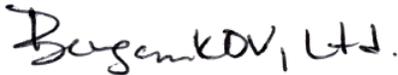
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



St. Cloud, Minnesota
March 26, 2021

**Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance In Accordance
With the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

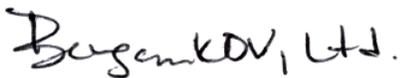
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



St. Cloud, Minnesota
March 26, 2021

City of Big Lake
Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:
• Material weakness(es) identified? No
• Significant deficiency(ies) identified? Yes, Audit Finding 2020-001

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:
• Material weakness(es) identified? No
• Significant deficiency(ies) identified? No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Programs

CFDA No.: 21.019C
Name of Federal Program or Cluster: Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

City of Big Lake
Schedule of Findings and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2020-001

Criteria:

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:

The City had a lack of segregation of accounting duties due to a limited number of office employees. 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. Given the additional monitoring of transactions by the Council and the detailed review of the financial statements by the Business Manager, this control finding is considered a significant deficiency in lieu of a material weakness.

Context:

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

Effect or Potential 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.

Cause:

There are a limited number of office employees.

Recommendation:

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

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

The is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The City will continue to monitor the segregation of accounting duties and implement any changes that are deemed possible.

3. Official Responsible for Ensuring CAP

The Business Manager is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The completion date for this CAP is ongoing.

City of Big Lake
Schedule of Findings and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2020-001 (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

5. Plan to Monitor Completion of CAP

The City Council will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

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Minnesota Legal Compliance

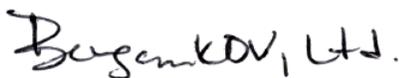
Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Big Lake failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



St. Cloud, Minnesota
March 26, 2021

**City of Big Lake
Sherburne County, Minnesota**

Communications Letter

December 31, 2020



**City of Big Lake
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Report on Matters Identified as a Result of the Audit of the Financial Statements

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

In planning and performing our audit of the financial statements of the governmental activities, 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, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

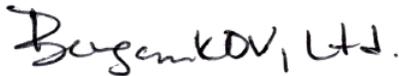
- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated March 26, 2021, on such statements.

This communication is intended solely for the information and use of management, Members of the City Council, others within the City, federal, and state oversight awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive, slightly slanted font.

St. Cloud, Minnesota
March 26, 2021

**City of Big Lake
Significant Deficiency**

Lack of Segregation of Accounting Duties

During the year ended December 31, 2020, the City had a lack of segregation of accounting duties. In order to have appropriate segregation of duties the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording, and processing of transactions, reconciliation and reporting of transactions and financial information, and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the 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 Required Communication

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's 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, the objective of our tests was not to provide an opinion on compliance with such provisions.

City of Big Lake Required Communication

Our Responsibility in Relation to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the City's compliance with those requirements.

In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during the year ended December 31, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the financial statements are noted on the following page.

City of Big Lake Required Communication

Qualitative Aspects of Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method

Land Held for Resale – Land held for resale is recorded using either the lower of historical cost or estimated resale value.

Net Pension Liability, Deferred Outflows of Resources Relating to Pensions, and Deferred Inflows of Resources Relating to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements taken as a whole and each applicable opinion unit. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

City of Big Lake Required Communication

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operating plans, and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information in Documents Containing Audited Financial Statements

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Information in Documents Containing Audited Financial Statements (Continued)

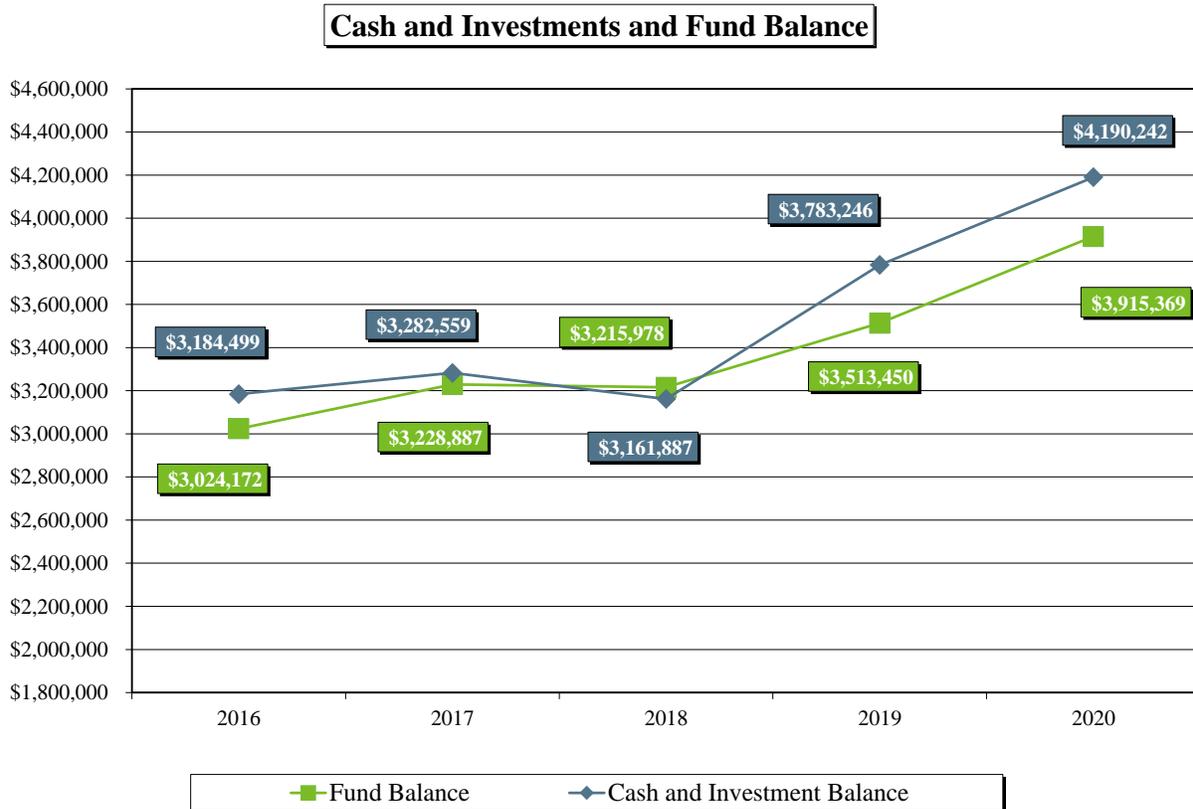
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

City of Big Lake Financial Analysis

The following pages provide graphic representations of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

General Fund – Fund Balance

The following graph illustrates the relationship between cash and investments and fund balance over the past five years. As shown below, the cash balance has increased \$1,005,743 from 2016 to 2020. The amount of cash increased again at December 31, 2020. The fund balance increased \$891,197 from 2016 to 2020. At December 31, 2020, the General Fund balance consisted of \$93,872 nonspendable, \$75,325 assigned and \$3,746,172 unassigned. The total unassigned fund balance represented just under nine months of expenditures at current levels. The Office of the State Auditor has issued a statement of position recommending cities maintain an unrestricted fund balance of approximately 35% to 50% of fund operating revenues, or no less than five months of operating expenditures. The City's Fund Balance Policy states that the City will maintain an unrestricted fund balance amount not less than 50% of the next year's budgeted expenditures in the General Fund. Based on the 2021 budgeted expenditures of \$5,395,988, the City's unassigned General Fund balance was at 69% at December 31, 2020.



On the following pages, we will discuss the revenues and expenditures of the General Fund and the variations in the fund balance.

