

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

Basic Financial Statements

December 31, 2021



**City of Big Lake
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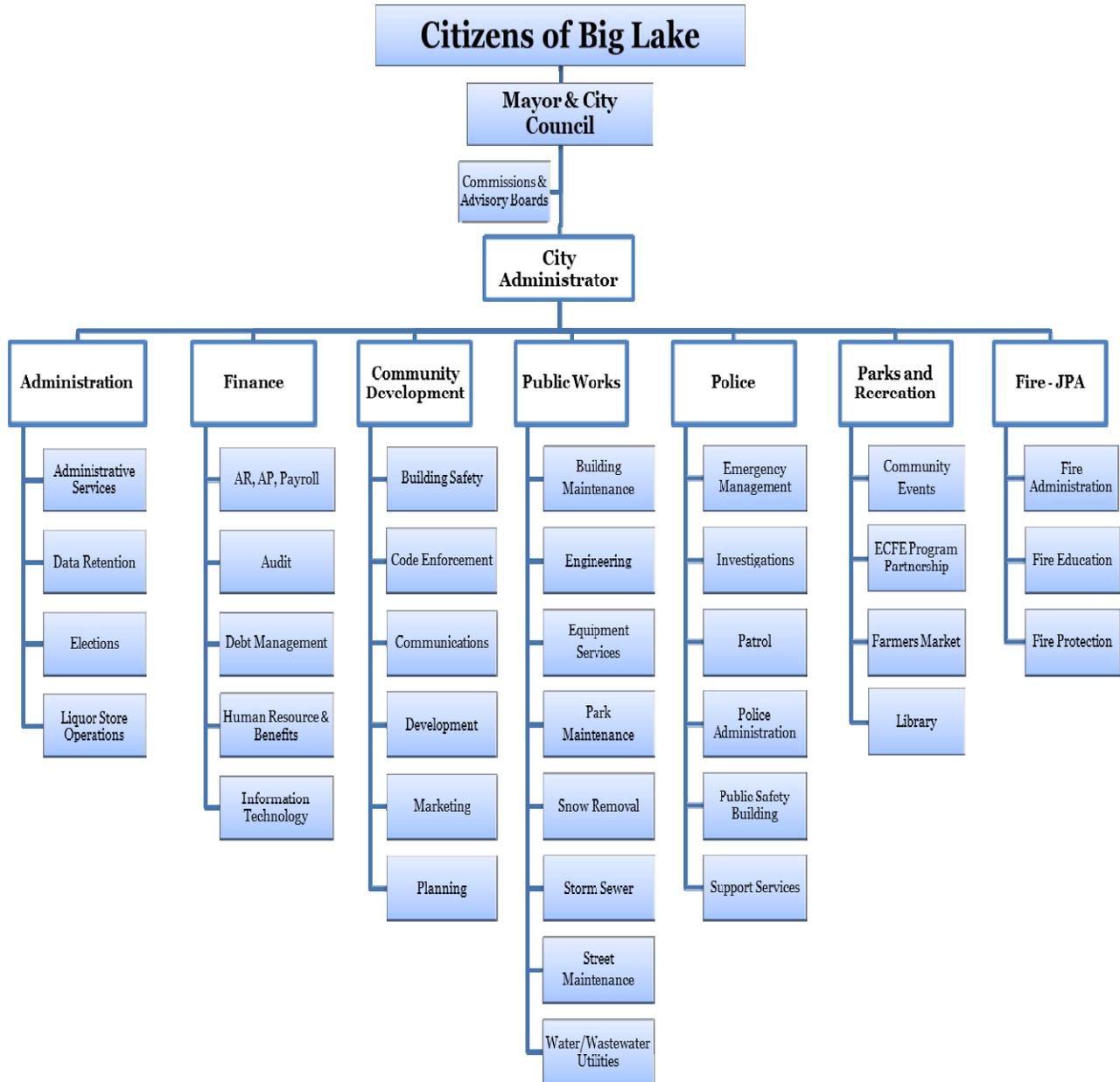
**City of Big Lake
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**City of Big Lake
Elected Officials and Administration
December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Paul Knier	Mayor	December 31, 2024
Ken Halverson	Council Member	December 31, 2022
Kim Noding	Council Member	December 31, 2022
Sam Hanson	Council Member	December 31, 2024
Paul Seefeld	Council Member	December 31, 2024
<u>Administration</u>		
Clay Wilfahrt	City Administrator	Appointed
Deb Wegeleben	Finance Director	Appointed

City of Big Lake Organizational Chart



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Big Lake's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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, as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Big Lake and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Big Lake's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Big Lake's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Big Lake's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Big Lake's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

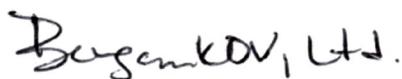
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Big Lake's basic financial statements. The combining nonmajor fund financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022, 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 25, 2022

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**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

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, 2021. 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 \$68,742,078. Of this amount, \$14,747,596 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$3,584,756 from the prior year. Of the increase, 51% was attributable to governmental activities and 49% to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,275,761, an increase of \$2,097,024 from the previous year. This was due to increases in property taxes, permits and licenses, bond proceeds and savings in the general fund expenditure budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,908,801 (not including those funds in the balance that are designed for specific purposes) or 79%, of the total General Fund expenditures not including transfers out. When transfers out are included the unassigned fund balance is at 69%
- The City's total bonded debt decreased by \$605,414 during the current fiscal year. In 2021, the 2021A Go Improvement bonds were issued in the amount of \$3,140,000 to finance the 2021 Street Improvement project. The total outstanding bonded debt is \$25,384,000, of which \$12,172,718 is governmental activities and supported by the Debt Levy and Special Assessments. The remaining \$13,211,282 is contributed to business-type activities. Total bond indebtedness is down by 2% compared to 2020.

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.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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).

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 24-27 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The City maintains 37 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/Street Improvement Fund, and the Capital Project/Infrastructure Improvement Fund, and for the Capital Project/Equipment and Building Replacement Fund. Data from the other 33 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.

The basic governmental fund financial statements can be found on pages 28-35 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 36-38 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 39-71 of this report.

Other Information

Required supplementary information pertaining to the net pension liability can be found on pages 74-81 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 84-97 of this report.

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 \$68,742,078 at the close of the most recent fiscal year.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis

Approximately 74% 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, 5%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$14,747,596 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.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

City of Big Lake's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 16,500,668	\$ 14,474,389	\$ 10,020,105	\$ 7,932,787	\$ 26,520,773	\$ 22,407,176
Capital Assets	32,273,881	30,934,916	42,770,204	45,083,023	75,044,085	76,017,939
Total Assets	<u>48,774,549</u>	<u>45,409,305</u>	<u>52,790,309</u>	<u>53,015,810</u>	<u>101,564,858</u>	<u>98,425,115</u>
Deferred Outflows of Resources	<u>2,012,805</u>	<u>833,994</u>	<u>593,660</u>	<u>94,957</u>	<u>2,606,465</u>	<u>928,951</u>
Noncurrent Liabilities Outstanding	12,403,685	11,495,681	12,179,766	14,439,516	24,583,451	25,935,197
Other Liabilities	4,755,047	4,390,926	2,706,588	2,594,602	7,461,635	6,985,528
Total Liabilities	<u>17,158,732</u>	<u>15,886,607</u>	<u>14,886,354</u>	<u>17,034,118</u>	<u>32,045,086</u>	<u>32,920,725</u>
Deferred Inflows of Resources	<u>2,642,732</u>	<u>1,213,012</u>	<u>741,427</u>	<u>63,007</u>	<u>3,384,159</u>	<u>1,276,019</u>
Net Position						
Net Investment in Capital Assets	21,142,224	20,600,087	29,417,906	29,791,292	50,560,130	50,391,379
Restricted	3,434,352	3,911,280	-	-	3,434,352	3,911,280
Unrestricted	<u>6,409,314</u>	<u>4,632,313</u>	<u>8,338,282</u>	<u>6,222,350</u>	<u>14,747,596</u>	<u>10,854,663</u>
Total Net Position	<u>\$ 30,985,890</u>	<u>\$ 29,143,680</u>	<u>\$ 37,756,188</u>	<u>\$ 36,013,642</u>	<u>\$ 68,742,078</u>	<u>\$ 65,157,322</u>

**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The City's net position increased by \$3,584,756 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 51% or \$1,842,210 and business type activities increased by \$1,742,546 or 49%. The City's total other liabilities increased by \$364,121, for governmental activities the increase was due to the to the grant funds received from the American Rescue Plan Act. The City received the first half payment in the amount of \$613,401 and will receive the second half payment of \$613,401 in 2022. These funds will be used in accordance with the federal guidelines and are budgeted to be used for the replacement of water meters within the community and until the funds are spent will be recorded as an unearned revenue. Of the net position increase to the Governmental Activities \$1,777,001 was to unrestricted. Business-type activities increased the City's net position by 48% or \$1,742,546.

City of Big Lake's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUE:						
Program Revenues:						
Charges for Services	\$ 1,227,774	\$ 1,058,915	\$ 11,243,496	\$ 10,740,101	\$ 12,471,270	\$ 11,799,016
Operating Grants and Contributions	426,716	1,052,421	40,964	34,228	467,680	1,086,649
Capital Grants and Contributions	807,256	2,569,604	1,079,254	2,200,515	1,886,510	4,770,119
General Revenues:						
Property Taxes and Tax Increment and Franchise Fees	5,509,998	5,283,687	-	-	5,509,998	5,283,687
State Aids	653,319	741,969	-	-	653,319	741,969
Unrestricted Investment Earnings	(93,355)	220,407	89,791	113,950	(3,564)	334,357
Other Income	168,841	68,775	-	1,000	168,841	69,775
Total Revenues	\$ 8,700,549	\$ 10,995,778	\$ 12,453,505	\$ 13,089,794	\$ 21,154,054	\$ 24,085,572
EXPENSES:						
General Government	1,005,419	1,004,068	-	-	1,005,419	1,004,068
Public Safety	2,718,236	3,169,311	-	-	2,718,236	3,169,311
Streets and Highways	1,971,568	2,038,384	-	-	1,971,568	2,038,384
Culture and Recreation	882,228	938,626	-	-	882,228	938,626
Economic Development	567,085	1,075,887	-	-	567,085	1,075,887
Interest on Long-Term Debt	338,486	278,924	-	-	338,486	278,924
Water	-	-	2,138,327	2,025,958	2,138,327	2,025,958
Sewer	-	-	2,743,746	2,685,199	2,743,746	2,685,199
Municipal Liquor	-	-	4,855,038	4,937,241	4,855,038	4,937,241
Storm Sewer	-	-	349,165	409,116	349,165	409,116
Total Expenses	\$ 7,483,022	\$ 8,505,200	\$ 10,086,276	\$ 10,057,514	\$ 17,569,298	\$ 18,562,714
Increase (Decrease) in Net Position						
before Transfers & Capital Contributions	1,217,527	2,490,578	2,367,229	3,032,280	3,584,756	5,522,858
Transfers	624,683	631,610	(624,683)	(631,610)	-	-
Increase (Decrease) in Net Position	\$ 1,842,210	\$ 3,122,188	\$ 1,742,546	\$ 2,400,670	\$ 3,584,756	\$ 5,522,858
Net Position - Beginning	29,143,680	26,021,492	36,013,642	33,612,972	65,157,322	59,634,464
Net Position - Ending	\$ 30,985,890	\$ 29,143,680	\$ 37,756,188	\$ 36,013,642	\$ 68,742,078	\$ 65,157,322