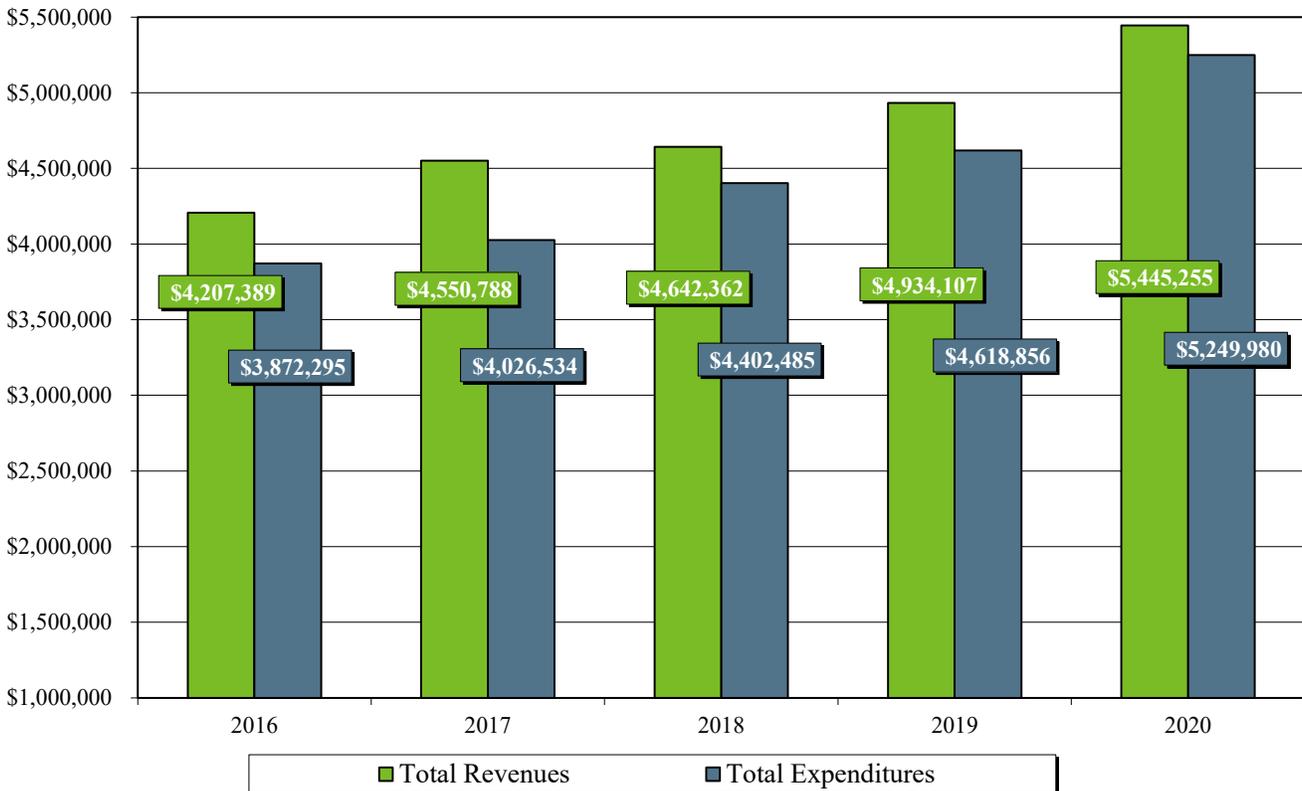
City of Big Lake Financial Analysis

General Fund – Revenues and Expenditures

The following table and graph show the overall operations of the General Fund. Revenues have fluctuated over the five years shown from a high in 2020 of \$5,445,255 to a low of \$4,207,389 in 2016. Overall from 2016 to 2020, revenues have increased \$1,237,866. Similarly, expenditures have fluctuated over the five years presented. In 2020, expenditures were \$5,249,980, an increase from the prior year of \$631,124. Since 2016, expenditures have increased \$1,377,685. Revenues have exceeded expenditures in each of the five years presented. Transfers out for 2016 through 2020 were made for capital related items.

	2016	2017	2018	2019	2020
Revenues	\$ 4,207,389	\$ 4,550,788	\$ 4,642,362	\$ 4,934,107	\$ 5,445,255
Expenditures	3,872,295	4,026,534	4,402,485	4,618,856	5,249,980
Proceeds from the sale of capital assets	4,947	3,188	6,671	56,214	20,610
Insurance recoveries	50,893	25,532	3,417	4,613	10,055
Proceeds from capital lease	26,213	-	-	-	-
Net transfers	(96,664)	(348,259)	(262,874)	(78,606)	175,979
Net change in fund balance	\$ 320,483	\$ 204,715	\$ (12,909)	\$ 297,472	\$ 401,919

Revenues and Expenditures



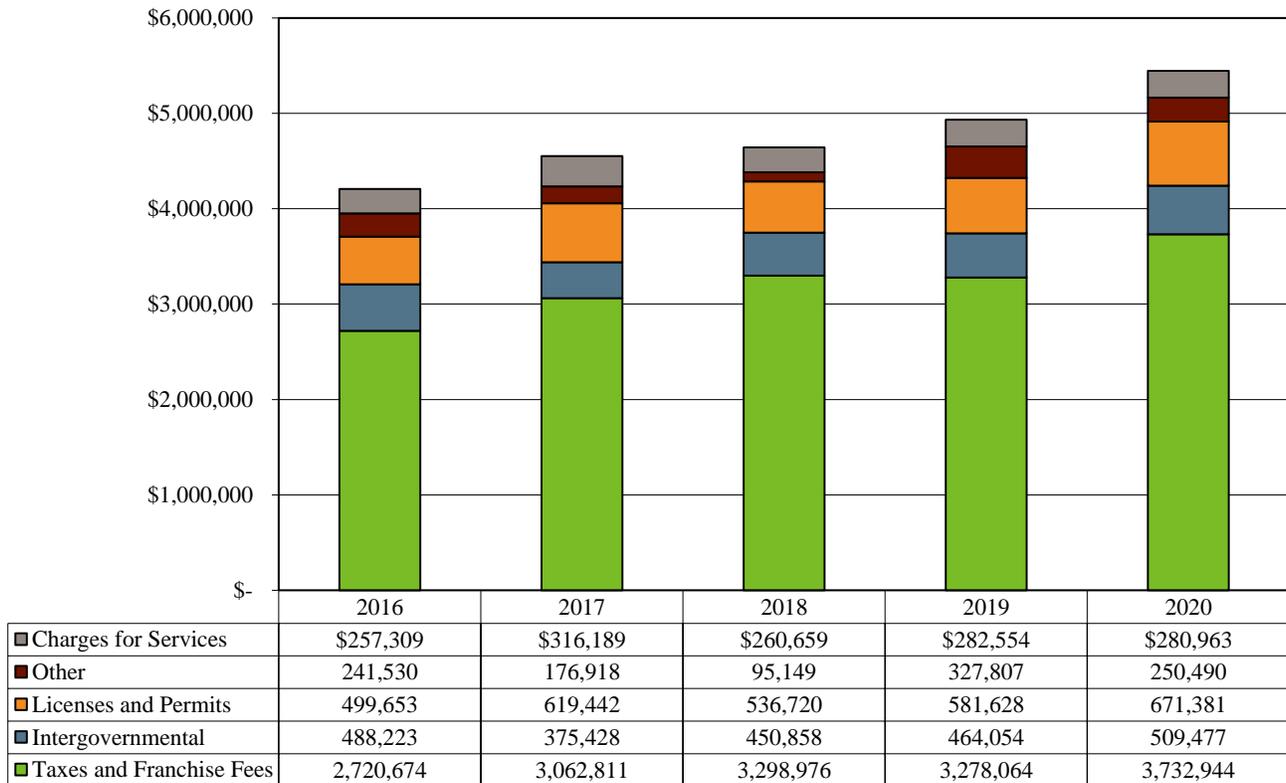
City of Big Lake Financial Analysis

General Fund – Revenues

The following graph presents comparisons of revenues by type, illustrating the majority of revenue for the City is from taxes, intergovernmental sources, and licenses and permits. These three sources represent 68.6%, 9.4%, and 12.3% of total General Fund revenues, respectively. Other revenues include items such as fines and forfeitures, investment income and other miscellaneous items.

Revenues of the General Fund increased from 2019 to 2020 by \$511,148. Taxes and franchise fee revenue increased \$454,880 due to an increase in the levy. Licenses and permits increased \$89,753 in 2020 as a result of more housing development compared to 2019. Other revenue decreased \$77,317 as a result of a decrease in investment income due to the makeup of the City’s investments during the year and decreased interest rate on the money market account.