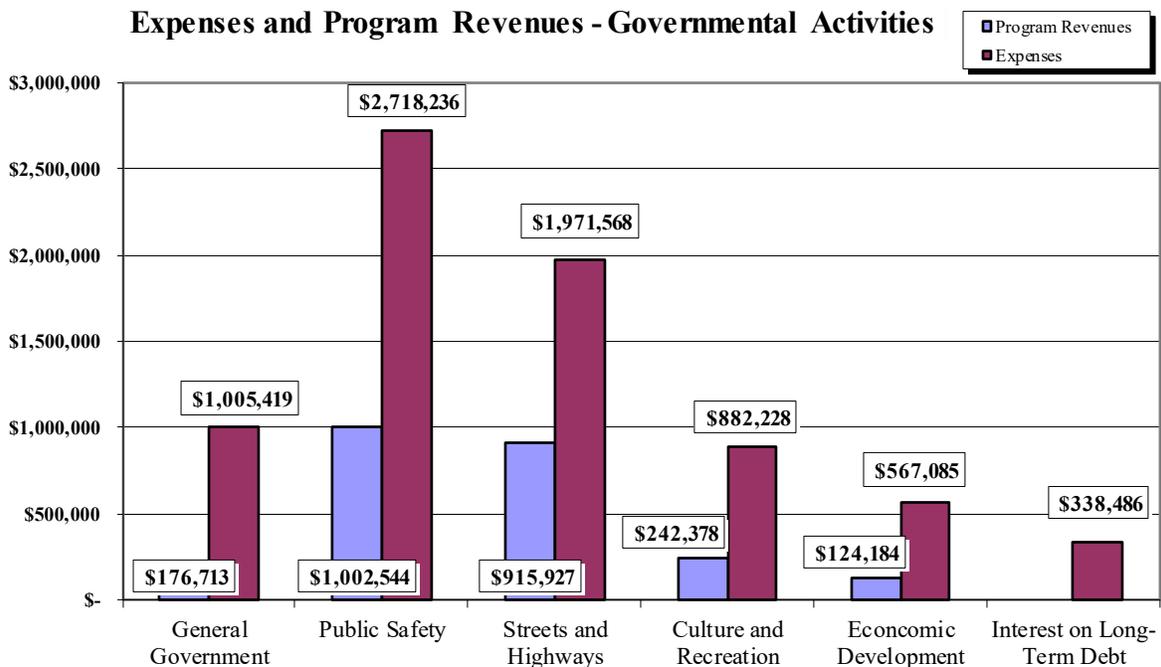
**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The City's total revenues for 2021 was \$21,154,054, a decrease of \$2,931,518 over 2020; total expenses before transfers was \$17,569,298 a decrease of \$993,416 and total transfers from Business Type Activities to Governmental Activities was \$624,683, a decrease of \$6,927 over 2020. In 2021 the City transferred an additional \$43,620 from the Liquor Store to the Capital Improvement – Parks and Trail fund for the improvement of Powell Park, which will be completed in 2022. In addition, the City transferred \$6,000 from each of the utility funds (Water, Sewer and Storm Water) to the Equipment & Building Improvement Fund for the development of a GIS System. The City also transferred \$450,000 from the Liquor Store to the General Fund to help offset the tax levy in providing City services. In 2020 the City transferred \$70,000 from the Water fund to the Street Maintenance fund for a water line repair County Road 81, this was for a one-time expenditure.

Governmental Activities

The City's net position increased by \$3,584,756 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 51% or \$1,842,210. This increase can be attributed to new development, with the increase in property tax payments, the increase in local government aid, federal grants as well as franchise fees. In addition, the additional increase in the transfer from the City's Liquor Store to the Capital Improvement Fund for Parks and Trail of \$43,620. In 2021 the City issued 90 new single-family building permits, welcomed several new housing projects in the beginning stages for affordable and market rate housing. The City also welcomed new developments in the commercial construction of, Big Lake Car Condos, Arrow Components and Carlson Development Group. Overall in 2021 the City added to the property tax valuation a total of \$34,438,404 with the new development.



**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities (Continued)

**2021 Cost per day to provide City services for
each household and business was \$4.65**



In 2021, 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 2021, 36% of the total governmental activities' expenses were attributed to public safety. The cost to provide City Services for 2021 for each household and business was \$4.65 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.

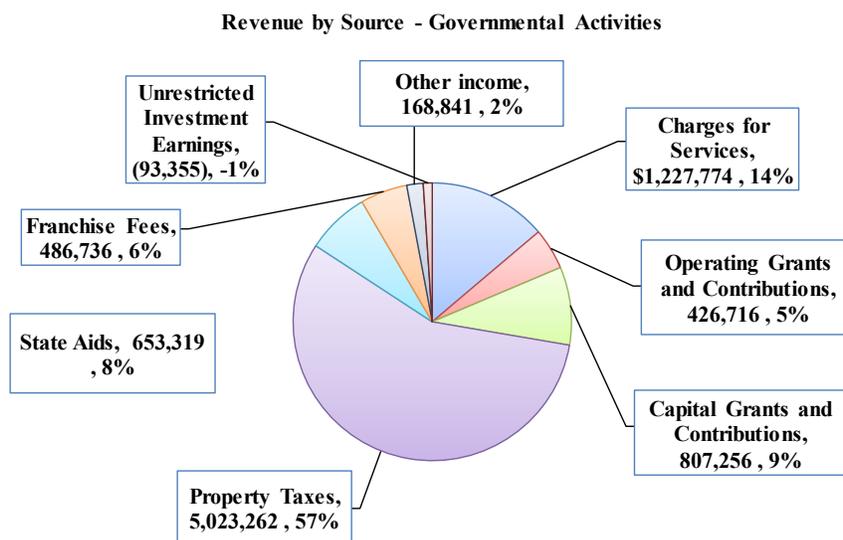
The 2021 total cost to provide City Services including interest on long-term debt was \$7,483,022. Based on per capita of 11,686, the 2020 population for Big Lake, the cost to provide the services was \$640 a year or \$1.75 per day. If using the total residential and business utility connections of 4,212 and including interest on long term debt, then the total cost per year for each is \$1,776 or \$4.87 per day.

The City's total 2021 revenues for governmental activities was \$8,700,545 of which 58% is contributed to property taxes collected. Charges for Services is 14% of all revenues received for governmental activities and experienced an increase due to development within the City. Capital Grants and Contribution, which is 9% of all revenues received includes prepaid special assessments and intergovernmental revenues or grants for capital items and experienced a decrease due to the one-time revenue sources of grants for the stop light on Hiawatha and for the Return to Services surplus equipment acquired by the Police and Fire departments. Operating Grants and Contributions is 5% of all revenues received and experienced a decrease due to the CARES Act grant received in 2020 in the amount of \$863,098. Total governmental activities revenues decreased by \$2,295,229 over 2020, with the largest decrease recorded in Capital Grants and Contributions of \$1,762,348. Operating Grants and Contributions decrease was \$625,705, Property Taxes, which includes Tax Increment increased by \$219,840 and Charges for Services increased by \$168,859. Staff believes the increase in Charges for Services was due to the increase in new home permits as well as other new development. Franchise Fees, Unrestricted Investments Earnings and Other income recorded a decrease over 2020.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities (Continued)



Business-Type Activities

Business-type activities increased the City's net position by \$1,742,546, resulting in 49% of the total increase in the government's net position. The City's Liquor Store contributed \$450,000 to the General Fund and \$43,620 to the Capital Improvement fund for Parks and Trails. In 2021, the Liquor Store saw a slight decrease of 2% in sales compared to 2020, however compared to pre-pandemic sales, the Liquor Store saw an increase over 2019 sales of 26%. In 2021, the Liquor Store had net profits of \$304,876 after transfers and depreciation expense.

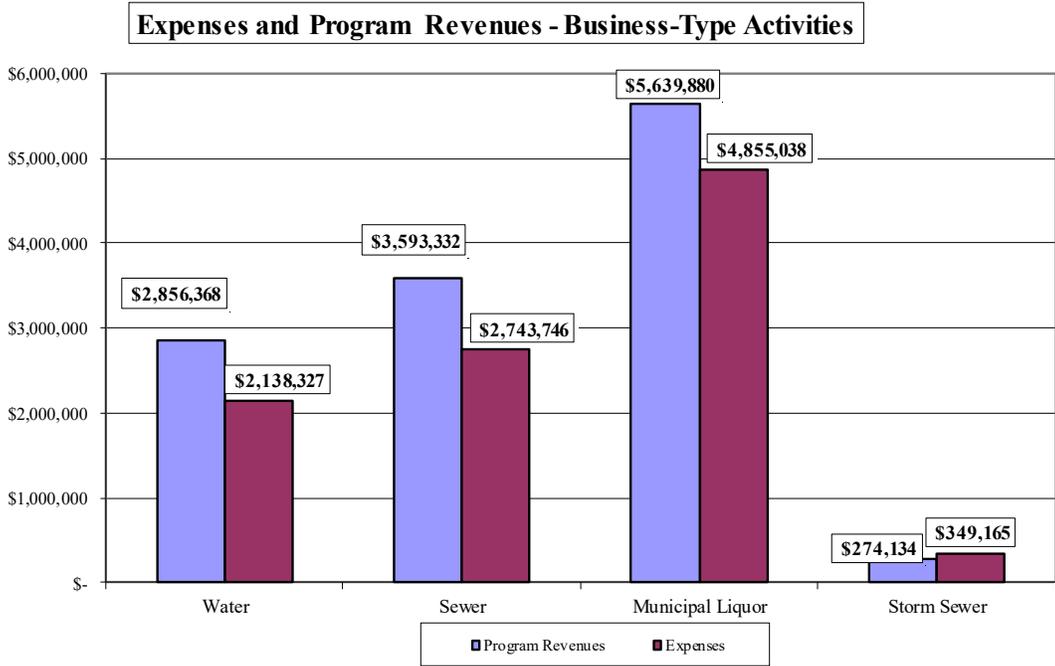
For the Utility funds, Water usage was up by 13%, a reflection of more residents working from home, in addition the Water usage rates were increased by 3% in 2021, resulting in overall revenues being up. Sewer sales were up compared to 2020 due to the increase in water use, new development, and the increase to rates by 1%. In 2021, there were 90 new home permits, 2 multi-unit and 1 commercial unit which was an increase in WAC/SAC and Trunk fees. Development in 2021 represents the normal and anticipated development the City expects for 2022 in regard to multi-family and commercial development, however for long term planning the City only anticipates 40 new homes each year. In 2021 there was a new development that was billed the Storm Sewer trunk charges which is the reason Storm Sewer showed an increase in total nonoperating revenues; that and along with the new homes built the 2021 total revenues are up compared to 2020.

The Liquor Store total revenues were down by 2% compared to 2020, with overall expenses, including transfers, down by 14% compared to 2020. There was a decrease to cost of goods sold by 2% for 2021 compared to 2020. In 2021 there was an increase out to other funds of \$43,620, which led to a total transfer out to other funds of \$493,620. The Liquor Store ended 2021 with a 5% Net Profit, which covered depreciation expense as well as the transfer to the General Fund and Capital Improvement fund for Parks and Trails. Without the continuous support from the residents of Big Lake the City would not be able to transfer the funds from the Liquor Store to help offset the levy needs for the City.

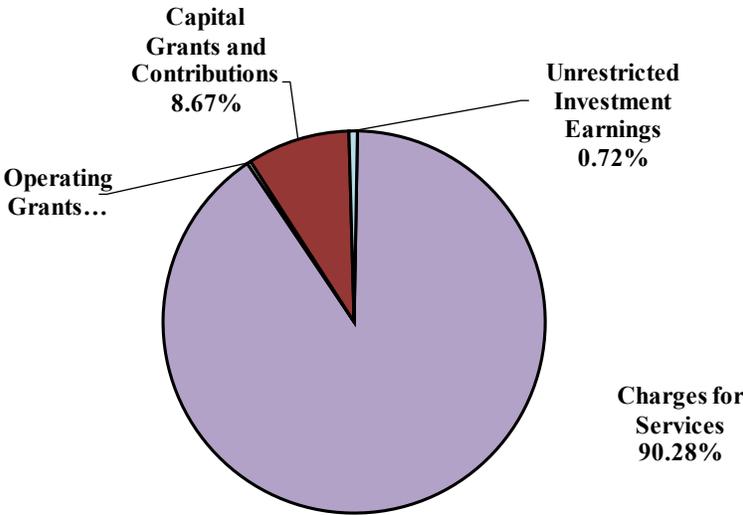
**City of Big Lake
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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Business-Type Activities (continued)



Revenue by Source - Business-Type Activities



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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Business-Type Activities (continued)

The total revenues collected from business-type activities for 2021 was \$12,453,505; of this 90% is revenues received from services provided or \$11,243,496, this is an increase of \$503,395 over 2020. This increase is a representation of the increase in water usage, rate increases and additional development. Investment earnings totaled \$89,791 or 1% of total revenues, down from 2020. Operating Grants and Contributions revenues received for the year totaled \$40,964, which is up slightly but constant with prior years. Finally, Capital Grants and Contributions for the year totaled \$1,079,254, this included the WAC/SAC received from new development within the City. The decrease in revenues over 2020 was \$635,289, the decrease represents the one-time grant of \$1,000,000 for the Sewer fund received in 2020. The total increase of net position for business-type activities was \$1,742,546.

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 \$12,275,761, an increase of \$2,097,024 from the previous year. Approximately 74% of this total amount, \$9,090,221, 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 \$3,908,801, while total fund balance reached \$4,092,471. 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. Unassigned fund balance represents 69% of the total General Fund expenditures and transfers out, while total fund balance represents 72% of that same amount.

The fund balance of the City's General Fund increased by \$177,102 during the current fiscal year. Total revenues and other sources in were \$146,813 over the amended budget due to an increase in revenues for Building permits, Property Tax and Franchise Fees. Expenditures and transfers out ended 2021 under the amended budget by \$40,289, primarily due to an approved transfer of \$400,000 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.

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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Unrestricted net position of the water operations at the end of the year was \$1,683,779; for the sewer operations the year ended at \$4,619,512 and the storm sewer operation was \$419,710 and for the liquor operation the year ended at \$1,615,281. The changes in net position for each of the utility funds were as follows: water an increase of \$682,401, sewer an increase of \$872,667, and storm sewer a decrease of \$(117,398). The liquor fund saw an increase of \$304,876. 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 \$798,496. With an operating transfer of \$450,000 to the General Fund and \$43,620 to the Capital Improvement fund for Parks and Trails, resulted in net position increase of \$304,876, far exceeding the projections for 2021 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 2021 budgeted numbers.

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, 2021, amounts to \$75,044,085 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 8,045,419	\$ 8,045,419	\$ 1,534,320	\$ 1,534,320	\$ 9,579,739	\$ 9,579,739
Construction in Progress	2,944,107	228,672	34,887	5,310	2,978,994	233,982
Leasehold Improvements	242,496	215,630	67,656	73,698	310,152	289,328
Infrastructure	17,071,177	18,089,346	-	-	17,071,177	18,089,346
Collection and Distribution Systems	-	-	22,197,040	23,745,000	22,197,040	23,745,000
Buildings	2,316,887	2,482,611	18,397,240	19,318,843	20,714,127	21,801,454
Machinery and Equipment	1,653,795	1,873,238	539,061	405,852	2,192,856	2,279,090
Total	\$ 32,273,881	\$ 30,934,916	\$ 42,770,204	\$ 45,083,023	\$ 75,044,085	\$ 76,017,939

Additional information on the City's capital assets can be found in Note 6 on pages 52-54 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$25,384,000. Of this amount, \$1,487,000 comprises of debt backed by the full faith and credit of the government and \$8,830,000 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).

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CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

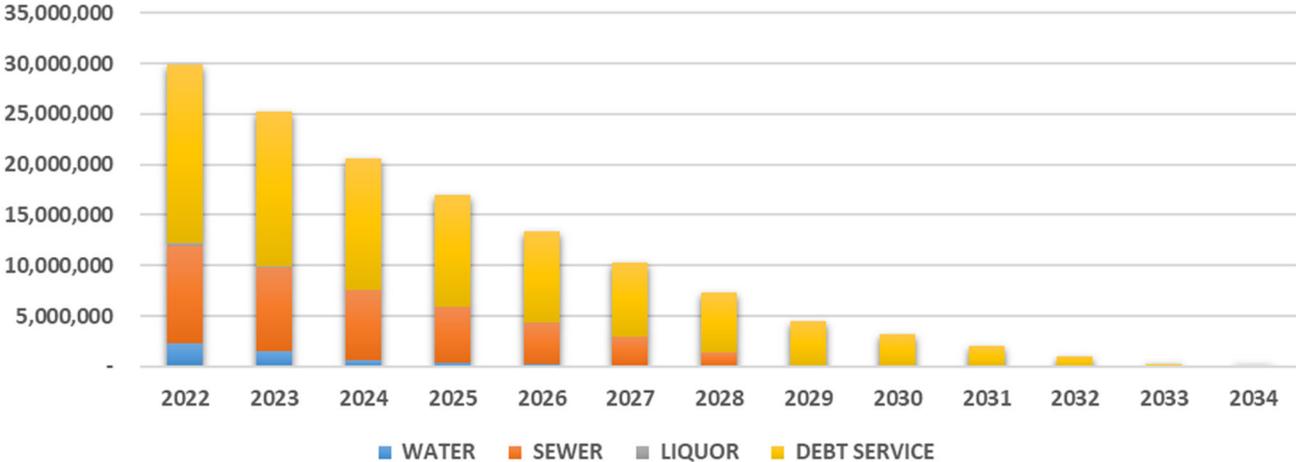
Long-Term Debt (Continued)

City of Big Lake's Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
G.O. Bonds/Notes	\$ 1,487,000	\$ 1,668,000	\$ -	\$ -	\$ 1,487,000	\$ 1,668,000
G.O. Tax Increment Bonds	1,730,000	2,000,000	-	-	1,730,000	2,000,000
G.O. Special Assessment Bonds	8,830,000	7,030,000	-	-	8,830,000	7,030,000
PFA Drinking Water Revolving Loan	-	-	1,654,000	2,179,000	1,654,000	2,179,000
PFA Clean Water Revolving Loan	-	-	7,058,000	7,849,000	7,058,000	7,849,000
G.O. Taxable Tax Abatement Bonds	125,718	155,781	334,282	414,221	460,000	570,002
G.O. Revenue Bonds/Notes	-	-	4,165,000	4,685,000	4,165,000	4,685,000
Capital Lease	-	8,412	-	-	-	8,412
Total	\$ 12,172,718	\$ 10,862,193	\$ 13,211,282	\$ 15,127,221	\$ 25,384,000	\$ 25,989,414

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 \$605,414 and the City issued \$3,140,000 of new debt in 2021. Also shown is the outstanding principal and interest debt for the City.

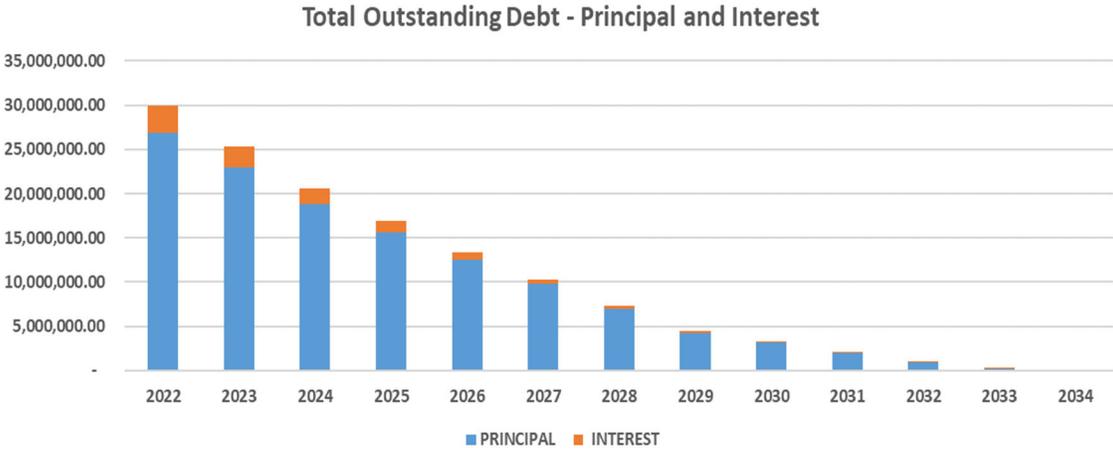
Outstanding Debt - Principal and Interest



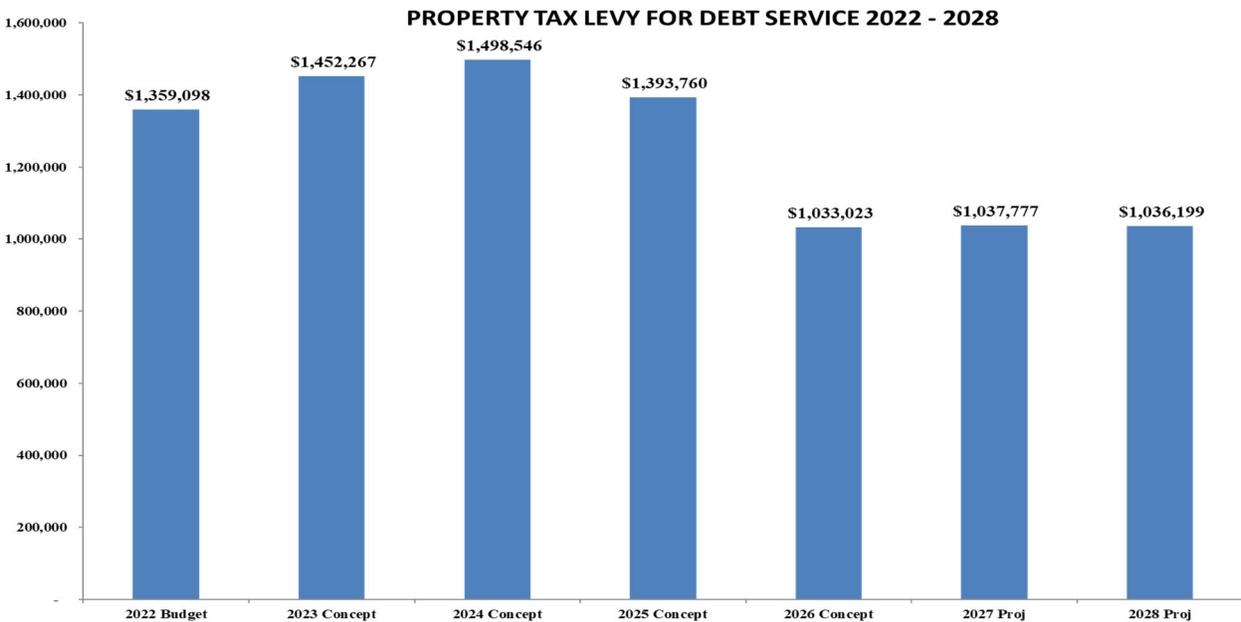
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CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)



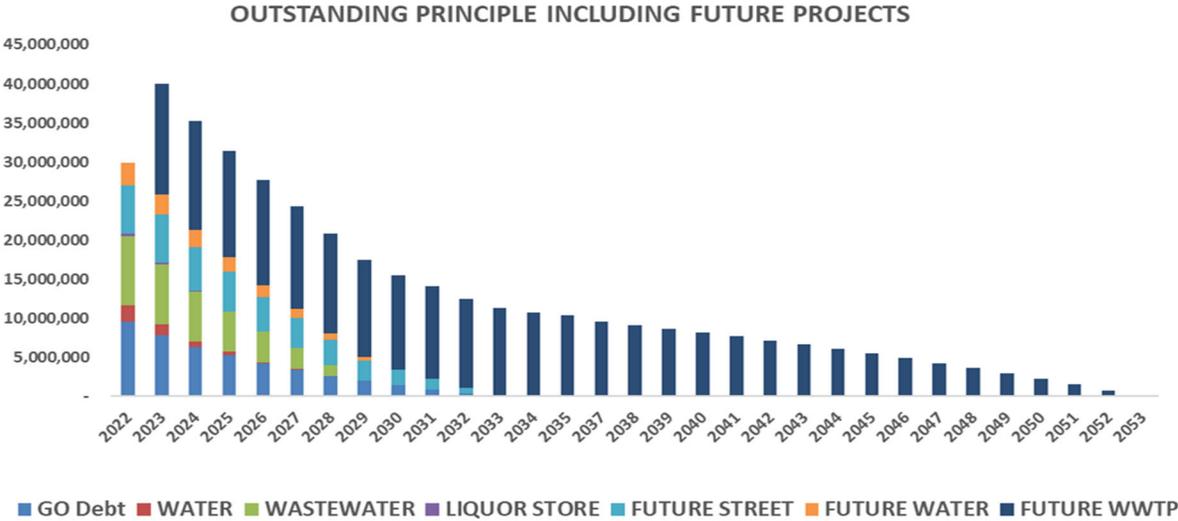
The following graph shows the amount of existing and projected debt service levies for the next seven years. The current finance plan shows debt levies for bonds currently outstanding with no projected new debt levies until 2022. The 2018 street improvements that was bonded will not be levied until 2025, but instead the debt payments will be paid from allocation of the Local Government Aid and MSA Street Aid that was advanced to complete the project. 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.