General Fund Revenues



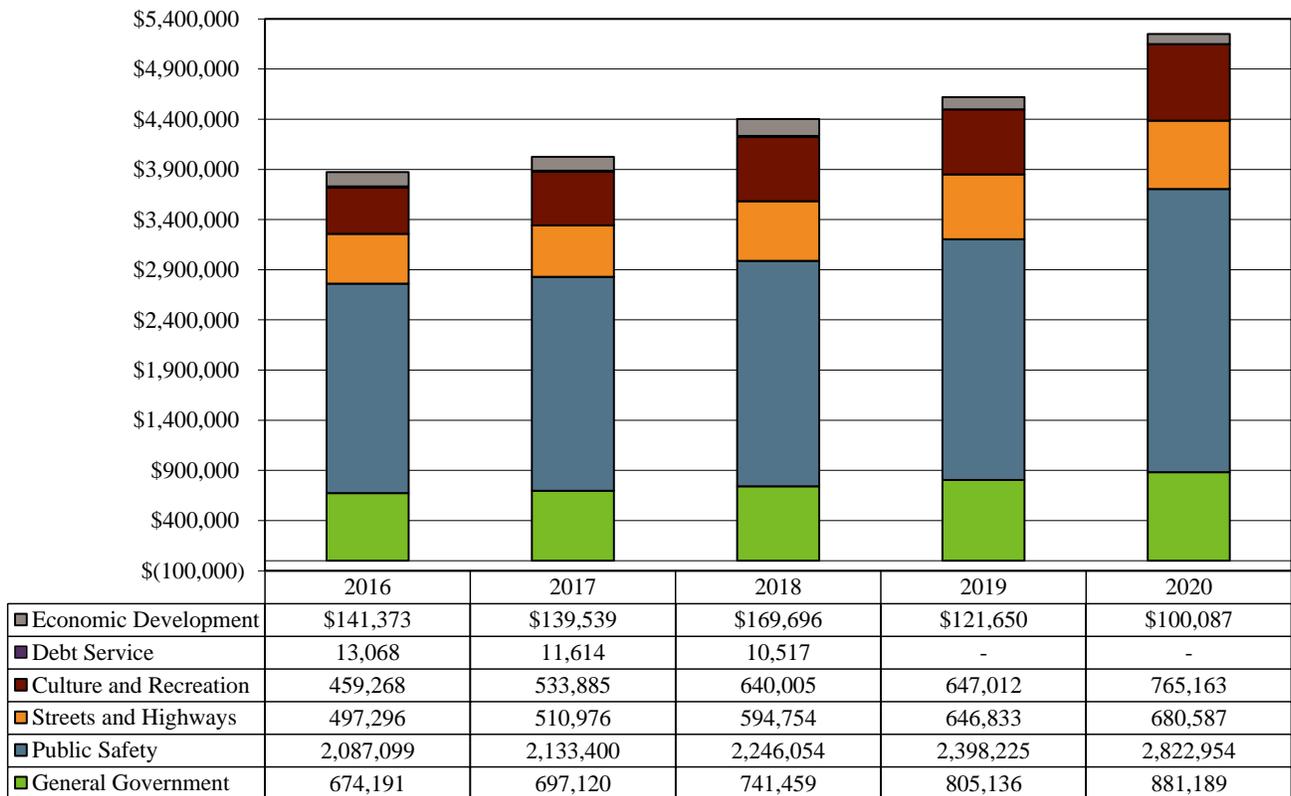
City of Big Lake Financial Analysis

General Fund – Expenditures

The graph below represents the breakdown of expenditures by department. Public Safety continues to comprise the largest portion of General Fund expenditures, representing 53.8%. Overall, General Fund expenditures increased \$631,124 from 2019.

Public Safety increased \$424,729 and general government increased \$76,093 due to salary and benefit increases and increased operating expenditures needed to assist with the COVID-19 pandemic. Culture and recreation increased \$118,151 due to an increase in water and sewer utilities and the purchase of a parking box. Other functions were relatively consistent with the prior year.

General Fund Expenditures



**City of Big Lake
Financial Analysis**

General Fund – Budgetary Comparison

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget -
Revenues				
Taxes	\$ 3,622,653	\$ 3,646,653	\$ 3,737,542	\$ 90,889
Intergovernmental	429,653	458,853	509,477	50,624
Licenses and permits	523,990	656,990	671,381	14,391
Charges for services	272,404	272,404	280,963	8,559
Fines	51,750	51,750	50,942	(808)
Miscellaneous	38,750	38,750	194,950	156,200
Total revenues	4,939,200	5,125,400	5,445,255	319,855
Expenditures				
General government	849,548	1,223,748	881,189	(342,559)
Public safety	2,674,582	2,720,882	2,822,954	102,072
Streets and highways	717,587	738,587	680,587	(58,000)
Culture and recreation	749,913	805,913	765,163	(40,750)
Economic development	104,528	104,528	100,087	(4,441)
Total expenditures	5,096,158	5,593,658	5,249,980	(343,678)
Excess of revenues over (under) expenditures	(156,958)	(468,258)	195,275	663,533
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	500	8,500	20,610	12,110
Insurance recoveries	4,000	4,000	10,055	6,055
Net transfers	130,096	433,396	175,979	(257,417)
Total other financing sources (uses)	134,596	445,896	206,644	(239,252)
Net change in fund balances	\$ (22,362)	\$ (22,362)	\$ 401,919	\$ 424,281

Overall, actual revenue was \$319,855, or 6.2%, over budget. Miscellaneous revenues were \$156,200 over budget due to budgeting conservatively for investment earnings. Taxes were over budget \$90,889, due to budgeting conservatively for forfeitures. All other revenue categories were relatively consistent with the budget.

Overall, actual expenditures were less than budgeted amounts by \$343,678 or 6.1%. General government was under budget by \$342,559 due to budgeting for more emergency management expenditures when they ended up allocating these expenditures to other departments. This was offset some by public safety being over budget by \$102,072 due to additional COVID-19 related expenses. All other functions were relatively consistent with the budget.

City of Big Lake Financial Analysis

Liquor Fund

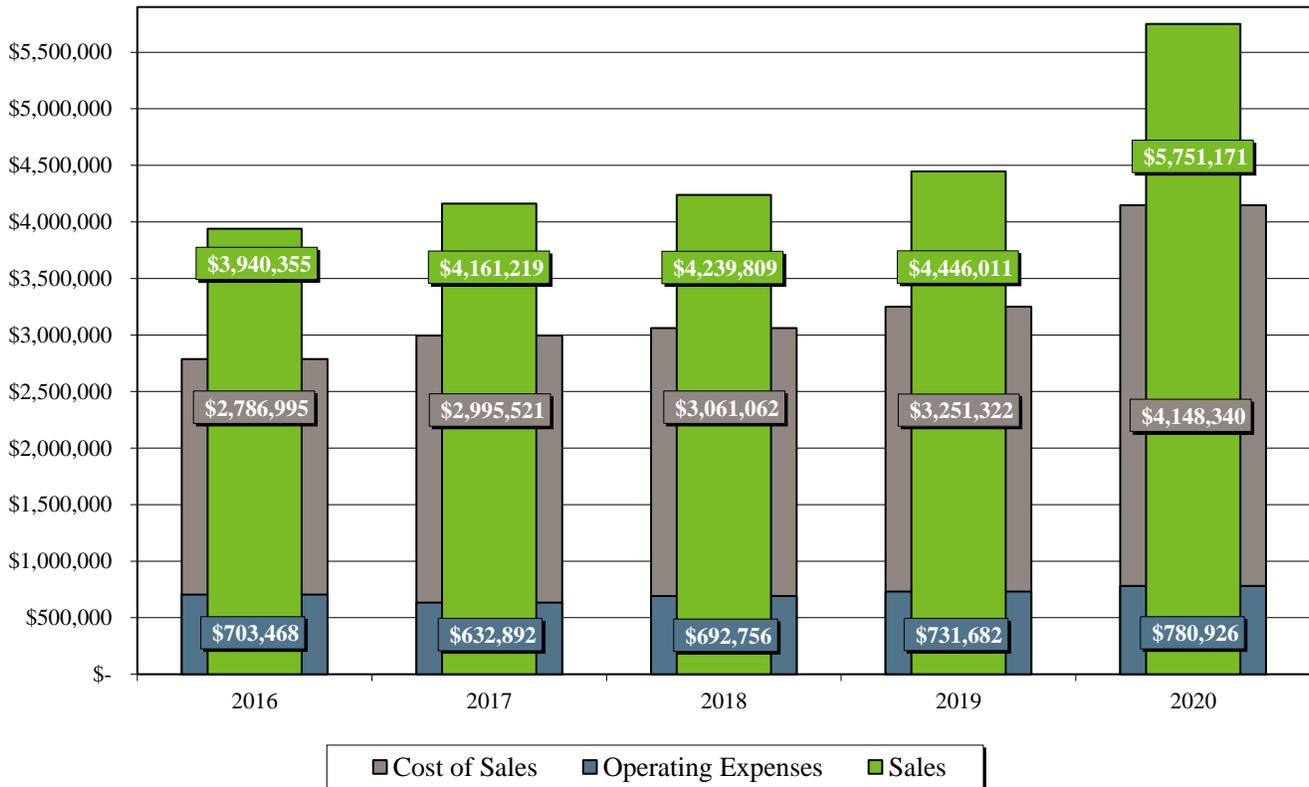
Since the liquor store is an important contributing factor to the City's budget, we recommend the Liquor Store Manager and City Council closely monitor expenses. In addition, pricing must also be continually reviewed to ensure charges keep pace with increases in costs of sales.

Selected data relating to the City's Liquor Fund operating results for the past five years is displayed in the graphs below and on the following page.