**City of Big Lake
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CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)



Additional information on the City's long-term debt can be found in Note 7 on pages 54-59 of this report.

Bond Rating



Rationale

S&P Global Ratings affirmed its rating on Big Lake, Minn.'s general obligation (GO) debt of 'AA'. The economy has been largely resilient during the pandemic with a mix of new residential and commercial building or expansion over the past year that management expects to continue based on demand need for single family and affordable housing and both residential and commercial development proposals, which should extend the steady growth trend for the city's major revenue sources in our view given the ebbing pandemic and overall economic outlook. Given these trends in parallel with the ongoing economic development and a management team we view as strong, S&P believes the credit will remain stable over the outlook horizon.

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

- Strong 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 operating results that we expect could weaken in the near term relative to fiscal 2020, which closed with operating surpluses in the general fund and at the total governmental fund level in fiscal 2020;

**City of Big Lake
Management's Discussion and Analysis
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CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Rationale (Continued)

- Very strong budgetary flexibility, with an available fund balance in fiscal 2020 of 91% of operating expenditures;
- Very strong liquidity, with total government available cash at 1.7x total governmental fund expenditures and 7.2x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability profile, with debt service carrying charges at 23.9% of expenditures and net direct debt that is 153.9% of total governmental fund revenue, but rapid amortization, with 93.8% 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 2022 was increased by 1.92% over the 2021 budget; for an overall balanced budget of \$5,73,889. In 2022, the City did budget for additional staff hours to the Public Works Department and Community Development and did remove the full-time position previously budgeted in the Fire Department.
- A market-rate increase to the City's pay plan for 2022 of 3.2% increases.
- The 2022 total levy amount of \$5,134,729 was a 6.43% increase over the 2021 amount.
- The Net Tax Capacity is projected to increase by 9% for 2022 with Taxable Market Value increasing by 10%.
- In 2022, the City anticipates receiving approximately \$771,630 in Local Government Aid (LGA), as compared to \$756,115 received in 2021. 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 2021 the water usage rates were increased by 3%, the sewer usage fee increased by 4% and the base fees remained flat. The city implemented the new rate fee in January of 2021.
- For 2022, water usage and sewer usage rates will remain flat as well as the base fees for residential, multi-family and commercial. Municipal water usage rates will increase 10% and Industrial rates will increase 8%. For the next coming years, it is projected that the water rates will remain flat, and sewer usage will need to increase 2 - 3 percent to cover the rising cost of infrastructure replacement and treatment.
- Building Permits for single family homes continues to grow, and the City will need additional development of plats to accommodate the growth. In 2022 the City is anticipating approximately 40 new permits, which is more consistent of year over year compared to the 90 issued in 2021.
- The City continues to see existing business expand their operations as well as an increase in housing projects that should be completed in the coming years. For new projects, the City has seen the following:
 - Station Street Apartments – 105 Market Rate Renal Units – completed and is occupied
 - Sandhill Villas (HOA) -12 Single-Family Homes – 3 homes completed, 5 are under construction
 - Wrights Crossing 3rd Addition – 31 Single-Family Homes – 7 homes are completed, 7 are under construction

**City of Big Lake
Management's Discussion and Analysis
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

- Norland Park Final Plat 7 – 18 Single -Family Homes – 10 homes are completed, 3 are under construction.
- Marketplace Crossing – 60 Market Rate & Affordable Units – in the beginning stages of development
- Aeon – 74 Senior Affordable Rental Units – in the beginning stages of development
- Parkwood Knolls – 256 Single-Family Homes & Townhomes – in the beginning stages of development
- Prairie Meadows 3rd Addition – 75 Single-Family Twin Homes/Townhomes – in the beginning stages of development
- Big Lake Car Condos – phases 1-3 are complete and permits have been issued for phase 4 and the Clubhouse
- Arrow Components – now in construction
- Premier Marine – now in construction
- Ember Coffee Company
- Domino's
- Will McCoy's
- The City began the street reconstruction projects in 2018, in 2020 the projects were postponed until 2021. In 2022 the City will do street projects that were planned in 2023-2027 to take advantage of the low borrowing rate.
- 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.
 - Increase in General levy beginning in 2026 for the same amount that the debt levy decreases. This will reflect additional transfer to the Street Improvement Capital Fund for future 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, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 14,464,678	\$ 7,935,144	\$ 22,399,822
Receivables			
Property tax receivable	61,263	-	61,263
Accounts receivable	132,874	482,334	615,208
Interest receivable	16,519	-	16,519
Notes receivable	300,000	-	300,000
Special assessments receivable			
Delinquent	9,753	7,513	17,266
Deferred	1,116,040	174,573	1,290,613
Due from other governments	321,142	1,563	322,705
Advances to other funds (internal balances)			
Within one year	(31,927)	31,927	-
After one year	(779,743)	779,743	-
Inventories	-	401,737	401,737
Land held for resale	790,285	-	790,285
Prepaid items	99,784	80,571	180,355
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	2,944,107	34,887	2,978,994
Capital assets being depreciated			
Infrastructure	41,953,591	-	41,953,591
Buildings	4,979,619	27,648,091	32,627,710
Leasehold improvements	276,685	223,833	500,518
Machinery and equipment	5,909,335	1,760,799	7,670,134
Collection and distribution systems	-	49,017,022	49,017,022
Less accumulated depreciation	(31,834,875)	(37,448,748)	(69,283,623)
Total assets	<u>48,774,549</u>	<u>52,790,309</u>	<u>101,564,858</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>2,012,805</u>	<u>593,660</u>	<u>2,606,465</u>
Total assets and deferred outflows of resources	<u>\$ 50,787,354</u>	<u>\$ 53,383,969</u>	<u>\$ 104,171,323</u>

City of Big Lake
Statement of Net Position
December 31, 2021

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 263,410	\$ 199,346	\$ 462,756
Salaries and benefits payable	98,773	58,753	157,526
Escrow payable	1,338,913	125,000	1,463,913
Contracts payable	119,915	-	119,915
Due to other governments	116,154	65,913	182,067
Interest payable	135,539	135,508	271,047
Unearned revenue	676,124	-	676,124
Net G.O. Bonds principal payable			
Payable within one year	1,475,000	-	1,475,000
Payable after one year	9,852,698	-	9,852,698
G.O. revenue bonds and notes payable			
Payable within one year	30,063	1,962,937	1,993,000
Payable after one year	98,109	11,389,361	11,487,470
Notes payable			
Payable within one year	133,000	-	133,000
Payable after one year	999,000	-	999,000
Compensated absences payable			
Payable within one year	319,925	159,131	479,056
Severance payable			
Payable within one year	48,231	-	48,231
Net pension liability	1,453,878	790,405	2,244,283
Total liabilities	<u>17,158,732</u>	<u>14,886,354</u>	<u>32,045,086</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	2,518,170	741,427	3,259,597
Advanced appropriations - state shared taxes	124,562	-	124,562
Total deferred inflows of resources	<u>2,642,732</u>	<u>741,427</u>	<u>3,384,159</u>
Net Position			
Net investment of capital assets	21,142,224	29,417,906	50,560,130
Restricted for			
Debt service	2,718,389	-	2,718,389
Tax increment	202,134	-	202,134
Parkland dedication	443,875	-	443,875
Other purposes	69,954	-	69,954
Unrestricted	6,409,314	8,338,282	14,747,596
Total net position	<u>30,985,890</u>	<u>37,756,188</u>	<u>68,742,078</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 50,787,354</u>	<u>\$ 53,383,969</u>	<u>\$ 104,171,323</u>

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**City of Big Lake
Statement of Activities
Year Ended December 31, 2021**

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	\$ 1,005,419	\$ 141,434	\$ 35,279	\$ -	\$ (828,706)	\$ -	\$ (828,706)
Public safety	2,718,236	704,310	298,234	-	(1,715,692)	-	(1,715,692)
Streets and highways	1,971,568	214,673	41,569	659,685	(1,055,641)	-	(1,055,641)
Culture and recreation	882,228	100,060	41,108	101,210	(639,850)	-	(639,850)
Economic development	567,085	67,297	10,526	46,361	(442,901)	-	(442,901)
Interest on long-term debt	338,486	-	-	-	(338,486)	-	(338,486)
Total governmental activities	<u>7,483,022</u>	<u>1,227,774</u>	<u>426,716</u>	<u>807,256</u>	<u>(5,021,276)</u>	<u>-</u>	<u>(5,021,276)</u>
Business-type activities							
Water	2,138,327	2,434,017	20,864	401,487	-	718,041	718,041
Sewer	2,743,746	2,911,360	13,205	668,767	-	849,586	849,586
Liquor	4,855,038	5,635,219	4,661	-	-	784,842	784,842
Storm sewer	349,165	262,900	2,234	9,000	-	(75,031)	(75,031)
Total business-type activities	<u>10,086,276</u>	<u>11,243,496</u>	<u>40,964</u>	<u>1,079,254</u>	<u>-</u>	<u>2,277,438</u>	<u>2,277,438</u>
Total governmental and business-type activities	<u>\$ 17,569,298</u>	<u>\$ 12,471,270</u>	<u>\$ 467,680</u>	<u>\$ 1,886,510</u>	<u>(5,021,276)</u>	<u>2,277,438</u>	<u>(2,743,838)</u>
General revenues							
Property taxes					4,809,143	-	4,809,143
Franchise Fees					486,736	-	486,736
Tax increments					214,119	-	214,119
State aids					653,319	-	653,319
Unrestricted investment and other interest income					(93,355)	89,791	(3,564)
Other general revenue					128,067	-	128,067
Gain on sale of assets					40,774	-	40,774
Transfers					624,683	(624,683)	-
Total general revenues and transfers					<u>6,863,486</u>	<u>(534,892)</u>	<u>6,328,594</u>
Change in net position					1,842,210	1,742,546	3,584,756
Net position - beginning					29,143,680	36,013,642	65,157,322
Net position - ending					<u>\$ 30,985,890</u>	<u>\$ 37,756,188</u>	<u>\$ 68,742,078</u>