The liquor store sales have increased in each of the last five years. Total sales for 2020 reflected a 29.4% increase from 2019. During this same time period, cost of sales increased 27.6%. The result was an increase in gross profit of 1.0%, to 27.9% in 2020 from 26.9% in 2019.

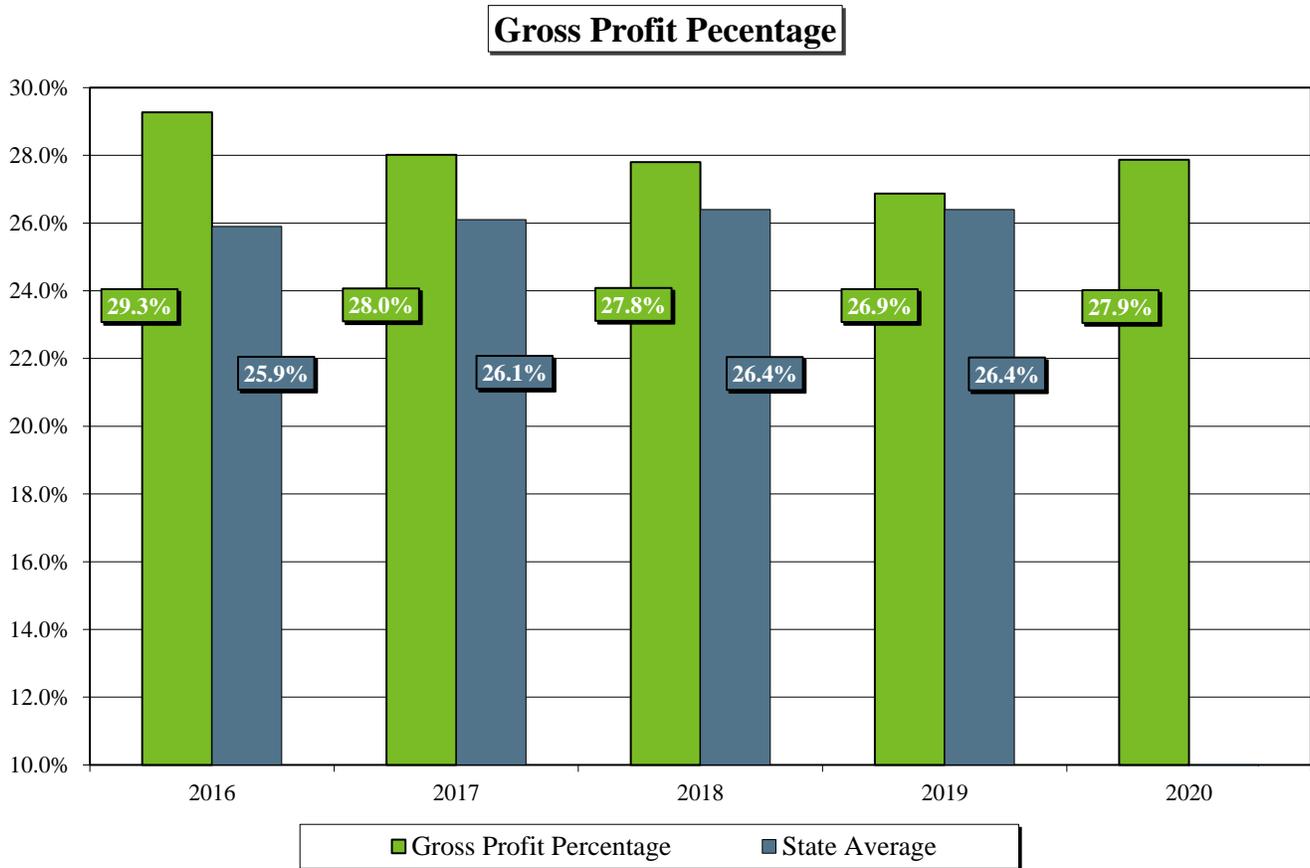
As of December 31, 2020, the Liquor Fund had an ending cash and investment balance of \$1,460,385. Unrestricted net position at year-end was \$1,385,555 compared to \$1,021,421 in 2019. The total debt outstanding at December 31, 2020, in the Liquor Fund was \$440,062, including interest of \$25,843.

Liquor Fund



City of Big Lake Financial Analysis

Liquor Fund (Continued)



- State averages were taken from the 2016-2019 State of Minnesota "Analysis of Municipal Liquor Store Operations" for off-sale stores. Data for 2020 is not yet available.

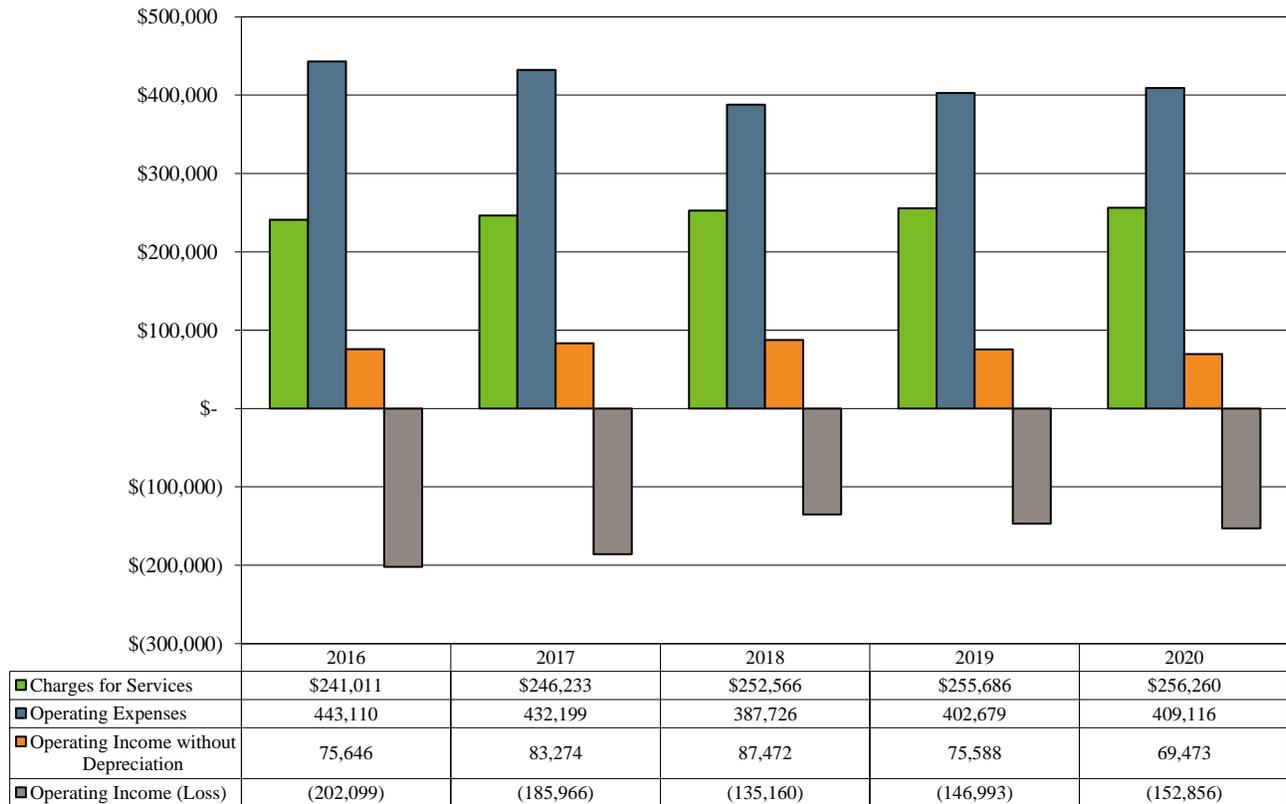
City of Big Lake Financial Analysis

Storm Sewer Fund

The following graph illustrates the current operations of the Storm Sewer Fund for the past five years. For each of the five years shown, the City's Storm Sewer Fund has generated an operating loss. Charges for services increased only \$574 or 0.2% while operating expenses increased \$6,437 or 1.6%, compared to 2019. The net effect of the changes in revenues and expenses is a net loss of \$152,856. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$69,473.

We recommend the City continue to evaluate storm water rates and monitor related expenses to generate sufficient operating income in the future.