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

	General (101)	Capital Projects		
		Equipment and Building Replacements (199)	Infrastructure Improvement Fund (198)	Street Improvement (175)
Assets				
Cash and investments	\$ 4,527,430	\$ 999,712	\$ 1,728,192	\$ 1,023,500
Taxes receivable - delinquent	42,552	-	854	-
Accounts receivable	131,738	-	-	-
Interest receivable	16,519	-	-	-
Due from other governments	164,570	-	100,747	5,000
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	627	-	810	3,180
Deferred	6,974	-	98,044	-
Land held for resale	-	-	-	-
Prepaid items	99,339	-	-	-
Total assets	\$ 4,989,749	\$ 999,712	\$ 1,928,647	\$ 1,031,680
Liabilities				
Accounts payable	\$ 158,377	\$ 15,440	\$ 1,949	\$ 71,165
Salaries and benefits payable	96,501	-	-	-
Escrow payable	553,563	-	6,510	10,000
Contracts payable	-	-	6,260	97,855
Due to other governments	7,784	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	30,900	-	-	-
Total liabilities	847,125	15,440	14,719	179,020
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	42,552	-	854	-
Unavailable revenue - special assessments	7,601	-	98,854	3,180
Advanced Appropriations - State Shared Taxes	-	-	-	-
Total deferred inflows of resources	50,153	-	99,708	3,180
Fund Balances				
Nonspendable	99,339	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	84,331	984,272	1,814,220	849,480
Unassigned	3,908,801	-	-	-
Total fund balances	4,092,471	984,272	1,814,220	849,480
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,989,749	\$ 999,712	\$ 1,928,647	\$ 1,031,680

Other Governmental Funds	Total Governmental Funds
\$ 6,185,844	\$ 14,464,678
17,857	61,263
1,136	132,874
-	16,519
50,825	321,142
300,000	300,000
5,136	9,753
1,011,022	1,116,040
790,285	790,285
445	99,784
<u>\$ 8,362,550</u>	<u>\$ 17,312,338</u>

\$ 16,479	\$ 263,410
2,272	98,773
768,840	1,338,913
15,800	119,915
108,370	116,154
811,670	811,670
645,224	676,124
<u>2,368,655</u>	<u>3,424,959</u>

300,000	300,000
17,857	61,263
1,016,158	1,125,793
124,562	124,562
<u>1,458,577</u>	<u>1,611,618</u>

633,330	732,669
2,239,171	2,239,171
213,700	213,700
2,247,145	5,979,448
(798,028)	3,110,773
<u>4,535,318</u>	<u>12,275,761</u>

<u>\$ 8,362,550</u>	<u>\$ 17,312,338</u>
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City of Big Lake
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2021

Total fund balances - governmental funds	\$ 12,275,761
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	64,108,756
Less accumulated depreciation	(31,834,875)
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	(11,040,718)
Unamortized bond premiums	(415,152)
Notes payable	(1,132,000)
Compensated absences payable	(319,925)
Severance payable	(48,231)
Net pension liability	(1,453,878)
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	61,263
Special assessments	9,753
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	(2,518,170)
Deferred outflows of resources related to pensions	2,012,805
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special assessments	1,116,040
Notes receivable	300,000
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	
	<u>(135,539)</u>
Total net position - governmental activities	<u><u>\$ 30,985,890</u></u>

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2021

	General (101)	Capital Projects		
		Equipment and Building Replacements (199)	Infrastructure Improvement Fund (198)	Street Improvement (175)
Revenues				
Property taxes	\$ 3,538,948	\$ -	\$ 1,371	\$ -
Tax increments	-	-	-	-
Franchise fees	444,204	-	-	-
Special assessments	5,167	-	22,079	-
Licenses and permits	697,647	-	-	-
Intergovernmental	473,127	636,115	442,805	17,563
Charges for services	297,877	-	-	-
Fines and forfeitures	51,832	-	-	-
Miscellaneous				
Investment and other interest income	(138,686)	7,423	13,244	953
Contributions and donations	16,103	10,500	-	-
Other	16,138	-	-	41,130
Total revenues	<u>5,402,357</u>	<u>654,038</u>	<u>479,499</u>	<u>59,646</u>
Expenditures				
Current				
General government	868,553	10,714	-	-
Public safety	2,611,634	957	-	-
Streets and highways	707,680	24,900	6,159	739
Culture and recreation	658,678	20,188	-	-
Economic development	96,605	-	-	-
Debt service				
Principal	-	8,412	-	-
Interest and other charges	-	470	-	-
Capital outlay				
General government	1,440	8,500	-	-
Public safety	16,196	514,026	-	-
Streets and highways	-	192,267	131,183	2,298,045
Culture and recreation	399	2,685	-	-
Economic development	-	-	-	-
Total expenditures	<u>4,961,185</u>	<u>783,119</u>	<u>137,342</u>	<u>2,298,784</u>
Excess of revenues over (under) expenditures	441,172	(129,081)	342,157	(2,239,138)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	3,224	37,550	-	-
Issuance of debt	-	-	-	3,013,213
Bond premium	-	-	-	226,645
Insurance recoveries	14,644	(2,902)	-	-
Transfers in	450,000	37,640	179,313	2,948
Transfers out	(731,938)	(50,000)	(102,948)	(172,503)
Total other financing sources (uses)	<u>(264,070)</u>	<u>22,288</u>	<u>76,365</u>	<u>3,070,303</u>
Net change in fund balances	177,102	(106,793)	418,522	831,165
Fund Balances				
Beginning of year	<u>3,915,369</u>	<u>1,091,065</u>	<u>1,395,698</u>	<u>18,315</u>
End of year	<u>\$ 4,092,471</u>	<u>\$ 984,272</u>	<u>\$ 1,814,220</u>	<u>\$ 849,480</u>

See notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,324,842	\$ 4,865,161
214,119	214,119
42,532	486,736
257,275	284,521
4,130	701,777
245,392	1,815,002
46,541	344,418
51,692	103,524
23,711	(93,355)
70,456	97,059
67,336	124,604
<u>2,348,026</u>	<u>8,943,566</u>
12,381	891,648
13,836	2,626,427
-	739,478
49,922	728,788
214,786	311,391
1,821,063	1,829,475
362,102	362,572
25,812	35,752
3,064	533,286
-	2,621,495
7,977	11,061
209,663	209,663
<u>2,720,606</u>	<u>10,901,036</u>
(372,580)	(1,957,470)
-	40,774
126,787	3,140,000
-	226,645
10,650	22,392
1,243,725	1,913,626
(231,554)	(1,288,943)
<u>1,149,608</u>	<u>4,054,494</u>
777,028	2,097,024
<u>3,758,290</u>	<u>10,178,737</u>
<u>\$ 4,535,318</u>	<u>\$ 12,275,761</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, 2021

Total net change in fund balances - governmental funds \$ 2,097,024

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	3,163,059
Depreciation expense	(1,824,094)

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(18,573)
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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.	1,829,475
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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.	(179,516)
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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.	(23,043)
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Proceeds from long-term debt are recognized as another financing source in the governmental funds but have no impact on the changes in net position in the Statement of Activities.	(3,140,000)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special assessments	(227,257)
Long-term notes receivable	(40,000)

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.	261,153
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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.	(56,018)
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Change in net position - governmental activities	\$ 1,842,210
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City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 3,389,743	\$ 3,414,743	\$ 3,538,948	\$ 124,205
Franchise fees	432,362	442,362	444,204	1,842
Special assessments	2,000	2,000	5,167	3,167
Licenses and permits	450,517	512,917	697,647	184,730
Intergovernmental	454,484	474,484	473,127	(1,357)
Charges for services	297,569	297,569	297,877	308
Fines and forfeitures	61,000	61,000	51,832	(9,168)
Miscellaneous revenues				
Investment income	17,000	17,000	(138,686)	(155,686)
Contributions and donations	4,800	4,800	16,103	11,303
Other	45,037	45,037	16,138	(28,899)
Total revenues	<u>5,154,512</u>	<u>5,271,912</u>	<u>5,402,357</u>	<u>130,445</u>
Expenditures				
Current				
General government	875,762	917,462	868,553	(48,909)
Public safety	2,776,591	2,801,791	2,611,634	(190,157)
Streets and highways	842,634	842,634	707,680	(134,954)
Culture and recreation	665,927	716,427	658,678	(57,749)
Economic development	116,381	116,381	96,605	(19,776)
Capital outlay				
General government	1,500	1,500	1,440	(60)
Public safety	19,000	19,000	16,196	(2,804)
Culture and recreation	500	500	399	(101)
Total expenditures	<u>5,298,295</u>	<u>5,415,695</u>	<u>4,961,185</u>	<u>(454,510)</u>
Excess of revenues over (under) expenditures	(143,783)	(143,783)	441,172	584,955
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	500	500	3,224	2,724
Insurance recoveries	1,000	1,000	14,644	13,644
Transfers in	450,000	450,000	450,000	-
Transfers out	(317,717)	(317,717)	(731,938)	(414,221)
Total other financing sources (uses)	<u>133,783</u>	<u>133,783</u>	<u>(264,070)</u>	<u>(397,853)</u>
Net change in fund balances	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	177,102	<u>\$ 187,102</u>
Fund Balances				
Beginning of year			<u>3,915,369</u>	
End of year			<u>\$ 4,092,471</u>	

City of Big Lake
Statement of Net Position - Proprietary Funds
December 31, 2021

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 1,971,501	\$ 3,823,826	\$ 1,674,139	\$ 465,678	\$ 7,935,144
Accounts receivable	143,359	314,939	-	24,036	482,334
Advances to other funds - within one year	-	85,847	-	-	85,847
Due from other governments	636	844	-	83	1,563
Special assessment receivable					
Delinquent	3,545	3,486	-	482	7,513
Deferred	69,792	96,011	-	8,770	174,573
Inventories	-	-	401,737	-	401,737
Prepaid items	22,893	41,804	11,792	4,082	80,571
Total current assets	<u>2,211,726</u>	<u>4,366,757</u>	<u>2,087,668</u>	<u>503,131</u>	<u>9,169,282</u>
Noncurrent assets					
Restricted cash and cash equivalents	-	125,000	-	-	125,000
Advances to other funds - after one year	-	779,743	-	-	779,743
Capital assets not being depreciated					
Land	277,006	1,257,023	-	291	1,534,320
Construction in progress	31,595	3,292	-	-	34,887
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	419,175	761,326	278,571	301,727	1,760,799
Total capital assets	<u>27,295,653</u>	<u>43,565,436</u>	<u>2,251,949</u>	<u>7,105,914</u>	<u>80,218,952</u>
Less accumulated depreciation	<u>(13,429,598)</u>	<u>(18,381,351)</u>	<u>(1,159,344)</u>	<u>(4,478,455)</u>	<u>(37,448,748)</u>
Net capital assets	<u>13,866,055</u>	<u>25,184,085</u>	<u>1,092,605</u>	<u>2,627,459</u>	<u>42,770,204</u>
Total noncurrent assets	<u>13,866,055</u>	<u>26,088,828</u>	<u>1,092,605</u>	<u>2,627,459</u>	<u>43,674,947</u>
Total assets	<u>16,077,781</u>	<u>30,455,585</u>	<u>3,180,273</u>	<u>3,130,590</u>	<u>52,844,229</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to city pensions	192,678	192,678	168,385	39,919	593,660
Total assets and deferred outflows of resources	<u>\$ 16,270,459</u>	<u>\$ 30,648,263</u>	<u>\$ 3,348,658</u>	<u>\$ 3,170,509</u>	<u>\$ 53,437,889</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 55,703	\$ 47,581	\$ 95,430	\$ 632	\$ 199,346
Salaries and benefits payable	18,885	18,885	16,652	4,331	58,753
Interest payable	30,536	101,580	3,392	-	135,508
Due to other governments	9,961	-	55,952	-	65,913
Current compensated absences	54,450	54,450	34,860	15,371	159,131
Amount due within one year	737,554	1,145,446	79,937	-	1,962,937
Total current liabilities	<u>907,089</u>	<u>1,367,942</u>	<u>286,223</u>	<u>20,334</u>	<u>2,581,588</u>
Noncurrent liabilities					
Escrow payable	-	125,000	-	-	125,000
Advances from other funds	53,920	-	-	-	53,920
G.O. Revenue Bonds, net of unamortized premium	1,287,940	3,011,550	340,808	-	4,640,298
PFA G.O. Revenue notes	1,654,000	7,058,000	-	-	8,712,000
Net pension liability	256,533	256,533	224,189	53,150	790,405
Less amount due within one year	<u>(737,554)</u>	<u>(1,145,446)</u>	<u>(79,937)</u>	<u>-</u>	<u>(1,962,937)</u>
Total noncurrent liabilities	<u>2,514,839</u>	<u>9,305,637</u>	<u>485,060</u>	<u>53,150</u>	<u>12,358,686</u>
Total liabilities	<u>3,421,928</u>	<u>10,673,579</u>	<u>771,283</u>	<u>73,484</u>	<u>14,940,274</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to city pensions	240,637	240,637	210,297	49,856	741,427
Net Position					
Net investment in capital assets	10,924,115	15,114,535	751,797	2,627,459	29,417,906
Unrestricted	1,683,779	4,619,512	1,615,281	419,710	8,338,282
Total net position	<u>12,607,894</u>	<u>19,734,047</u>	<u>2,367,078</u>	<u>3,047,169</u>	<u>37,756,188</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,270,459</u>	<u>\$ 30,648,263</u>	<u>\$ 3,348,658</u>	<u>\$ 3,170,509</u>	<u>\$ 53,437,889</u>