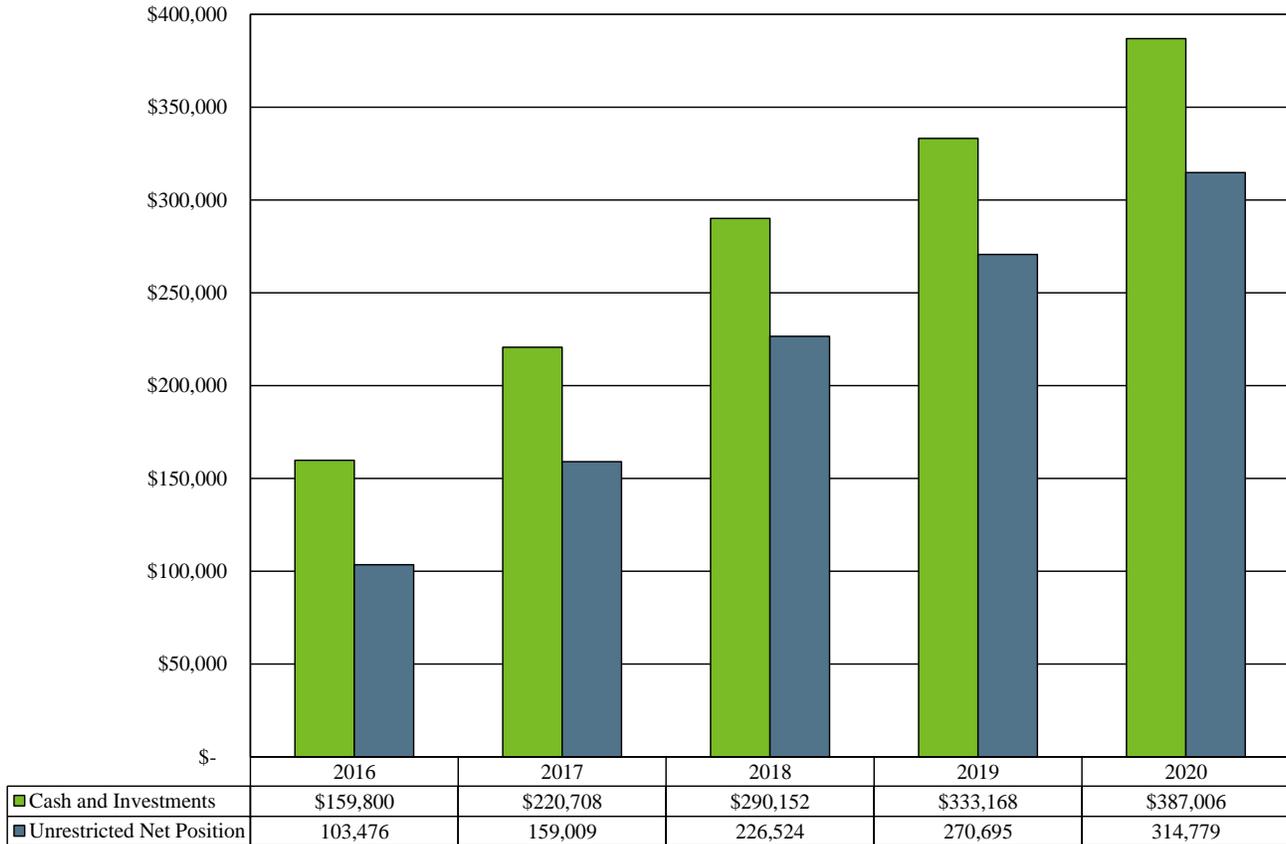
Storm Sewer Operations



**City of Big Lake
Financial Analysis**

Storm Sewer Fund (Continued)

Storm Sewer Fund



As of December 31, 2020, the Storm Water Fund had an ending net cash and investment balance of \$387,006. This is an increase of \$53,838 from 2019 levels. Total net position at year-end was \$3,164,567, while unrestricted net position at year-end was \$314,779. Unrestricted net position has increased \$211,303 since 2016.

City of Big Lake Financial Analysis

Water and Sewer Funds

Water Fund

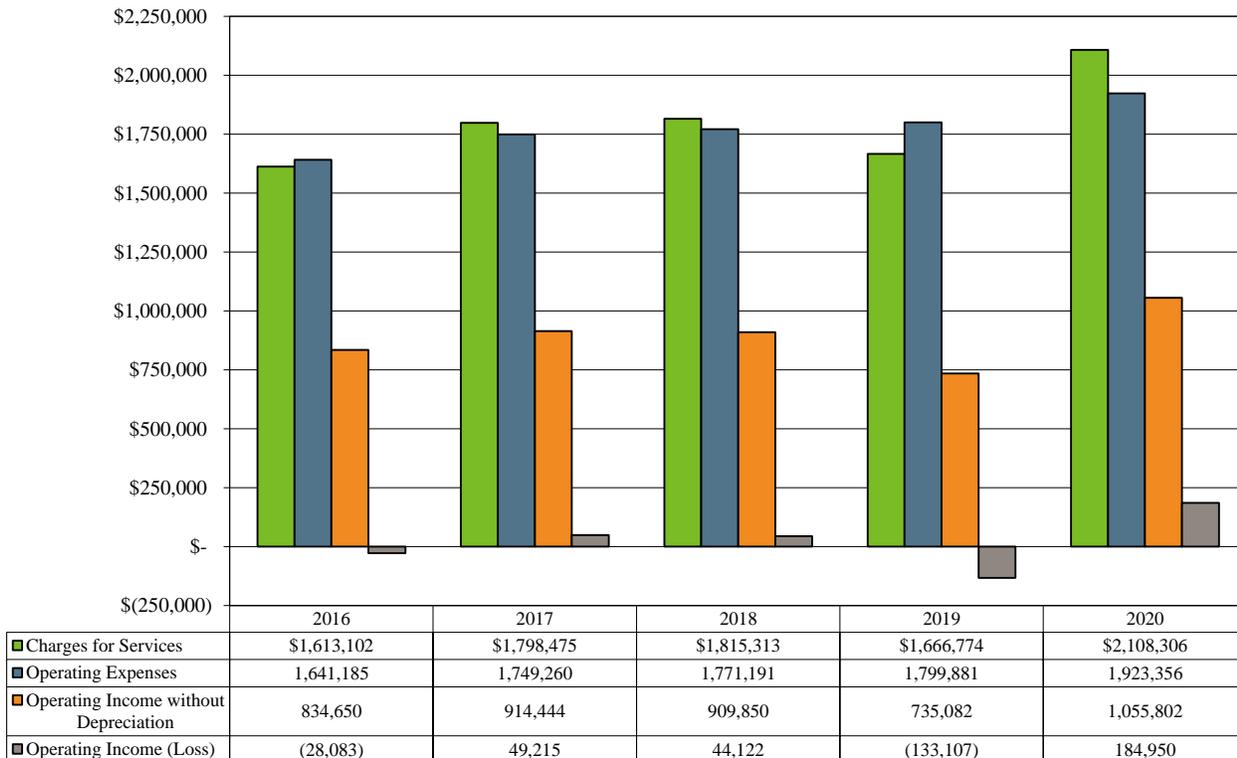
The following graph illustrates the current operations of the Water Fund for the past five years. Charges for services illustrated do not include water connection fees. These fees are not included because the revenue is set aside for future asset replacement costs. Similarly, operating income is shown with and without depreciation as the above connection fees will be covering some of the replacement cost. Therefore, charges for services will not be required to cover all of these costs.

For the five years shown, 2016 and 2019 experienced operating losses. In 2017 and 2018, and again in 2020, the Fund generated an operating income. Charges for services increased \$441,532 or 26.5% from 2019 due to an increase in usage and rates. Operating expenses increased by \$123,475, or 6.9%. The net effect of the increased revenues and expenses is operating income of \$184,950. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$1,055,802.

Enterprise funds may be used to account for any activity in which a fee is charged. It is not required to have the fee support the entire activity; however, the basic premise in establishing an enterprise fund is that the activity will be operated similar to a business. Therefore, it is expected the enterprise fund would at least be able to meet its obligations currently and into the future.

We recommend the City continue to evaluate water rates and monitor related expenditures to generate sufficient operating income in the future.