City of Big Lake
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2021

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Totals
Sales and cost of sales					
Sales	\$ -	\$ -	\$ 5,634,710	\$ -	\$ 5,634,710
Cost of sales	-	-	4,060,152	-	4,060,152
Gross profit	<u>-</u>	<u>-</u>	<u>1,574,558</u>	<u>-</u>	<u>1,574,558</u>
Operating revenues					
Charges for services	2,416,615	2,877,254	-	262,900	5,556,769
Operating expenses					
Wages and salaries	454,948	454,947	392,079	95,735	1,397,709
Employee benefits	138,635	137,170	96,886	7,163	379,854
Materials and supplies	65,757	96,442	15,668	1,086	178,953
Repairs and maintenance	51,213	44,948	15,210	6,401	117,772
Professional services	176,848	56,547	119,222	8,024	360,641
Insurance	30,458	22,491	12,949	4,713	70,611
Utilities and refuse	143,384	240,700	37,836	664	422,584
Depreciation	871,903	1,394,082	66,873	222,329	2,555,187
Travel	5,508	5,860	-	36	11,404
Bad debt expense	1,943	2,885	1,199	246	6,273
Equipment	16,700	359	10,856	-	27,915
Advertising	1,629	1,629	5,484	789	9,531
Dues, memberships, and training	12,810	5,480	5,170	-	23,460
Telephone	6,350	12,789	6,429	322	25,890
Postage	13,987	7,169	161	1,553	22,870
Water meters	44,245	-	-	-	44,245
Uniforms	1,184	1,184	215	104	2,687
Rental expense and real estate taxes	247	-	-	-	247
Miscellaneous	18,990	18,747	2,271	-	40,008
Total operating expenses	<u>2,056,739</u>	<u>2,503,429</u>	<u>788,508</u>	<u>349,165</u>	<u>5,697,841</u>
Operating income (loss)	359,876	373,825	786,050	(86,265)	1,433,486
Nonoperating revenues (expenses)					
Investment and other interest income	12,427	63,788	10,302	3,274	89,791
Grants and contributions	-	-	3,352	-	3,352
Refunds and reimbursements	20,864	9,853	4,661	2,234	37,612
Trunk and access charges	401,487	668,767	-	9,000	1,079,254
Interest expense	(86,414)	(256,727)	(8,638)	-	(351,779)
Amortization	4,826	16,410	2,260	-	23,496
Rent	-	24,851	-	-	24,851
Other income	17,402	9,255	509	-	27,166
Total nonoperating revenues (expenses)	<u>370,592</u>	<u>536,197</u>	<u>12,446</u>	<u>14,508</u>	<u>933,743</u>
Income (loss) before transfers	730,468	910,022	798,496	(71,757)	2,367,229
Transfers out	<u>(48,067)</u>	<u>(37,355)</u>	<u>(493,620)</u>	<u>(45,641)</u>	<u>(624,683)</u>
Change in net position	682,401	872,667	304,876	(117,398)	1,742,546
Net position					
Beginning 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>
End of year	<u>\$ 12,607,894</u>	<u>\$ 19,734,047</u>	<u>\$ 2,367,078</u>	<u>\$ 3,047,169</u>	<u>\$ 37,756,188</u>

See notes to basic financial statements.

City of Big Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2021

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 2,385,038	\$ 2,820,412	\$ 5,635,360	\$ 259,742	\$ 11,100,552
Payments to suppliers	(565,264)	(552,590)	(4,291,199)	(23,685)	(5,432,738)
Payments to employees	(608,969)	(607,503)	(506,037)	(126,252)	(1,848,761)
Net cash flows - operating activities	<u>1,210,805</u>	<u>1,660,319</u>	<u>838,124</u>	<u>109,805</u>	<u>3,819,053</u>
Cash Flows - Noncapital					
Financing Activities					
Payment of advances to other funds	-	152,737	-	-	152,737
Receipt of advances from other funds	(100,000)	-	-	-	(100,000)
Refunds and reimbursements	20,864	9,853	4,661	2,234	37,612
Rent	-	24,851	-	-	24,851
Transfer to other funds	(48,067)	(37,355)	(493,620)	(45,641)	(624,683)
Net cash flows - noncapital financing activities	<u>(127,203)</u>	<u>150,086</u>	<u>(488,959)</u>	<u>(43,407)</u>	<u>(509,483)</u>
Cash Flows - Capital and Related					
Financing Activities					
Trunk and access charges	401,487	668,767	-	9,000	1,079,254
Principal paid on debt	(716,356)	(1,119,646)	(79,937)	-	(1,915,939)
Interest paid on debt	(93,992)	(268,581)	(9,302)	-	(371,875)
Federal grant proceeds	-	-	3,352	-	3,352
Acquisition of capital assets	(89,572)	(92,968)	(59,826)	-	(242,366)
Net cash flows - capital and related financing activities	<u>(498,433)</u>	<u>(812,428)</u>	<u>(145,713)</u>	<u>9,000</u>	<u>(1,447,574)</u>
Cash Flows - Investing Activities					
Interest and dividends received	<u>12,427</u>	<u>63,788</u>	<u>10,302</u>	<u>3,274</u>	<u>89,791</u>
Net change in cash and cash equivalents	597,596	1,061,765	213,754	78,672	1,951,787
Cash and Cash Equivalents, January 1	<u>1,373,905</u>	<u>2,887,061</u>	<u>1,460,385</u>	<u>387,006</u>	<u>6,108,357</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,971,501</u>	<u>\$ 3,948,826</u>	<u>\$ 1,674,139</u>	<u>\$ 465,678</u>	<u>\$ 8,060,144</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities					
Operating income (loss)	\$ 359,876	\$ 373,825	\$ 786,050	\$ (86,265)	\$ 1,433,486
Adjustments to reconcile operating income (loss) to net cash flows - Operating activities					
Other revenues	17,402	9,255	509	-	27,166
Depreciation expense	871,903	1,394,082	66,873	222,329	2,555,187
Net pension liability expense	(23,123)	(23,123)	(20,433)	(26,922)	(93,601)
Accounts receivable	(12,091)	(49,461)	141	(153)	(61,564)
Special assessments receivable	(36,253)	(32,210)	-	(2,922)	(71,385)
Due from other governments	(635)	15,574	-	(83)	14,856
Prepaid items	1,492	(21,484)	(496)	246	(20,242)
Inventory	-	-	(49,933)	-	(49,933)
Accounts payable	23,466	(13,876)	52,735	7	62,332
Due to other governmental units	1,031	-	(683)	-	348
Salaries payable	2,661	2,661	2,512	1,126	8,960
Compensated absences payable	5,076	5,076	849	2,442	13,443
Total adjustments	<u>850,929</u>	<u>1,286,494</u>	<u>52,074</u>	<u>196,070</u>	<u>2,385,567</u>
Net cash flows - operating activities	<u>\$ 1,210,805</u>	<u>\$ 1,660,319</u>	<u>\$ 838,124</u>	<u>\$ 109,805</u>	<u>\$ 3,819,053</u>

City of Big Lake
Notes to Basic 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 Basic 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, 2021, the City contributed \$184,080 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 2021.

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 Basic 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 Capital Projects 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.

Street Improvement Capital Projects Fund – This fund accounts for all the costs associated with various street improvement projects within the City.

City of Big Lake
Notes to Basic 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:

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's 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.

City of Big Lake
Notes to Basic 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)

Minnesota Statute 118A authorizes allowable investments including, 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.

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.

City of Big Lake
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Receivables/Property Taxes (Continued)

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.

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:

<u>Assets</u>	<u>Years</u>
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 Basic 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 advanced appropriations – state shared taxes. 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 advanced appropriations – state shared taxes 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 Basic 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 Basic 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 Basic 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 Funds had a deficit fund balance at December 31, 2021:

Non-major Governmental Fund	
G.O. State Aid Loan	\$ 113,257
Industrial Park Expansion Land Purchase Capital Projects Fund	51,571

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, 2021, 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	\$ 20,070
Certificates of deposit	748,800
Total	\$ 768,870

City of Big Lake
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

At December 31, 2021, 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	\$ 6,162,401	\$ 741,674	\$ 911,995	\$ 3,581,547	\$ 927,185
Cash and Brokered Money Market Accounts	36,219	36,219	-	-	-
Municipal Bonds	201,084	-	-	201,084	-
4M Fund	2,012,890	2,012,890	-	-	-
4M LTD	2,994,299	2,994,299	-	-	-
4M Plus	9,221,094	9,221,094	-	-	-
Total	20,627,987	15,006,176	911,995	3,782,631	927,185
Non-Pooled Restricted Cash and Cash Equivalents					
4M Fund	1,124,990	1,124,990	-	-	-
Total Investments	\$ 21,752,977	\$ 16,131,166	\$ 911,995	\$ 3,782,631	\$ 927,185

The City has the following recurring fair value measurements as of December 31, 2021:

- \$6,363,485 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 allowed. 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 Basic 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, 2021:

Petty cash	\$ 2,975
Deposits (Note 3.A.)	768,870
Investments (Note 3.B.)	<u>21,752,977</u>
Total deposits and investments	<u><u>\$ 22,524,822</u></u>

Cash, deposits, and investments are presented in the December 31, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 22,399,822
Restricted cash and cash equivalents	<u>125,000</u>
Total	<u><u>\$ 22,524,822</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 \$300,000.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2021, was as follows:

	<u>Advances to Sewer Fund</u>
Advances from	
Other Governmental Funds	\$ 811,670
Water Fund	<u>53,920</u>
Total	<u><u>\$ 865,590</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 Basic Financial Statements

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2021, was as follows:

	Transfers In					Total
	General Fund	Equipment and Building Replacements	Infrastructure Improvement	Street Improvement	Other Governmental Funds	
Transfers out						
General Fund	\$ -	\$ 19,640	\$ -	\$ -	\$ 712,298	\$ 731,938
Infrastructure Improvement Fund	-	-	-	2,948	100,000	102,948
Equipment/Bldg Replacements	-	-	-	-	50,000	50,000
Street Improvement	-	-	172,503	-	-	172,503
Other Governmental Funds	-	-	6,810	-	224,744	231,554
Liquor Fund	450,000	-	-	-	43,620	493,620
Water Fund	-	6,000	-	-	42,067	48,067
Sewer Fund	-	6,000	-	-	31,355	37,355
Storm Sewer Fund	-	6,000	-	-	39,641	45,641
Total	<u>\$ 450,000</u>	<u>\$ 37,640</u>	<u>\$ 179,313</u>	<u>\$ 2,948</u>	<u>\$ 1,243,725</u>	<u>\$ 1,913,626</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 Basic Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, 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	228,672	2,884,500	169,065	2,944,107
Total capital assets not being depreciated	<u>8,274,091</u>	<u>2,884,500</u>	<u>169,065</u>	<u>10,989,526</u>
Capital assets being depreciated				
Infrastructure	41,784,526	169,065	-	41,953,591
Buildings	4,979,619	-	-	4,979,619
Leasehold improvements	236,258	40,427	-	276,685
Machinery and equipment	5,853,195	238,132	181,992	5,909,335
Total capital assets being depreciated	<u>52,853,598</u>	<u>447,624</u>	<u>181,992</u>	<u>53,119,230</u>
Less accumulated depreciation for				
Infrastructure	23,695,180	1,187,234	-	24,882,414
Buildings	2,497,008	165,724	-	2,662,732
Leasehold improvements	20,629	13,560	-	34,189
Machinery and equipment	3,979,956	457,576	181,992	4,255,540
Total accumulated depreciation	<u>30,192,773</u>	<u>1,824,094</u>	<u>181,992</u>	<u>31,834,875</u>
Total capital assets being depreciated, net	<u>22,660,825</u>	<u>(1,376,470)</u>	<u>-</u>	<u>21,284,355</u>
Governmental activities capital assets, net	<u>\$ 30,934,916</u>	<u>\$ 1,508,030</u>	<u>\$ 169,065</u>	<u>\$ 32,273,881</u>

City of Big Lake
Notes to Basic 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	5,310	36,770	7,193	34,887
Total capital assets not being depreciated	<u>1,539,630</u>	<u>36,770</u>	<u>7,193</u>	<u>1,569,207</u>
Capital assets being depreciated				
Buildings	27,648,091	-	-	27,648,091
Collection and distribution systems	49,017,022	-	-	49,017,022
Leasehold improvements	223,833	-	-	223,833
Machinery and equipment	1,548,010	212,789	-	1,760,799
Total capital assets being depreciated	<u>78,436,956</u>	<u>212,789</u>	<u>-</u>	<u>78,649,745</u>
Less accumulated depreciation for				
Buildings	8,329,248	921,603	-	9,250,851
Collection and distribution systems	25,272,020	1,547,962	-	26,819,982
Leasehold improvements	150,135	6,042	-	156,177
Machinery and equipment	1,142,158	79,580	-	1,221,738
Total accumulated depreciation	<u>34,893,561</u>	<u>2,555,187</u>	<u>-</u>	<u>37,448,748</u>
Total capital assets being depreciated, net	<u>43,543,395</u>	<u>(2,342,398)</u>	<u>-</u>	<u>41,200,997</u>
Business-type activities capital assets, net	<u>\$ 45,083,025</u>	<u>\$ (2,305,628)</u>	<u>\$ 7,193</u>	<u>\$ 42,770,204</u>

City of Big Lake
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 80,204
Public safety	302,598
Streets and highways	1,248,503
Culture and recreation	144,015
Economic development	<u>48,774</u>
Total depreciation expense - governmental activities	<u>\$ 1,824,094</u>
Business-type activities	
Water	\$ 871,903
Sewer	1,394,082
Liquor	66,873
Storm sewer	<u>222,329</u>
Total depreciation expense - business-type activities	<u>\$ 2,555,187</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 10-year serial bonds with equal debt service payments each year.

City of Big Lake
Notes to Basic 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	\$ 220,000	\$ 220,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	1,040,000	2026	90,000	45,000
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,330,000	2029	1,820,000	550,000
G.O. Capital Improvement Bonds of 2016B	2016	1.00%-2.25%	590,000	2028	355,000	50,000
G.O. Refunding Improvement Bonds of 2016C	2016	2.00%	1,875,000	2026	1,470,000	205,000
G.O. Improvement Bonds of 2018A	2018	3%-3.30%	2,350,000	2034	2,090,000	135,000
G.O. Improvement Bonds of 2021A	2021	1.05%-3.00%	3,140,000	2032	3,140,000	-
Tax Abatement Bonds						
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	296,530	2025	125,718	30,063
Taxable G.O. Refunding Bonds						
Taxable G.O. Refunding Bond of 2016A	2016	0.90%-3.10%	2,885,000	2030	1,730,000	270,000
Notes payable from direct borrowing						
Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	1,132,000	133,000
					<u>12,172,718</u>	<u>1,638,063</u>
Premium on bonds payable					415,152	-
Severance					48,231	48,231
Compensated absences					319,925	319,925
Total governmental activities					<u>12,956,026</u>	<u>2,006,219</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	895,000	170,000
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	788,470	2025	334,282	79,937
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,955,000	2029	3,270,000	365,000
					<u>4,499,282</u>	<u>614,937</u>
Notes from direct borrowing						
Public Facility Authority Drinking Water G.O. Revenue Note						
Public Facility Authority Clean Water G.O. Revenue Note of 2009	2004	2.53%	9,787,000	2024	1,654,000	538,000
	2009	2.41%	13,470,120	2024	7,058,000	810,000
					<u>8,712,000</u>	<u>1,348,000</u>
Premium on bonds payable					141,016	-
Compensated absences					159,131	159,131
Total business-type activities					<u>13,511,429</u>	<u>2,122,068</u>
Total all long-term liabilities					<u>\$ 26,467,455</u>	<u>\$ 4,128,287</u>

City of Big Lake
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, 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	\$ 7,435,000	\$ 3,140,000	\$ 1,390,000	\$ 9,185,000	\$ 1,205,000
G.O. Revenue /Tax Abatement Bonds	155,781	-	30,063	125,718	30,063
Taxable G.O. Refunding Bonds	2,000,000	-	270,000	1,730,000	270,000
Notes payable from direct borrowing	1,263,000	-	131,000	1,132,000	133,000
Capital lease	8,412	-	8,412	-	-
Premium on bonds	235,636	226,645	47,129	415,152	-
Total bonds payable	<u>11,097,829</u>	<u>3,366,645</u>	<u>1,876,604</u>	<u>12,587,870</u>	<u>1,638,063</u>
Compensated absences	302,864	264,860	247,799	319,925	319,925
Severance	<u>46,719</u>	<u>1,512</u>	<u>-</u>	<u>48,231</u>	<u>48,231</u>
Total governmental activities	<u>11,447,412</u>	<u>3,633,017</u>	<u>2,124,403</u>	<u>12,956,026</u>	<u>2,006,219</u>
Business-type activities					
Bonds payable					
G.O. Revenue Bonds	5,099,221	-	599,939	4,499,282	614,937
Premium on bonds	164,510	-	23,494	141,016	-
Total bonds payable	<u>5,263,731</u>	<u>-</u>	<u>623,433</u>	<u>4,640,298</u>	<u>614,937</u>
Notes from direct borrowing					
PFA G.O. Revenue Notes	<u>10,028,000</u>	<u>-</u>	<u>1,316,000</u>	<u>8,712,000</u>	<u>1,348,000</u>
Compensated absences	<u>145,688</u>	<u>136,631</u>	<u>123,188</u>	<u>159,131</u>	<u>159,131</u>
Total business-type activities	<u>15,437,419</u>	<u>136,631</u>	<u>2,062,621</u>	<u>13,511,429</u>	<u>2,122,068</u>
Total long-term liabilities	<u>\$26,884,831</u>	<u>\$ 3,769,648</u>	<u>\$ 4,187,024</u>	<u>\$26,467,455</u>	<u>\$ 4,128,287</u>

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

City of Big Lake
Notes to Basic 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
2022	\$ 1,205,000	\$ 227,648	\$ 1,432,648	\$ 30,063	\$ 2,730	\$ 32,793
2023	1,385,000	181,544	1,566,544	31,430	1,999	33,429
2024	1,185,000	148,938	1,333,938	31,429	1,213	32,642
2025	875,000	124,012	999,012	32,796	410	33,206
2026	905,000	101,437	1,006,437	-	-	-
2027-2031	2,730,000	256,490	2,986,490	-	-	-
2032-2034	900,000	29,779	929,779	-	-	-
Total	<u>\$ 9,185,000</u>	<u>\$ 1,069,848</u>	<u>\$ 10,254,848</u>	<u>\$ 125,718</u>	<u>\$ 6,352</u>	<u>\$ 132,070</u>

Year Ending December 31,	Governmental Activities		
	Notes Payable from Direct Borrowing		
	Principal	Interest	Total
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	143,000	10,114	153,114
2027-2029	443,000	15,380	458,380
Total	<u>\$ 1,132,000</u>	<u>\$ 89,716</u>	<u>\$ 1,221,716</u>

Year Ending December 31,	Taxable G.O. Refunding Bond			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2022	\$ 270,000	\$ 41,720	\$ 311,720	\$ 1,638,063	\$ 291,636
2023	280,000	35,940	315,940	1,831,430	236,725	2,068,155
2024	280,000	29,500	309,500	1,634,429	194,563	1,828,992
2025	170,000	23,930	193,930	1,217,796	160,882	1,378,678
2026	180,000	19,200	199,200	1,228,000	130,751	1,358,751
2027-2030	550,000	27,870	577,870	3,723,000	299,740	4,022,740
	-	-	-	900,000	29,779	929,779
Total	<u>\$ 1,730,000</u>	<u>\$ 178,160</u>	<u>\$ 1,908,160</u>	<u>\$ 12,172,718</u>	<u>\$ 1,344,076</u>	<u>\$ 13,516,794</u>

City of Big Lake
Notes to Basic 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
2022	\$ 614,937	\$ 105,411	\$ 720,348	\$ 1,348,000	\$ 212,226	\$ 1,560,226
2023	638,571	88,367	726,938	1,381,000	179,060	1,560,060
2024	648,570	72,465	721,035	1,415,000	145,085	1,560,085
2025	667,204	57,300	724,504	870,000	110,272	980,272
2026	600,000	41,846	641,846	892,000	89,270	981,270
2027-2029	1,330,000	54,032	1,384,032	2,806,000	136,560	2,942,560
Total	<u>\$ 4,499,282</u>	<u>\$ 419,421</u>	<u>\$ 4,918,703</u>	<u>\$ 8,712,000</u>	<u>\$ 872,473</u>	<u>\$ 9,584,473</u>

Year Ending December 31,	Business-Type Activities		
	Total Business-Type Activities		
	Principal	Interest	Total
2022	\$ 1,962,937	\$ 317,637	\$ 2,280,574
2023	2,019,571	267,427	2,286,998
2024	2,063,570	217,550	2,281,120
2025	1,537,204	167,572	1,704,776
2026	1,492,000	131,116	1,623,116
2027-2029	4,136,000	190,592	4,326,592
Total	<u>\$ 13,211,282</u>	<u>\$ 1,291,894</u>	<u>\$ 14,503,176</u>

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 was paid off during 2021.