Water Operations

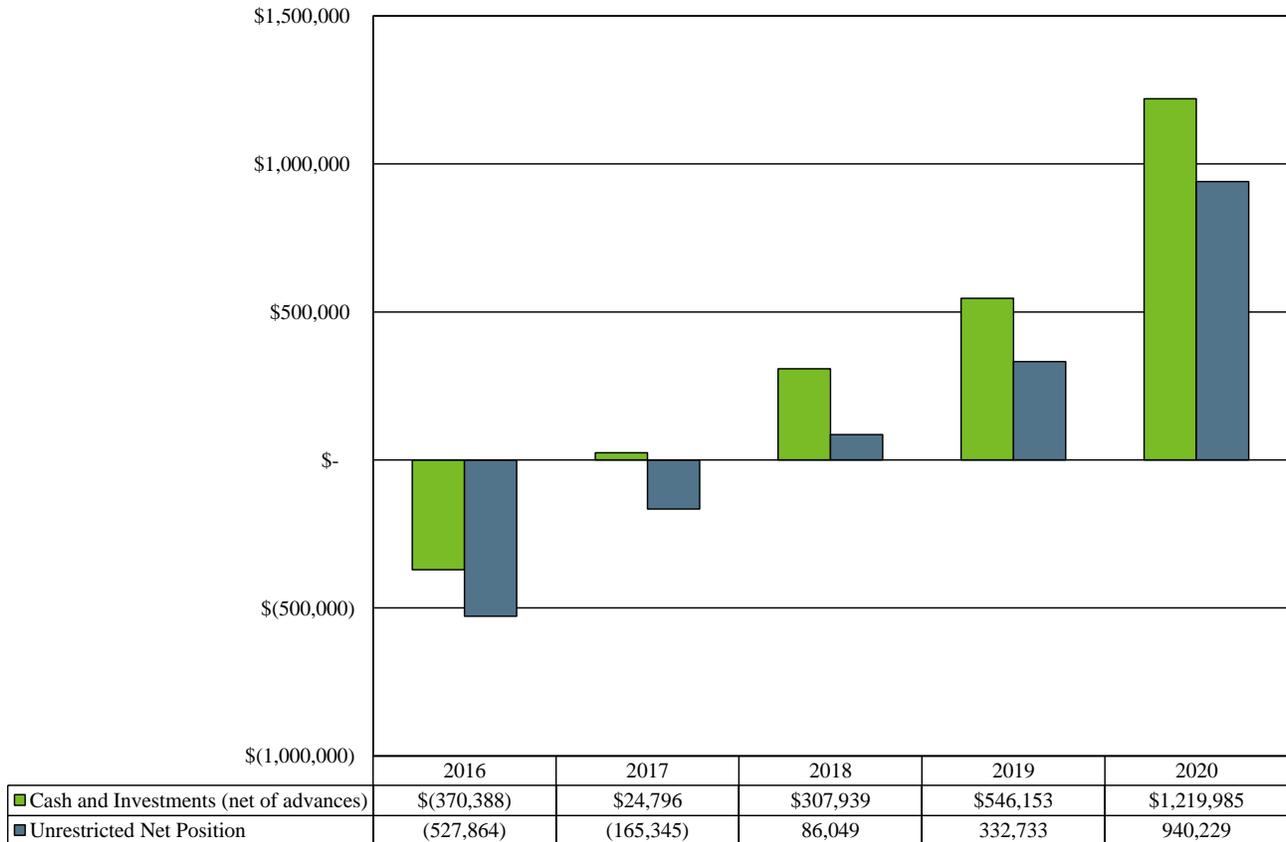


**City of Big Lake
Financial Analysis**

Water and Sewer Funds (Continued)

Water Fund (Continued)

Water Fund



The above graph shows the cash and investments (net of advances) and unrestricted net position balances as of December 31 for the last five years. The Water Fund cash and investment balance has increased \$1,590,373 since 2016. A portion of the cash and investments in the Water Fund is currently being advanced from the Sewer Fund. That amount has been removed from the presentation above. Current year interest and principal payments on the Water Fund debt were \$818,117. The total amount of debt outstanding in the Water Fund at December 31, 2020, was \$3,771,842 including principal and interest. Principal and interest due in 2021 totals \$784,355.

City of Big Lake Financial Analysis

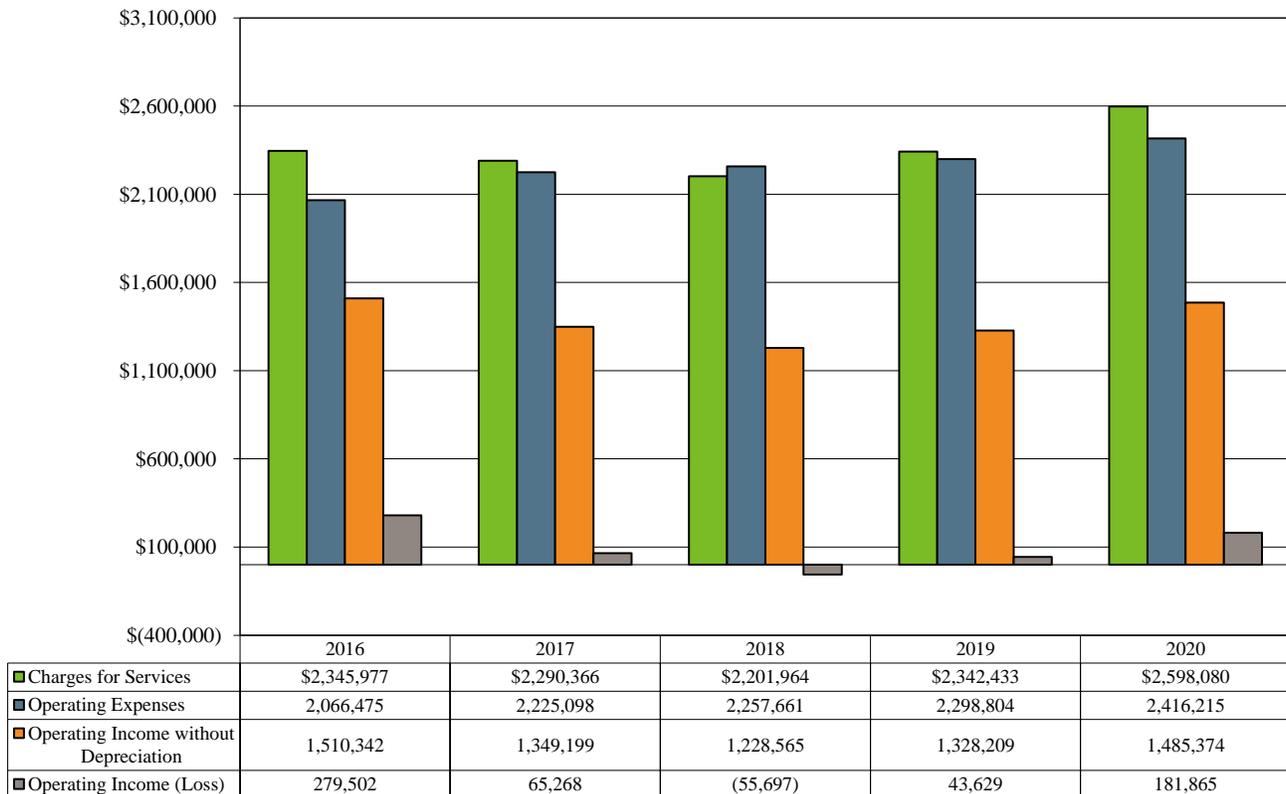
Water and Sewer Funds (Continued)

Sewer Fund

In four of the past five years, the Sewer Fund has shown an operating income. In 2020, the Fund showed operating income of \$181,865. This is an increase in operating results of \$138,236 from 2019. The Fund experienced an increase in charges for services of \$255,647, due to increased rates and usage, while expenses increased \$117,411.

We recommend the City continue to evaluate water and sewer rates to generate sufficient operating income in the future. The significant debt principal and interest obligations of the City are considered non-operating expenses and are not presented with this particular graph. However, the City should consider these obligations when evaluating the sewer rates to ensure the Fund is able to make all future debt payments.

Sewer Operations

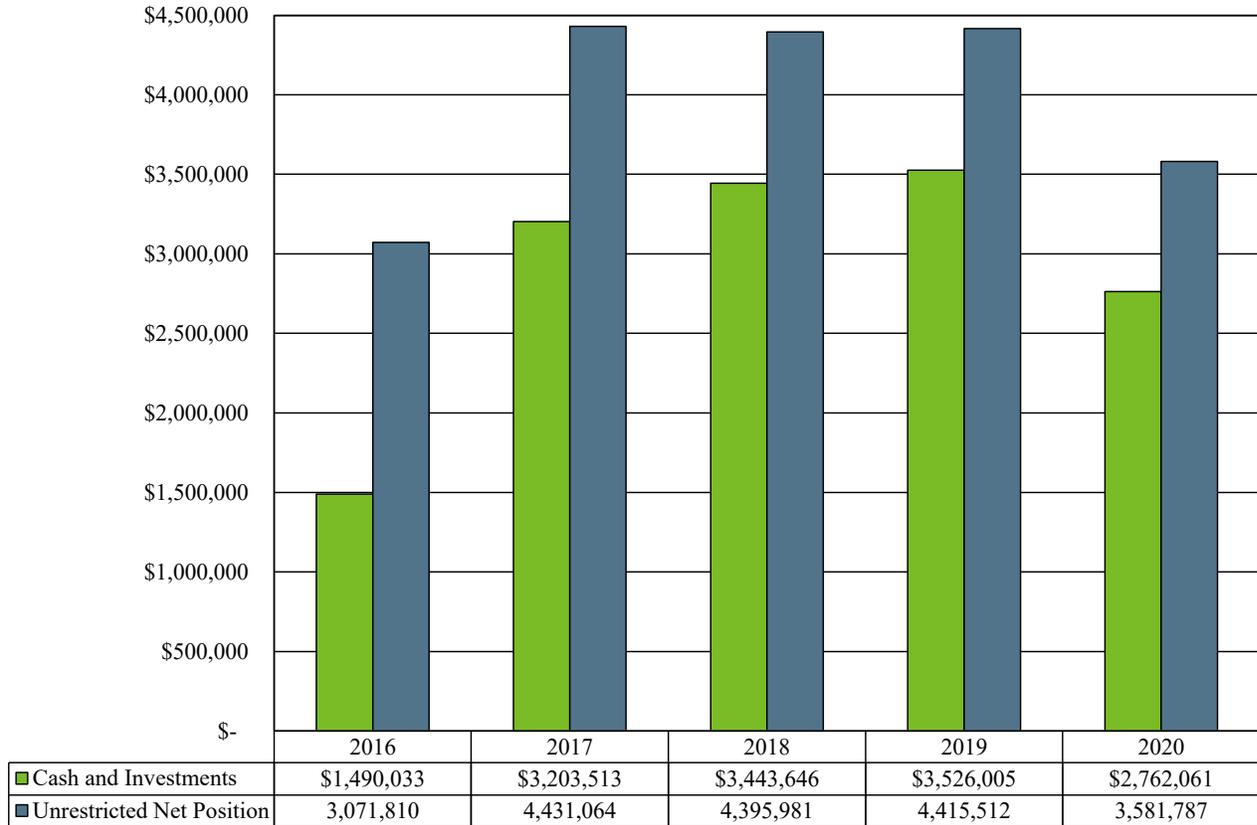


**City of Big Lake
Financial Analysis**

Water and Sewer Funds (Continued)

Sewer Fund (Continued)

Sewer Fund



The graph above shows the cash and investment and unrestricted net position balances as of December 31 for the last five years. The Sewer Fund cash and investment balance decreased \$763,944 in 2020. Starting in 2007, the Sewer Fund was used to finance the cash deficits of the other City's funds. In 2007, the amount of cash used to cover the deficits was \$1.3 million. In 2020, the Fund again used approximately \$1 million to cover cash deficits in other funds.

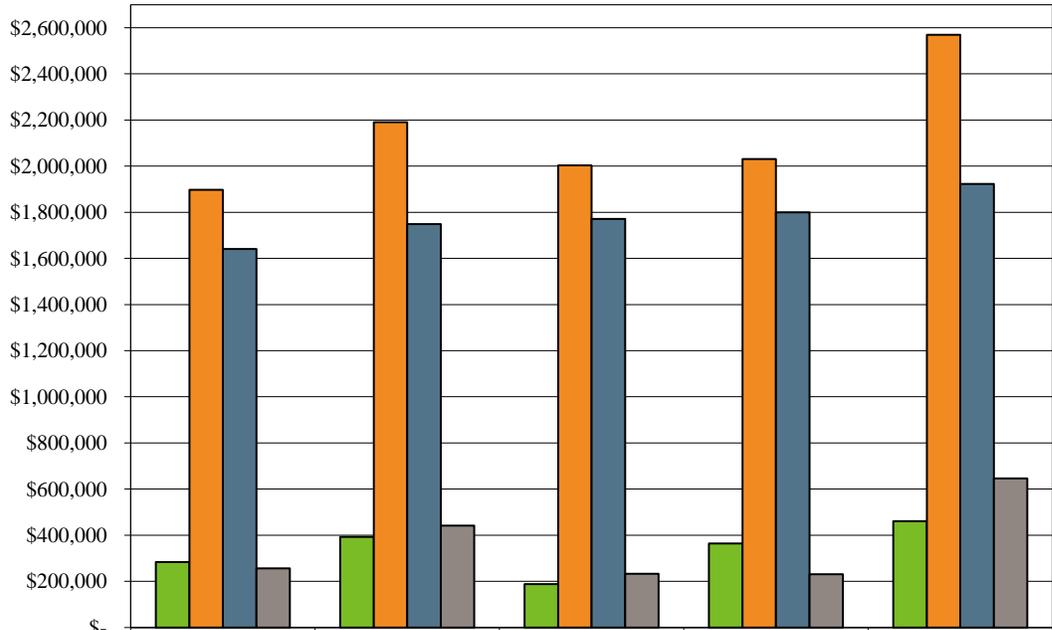
The current year interest and principal payments on the Sewer Fund debt were \$1,655,749. The total amount of debt outstanding at December 31, 2020, was \$12,573,489, including principal and interest. Principal and interest due in 2021 totals \$1,408,969 for the Sewer Fund.

On the following pages, the Water and Sewer Fund operations are shown to include revenue collected for access charges and trunk fees.

**City of Big Lake
Financial Analysis**

Water and Sewer Funds (Continued)

Water Operations



	2016	2017	2018	2019	2020
■ Water Access Charges	\$283,965	\$392,280	\$188,250	\$363,754	\$461,057
■ Charges for Services (Including WAC)	1,897,067	2,190,755	2,003,563	2,030,528	2,569,363
■ Operating Expenses	1,641,185	1,749,260	1,771,191	1,799,881	1,923,356
■ Operating Income with Depreciation	255,882	441,495	232,372	230,647	646,007

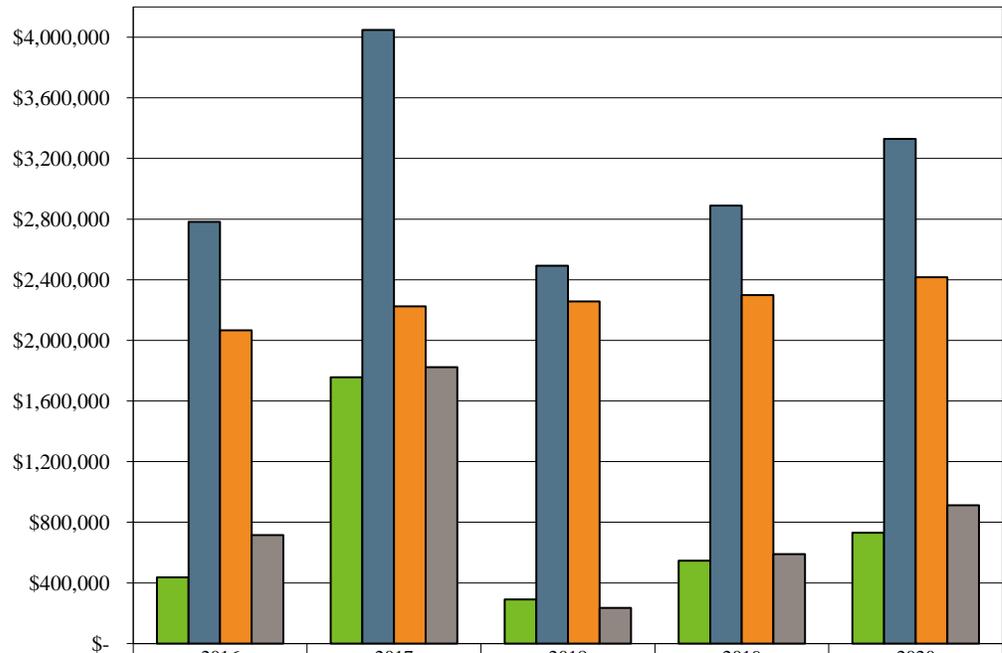
As presented, the Water Fund had been collecting access charges and trunk fees, along with charges for services, sufficient to finance the construction of new lines and to cover the costs of the existing lines through depreciation in each year presented.

City of Big Lake Financial Analysis

Water and Sewer Funds (Continued)

In all five years shown, the Sewer Fund did collect sufficient access charges and trunk fees, in addition to charges for services, to finance construction and depreciation. Sewer access charges increased in 2020 compared to 2019 due to increased development.

Sewer Operations



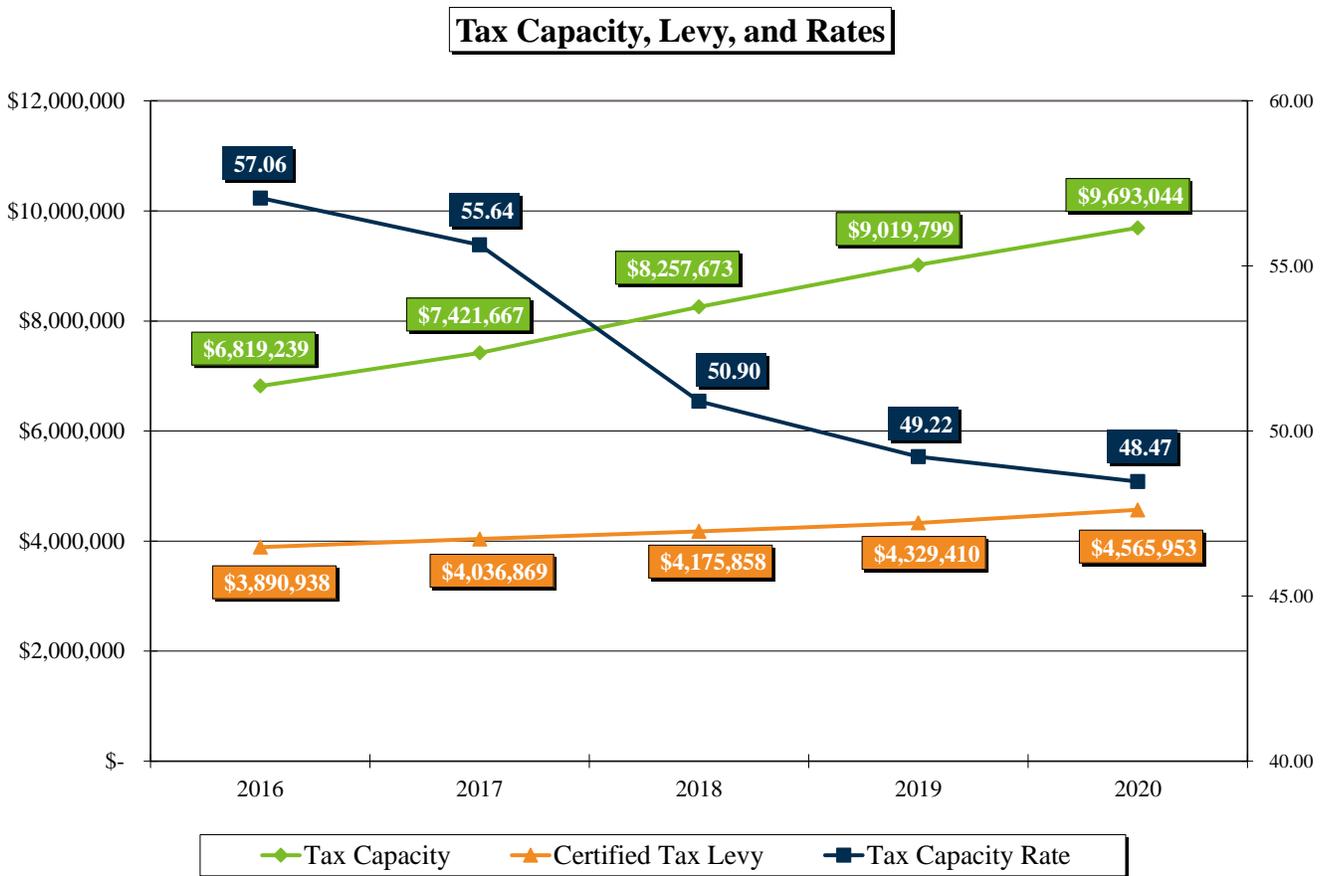
	2016	2017	2018	2019	2020
■ Sewer Access and Trunk Charges	\$436,422	\$1,757,326	\$291,000	\$546,227	\$730,958
■ Charges for Services (Including SAC and Trunk)	2,782,399	4,047,692	2,492,964	2,888,660	3,329,038
■ Operating Expenses	2,066,475	2,225,098	2,257,661	2,298,804	2,416,215
■ Operating Income (Loss) with Depreciation	715,924	1,822,594	235,303	589,856	912,823

City of Big Lake Financial Analysis

Tax Capacity, Levy, and Rates

The chart above graphs the tax capacity (not including Tax Increment Financing (TIF) Districts), certified tax levy and tax capacity rate for 2016 through 2020. The tax capacity is based on total tax capacity, prior to adjustments for captured TIF and fiscal 2019. The certified tax levy amount is also prior to fiscal disparity adjustments.

Comparing 2016 through 2020, the City's tax capacity has increased from \$6,819,239 to \$9,693,044 or \$2,873,805. This is a 42.1% increase in tax capacity. The City's certified levy over this same time frame has increased \$675,015, or 17.4%. As a result of the City's certified tax levy increase and the increase in the tax capacity for 2016 through 2020, the City's tax capacity rate decreased from 57.06% in 2016 to 48.47% in 2020.

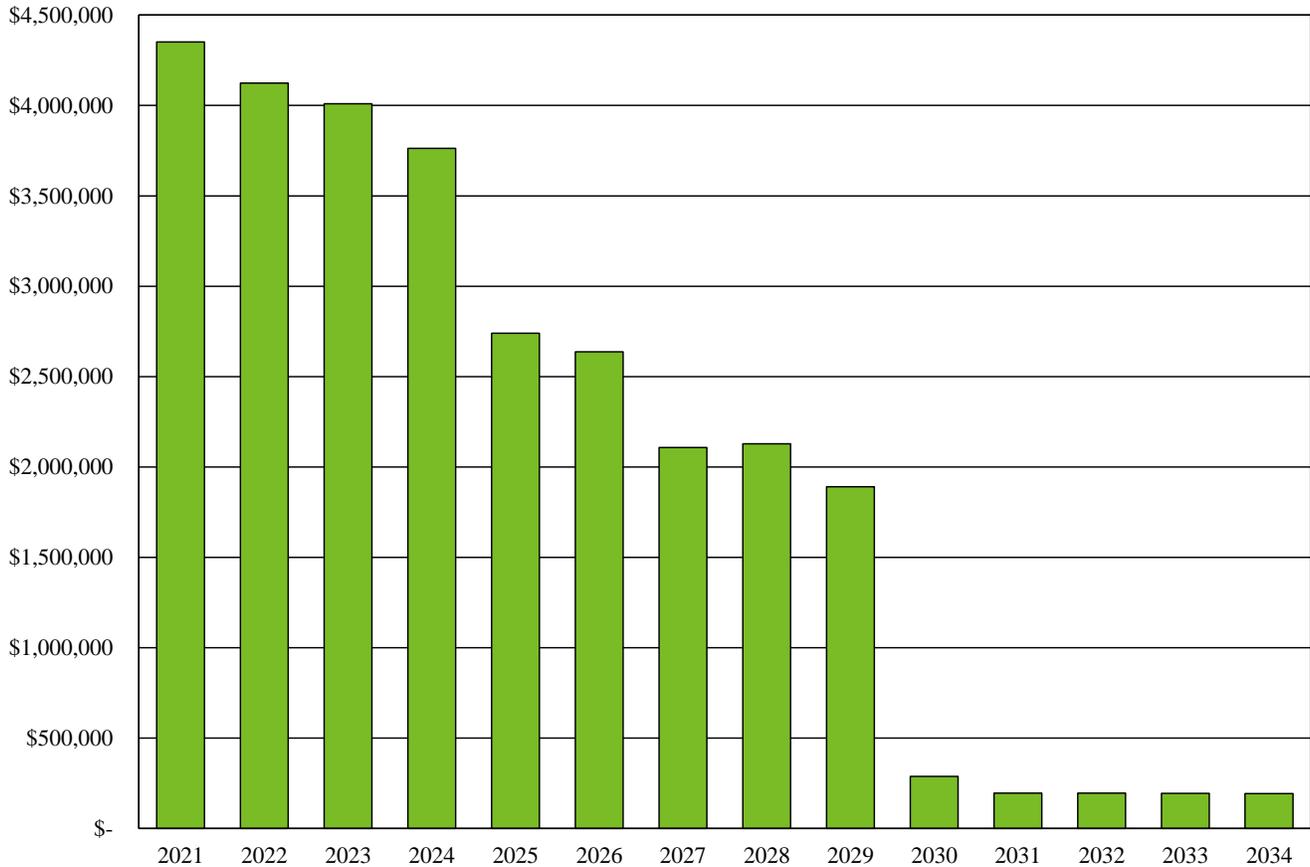


City of Big Lake Financial Analysis

Debt Service

The line graph below shows the City's annual debt service obligations for all outstanding bonds. The total debt payments outstanding at December 31, 2020, are \$28,811,596, including interest totaling \$2,833,595.

Annual Debt Service Principal and Interest Payments



City of Big Lake Emerging Issue

Executive Summary

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

Accounting Standard Update – GASB Statement No. 87 – *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

City of Big Lake Emerging Issue

Accounting Standard Update – GASB Statement No. 87 – *Leases* (Continued)

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.