City of Big Lake
Notes to Basic 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	Street Improvement	Nonmajor Governmental Fund	Total
Nonspendable						
Land held for resale	\$ -	\$ -	\$ -	\$ -	\$ 633,200	\$ 633,200
Prepaid items	99,339	-	-	-	130	99,469
Total nonspendable	<u>99,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,330</u>	<u>732,669</u>
Restricted						
Debt service	-	-	-	-	1,523,208	1,523,208
Park development	-	-	-	-	443,875	443,875
TIF	-	-	-	-	202,134	202,134
Police traffic safety	-	-	-	-	20	20
DWI forfeiture	-	-	-	-	15,084	15,084
Farmers market	-	-	-	-	18,705	18,705
Narcotic forfeiture	-	-	-	-	36,145	36,145
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,239,171</u>	<u>2,239,171</u>
Committed						
Economic development	-	-	-	-	213,700	213,700
Assigned						
Veterans memorial	-	-	-	-	15,586	15,586
Street improvement	-	-	-	849,480	-	849,480
Local development	-	-	-	-	143,543	143,543
Music in the park	-	-	-	-	19,282	19,282
Capital infrastructure replacement	-	-	1,814,220	-	-	1,814,220
Computer replacement	-	-	-	-	226,205	226,205
Lake maintenance	-	-	-	-	50,285	50,285
Police capital purchases	42,949	-	-	-	-	42,949
Street maintenance	-	-	-	-	1,582,536	1,582,536
Equipment and building replacements	-	984,272	-	-	-	984,272
Liquor violations training	4,500	-	-	-	-	4,500
Wellness program	5,577	-	-	-	-	5,577
ECFE - Reading in the park program	22,186	-	-	-	-	22,186
Movie in the park program	9,119	-	-	-	-	9,119
Parks and Trails Maintenance	-	-	-	-	209,708	209,708
Total assigned	<u>84,331</u>	<u>984,272</u>	<u>1,814,220</u>	<u>849,480</u>	<u>2,247,145</u>	<u>5,979,448</u>
Unassigned						
	<u>3,908,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(798,028)</u>	<u>3,110,773</u>
Total	<u>\$ 4,092,471</u>	<u>\$ 984,272</u>	<u>\$ 1,814,220</u>	<u>\$ 849,480</u>	<u>\$ 4,535,318</u>	<u>\$ 12,275,761</u>

City of Big Lake
Notes to Basic 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 2021 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2021, 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, 2021, was \$63,383. 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 Basic 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. 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.

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.

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

Police and Fire Plan Benefits

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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 2021 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, 2021, were \$191,046. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$208,055. The City's contributions were equal to the required contributions as set by the state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$1,477,575 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 \$45,050.

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs

The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0346% at the end of the measurement period and 0.0323% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,477,575
State of Minnesota's proportionate share of net pension liability associated with the City	45,050
Total	<u>\$ 1,522,625</u>

for the year ended December 31, 2021, the city recognized pension expense of \$70,124 for its proportionate share of general employees plan's pension expense. Included in the amount, the city recognized \$3,635 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.

At December 31, 2021, 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	\$ 8,658	\$ 44,871
Changes in actuarial assumptions	902,178	30,722
Net collective difference between projected and actual investment earnings	-	1,288,299
Changes in proportion	103,422	22,124
Contributions paid to PERA subsequent to the measurement date	95,523	-
Total	<u>\$ 1,109,781</u>	<u>\$ 1,386,016</u>

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$95,523 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, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Pension</u> <u>Expense</u> <u>Amount</u>
2022	\$ (42,418)
2023	50
2024	19,635
2025	<u>(349,025)</u>
Total	<u>\$ (371,758)</u>

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$766,708 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1005%, at the end of the measurement period and 0.0999% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. 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 supplemental 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although it is not anticipated that they will be phased out during the fiscal year ended 2022.

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

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, (pension allocation schedules) for the \$9 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, 2021, the City recognized pension expense of \$(6,741) for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$6,356 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 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 supplemental state aid. The City also recognized \$9,045 for the year ended December 31, 2021, 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.

At December 31, 2021, 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	\$ 146,509	\$ -
Changes in actuarial assumptions	1,140,152	349,226
Net collective difference between projected and actual investment earnings	-	1,477,535
Changes in proportion	105,995	46,820
Contributions paid to PERA subsequent to the measurement date	<u>104,028</u>	<u>-</u>
Total	<u><u>\$ 1,496,684</u></u>	<u><u>\$ 1,873,581</u></u>

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The \$104,028 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Pension Expense</u> <u>Amount</u>
2022	\$ (451,271)
2023	(58,841)
2024	(73,825)
2025	(147,903)
2026	<u>250,915</u>
Total	<u>\$ (480,925)</u>

E. Long-Term Expected Return on Investment

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 equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	<u>25.0</u>	5.90
Total	<u>100.0 %</u>	

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for 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 the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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.

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. 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 (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 3,013,499	\$ 1,477,575	\$ 217,256
	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 2,453,841	\$ 766,708	\$ (616,322)

I. 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.

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.

City of Big Lake
Notes to Basic Financial Statements

NOTE 11 – TAX INCREMENT FINANCING (CONTINUED)

During the year ended December 31, 2021, the City generated \$214,119 in tax increment revenue and made \$136,901 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, 2021, the City generated \$13,513 of tax increment revenue and made payments on the pay-as-you-go note of \$12,161. The note's balance at year end was \$116,738.
- 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, 2021, the City generated \$31,434 of tax increment revenue and made the last payments on the pay-as-you-go notes of \$18,654. This TIF District was decertified in 2021.
- 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, 2021, the City generated \$120,498 of tax increment revenue and made payments on the pay-as-you-go note of \$106,086. The note's balance at year end was \$204,537.

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

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	\$ 2,910,267	\$ 2,119,086	\$ 791,181
2022 Street Projects	536,112	184,697	351,415
GIS Software	29,600	26,588	3,012
2022 Fire Dept Grass Rig	64,311	22,586	41,725
New Well Location	163,985	26,285	137,700
	<u>\$ 3,704,275</u>	<u>\$ 2,379,242</u>	<u>\$ 1,325,033</u>

City of Big Lake
Notes to Basic Financial Statements

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.

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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%
2021	0.0346%	1,477,575	45,050	1,522,625	2,490,387	59.33%	87.00%

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%
2021	0.1005%	766,708	34,903	801,611	1,188,198	64.53%	93.66%

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%
2021	191,046	191,046	-	2,547,280	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%
2021	208,055	208,055	-	1,175,452	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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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 changed 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.

City of Big Lake
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes (Continued)

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.

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.

City of Big Lake
Notes to Required Supplementary Information

General Employees Fund (Continued)

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.

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of Big Lake
Notes to Required Supplementary Information

Police And Fire Fund (Continued)

2018 Changes (Continued)

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.
- 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.

City of Big Lake
Notes to Required Supplementary Information

Police And Fire Fund (Continued)

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%.

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SUPPLEMENTARY INFORMATION

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Assets				
Cash and investments	\$ 150,459	\$ 37,062	\$ 15,084	\$ 20
Taxes receivable - delinquent	1,410	-	-	-
Accounts receivable	-	674	-	-
Due from other governments	3,540	-	-	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	61,925	-	-	-
Prepaid expenses	315	-	-	-
	<u>\$ 217,649</u>	<u>\$ 37,736</u>	<u>\$ 15,084</u>	<u>\$ 20</u>
Liabilities				
Accounts payable	\$ 315	\$ 1,591	\$ -	\$ -
Salaries and benefits payable	2,224	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>2,539</u>	<u>1,591</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	1,410	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Advanced Appropriations - State Shared Taxes	-	-	-	-
Total deferred inflows of resources	<u>1,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	36,145	15,084	20
Committed	213,700	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>213,700</u>	<u>36,145</u>	<u>15,084</u>	<u>20</u>
	<u>\$ 217,649</u>	<u>\$ 37,736</u>	<u>\$ 15,084</u>	<u>\$ 20</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 217,649</u>	<u>\$ 37,736</u>	<u>\$ 15,084</u>	<u>\$ 20</u>

Special Revenue				Debt Service		
Farmers Market (280)	Veterans Memorial Fund (281)	Music in the Park (282)	American Rescue Plan (274)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)
\$ 19,601	\$ 15,652	\$ 19,282	\$ 613,401	\$ 351,512	\$ 15,687	\$ 166,907
-	-	-	-	2,997	774	3,330
-	-	-	-	-	-	-
5	-	-	-	5,703	1,611	7,393
-	-	-	-	300,000	-	-
-	-	-	-	-	-	280
-	-	-	-	-	-	6,420
-	-	-	-	-	-	-
130	-	-	-	-	-	-
<u>\$ 19,736</u>	<u>\$ 15,652</u>	<u>\$ 19,282</u>	<u>\$ 613,401</u>	<u>\$ 660,212</u>	<u>\$ 18,072</u>	<u>\$ 184,330</u>
\$ 852	\$ 66	\$ -	\$ -	\$ -	\$ -	\$ -
48	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1	-	-	-	-	-	-
-	-	-	-	234,852	-	-
-	-	-	613,401	-	-	-
<u>901</u>	<u>66</u>	<u>-</u>	<u>613,401</u>	<u>234,852</u>	<u>-</u>	<u>-</u>
-	-	-	-	300,000	-	-
-	-	-	-	2,997	774	3,330
-	-	-	-	-	-	6,700
-	-	-	-	-	-	-
-	-	-	-	<u>302,997</u>	<u>774</u>	<u>10,030</u>
130	-	-	-	-	-	-
18,705	-	-	-	122,363	17,298	174,300
-	-	-	-	-	-	-
-	15,586	19,282	-	-	-	-
-	-	-	-	-	-	-
<u>18,835</u>	<u>15,586</u>	<u>19,282</u>	<u>-</u>	<u>122,363</u>	<u>17,298</u>	<u>174,300</u>
<u>\$ 19,736</u>	<u>\$ 15,652</u>	<u>\$ 19,282</u>	<u>\$ 613,401</u>	<u>\$ 660,212</u>	<u>\$ 18,072</u>	<u>\$ 184,330</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	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)
Assets				
Cash and investments	\$ 206,212	\$ 775,579	\$ 11,305	\$ 30,298
Taxes receivable - delinquent	4,866	-	-	352
Accounts receivable	-	-	-	-
Due from other governments	10,441	7,831	-	675
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	274	39	-	-
Deferred	579,254	314,387	-	-
Land held for resale	-	-	-	-
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 801,047</u>	<u>\$ 1,097,836</u>	<u>\$ 11,305</u>	<u>\$ 31,325</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	4,866	-	-	352
Unavailable revenue - special assessments	579,528	314,426	-	-
Advanced Appropriations - State Shared Taxes	-	-	124,562	-
Total deferred inflows of resources	<u>584,394</u>	<u>314,426</u>	<u>124,562</u>	<u>352</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	216,653	783,410	-	30,973
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(113,257)	-
Total fund balances	<u>216,653</u>	<u>783,410</u>	<u>(113,257)</u>	<u>30,973</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 801,047</u>	<u>\$ 1,097,836</u>	<u>\$ 11,305</u>	<u>\$ 31,325</u>

Debt Service				Capital Projects		
G.O. Improvement Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)	GO Improvement Bond 2021A (228)	GO Improvement Bond 2022A (229)	Neighborhood Stabilization Program (116)	Parks and Trails Maintenance (195)	Park Development (120)
\$ 16,382	\$ 103,251	\$ 78,718	\$ 2,020	\$ -	\$ 209,708	\$ 443,875
3,883	245	-	-	-	-	-
-	-	-	-	462	-	-
9,055	608	-	-	-	-	-
-	-	-	-	-	-	-
4,543	-	-	-	-	-	-
10,422	98,654	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 44,285</u>	<u>\$ 202,758</u>	<u>\$ 78,718</u>	<u>\$ 2,020</u>	<u>\$ 462</u>	<u>\$ 209,708</u>	<u>\$ 443,875</u>
\$ -	\$ -	\$ -	\$ -	\$ 462	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	29,805	2,018	-	-	-
-	-	29,805	2,018	462	-	-
-	-	-	-	-	-	-
3,883	245	-	-	-	-	-
14,965	98,654	-	-	-	-	-
-	-	-	-	-	-	-
<u>18,848</u>	<u>98,899</u>	-	-	-	-	-
-	-	-	-	-	-	-
25,437	103,859	48,913	2	-	-	443,875
-	-	-	-	-	-	-
-	-	-	-	-	209,708	-
-	-	-	-	-	-	-
<u>25,437</u>	<u>103,859</u>	<u>48,913</u>	<u>2</u>	<u>-</u>	<u>209,708</u>	<u>443,875</u>
<u>\$ 44,285</u>	<u>\$ 202,758</u>	<u>\$ 78,718</u>	<u>\$ 2,020</u>	<u>\$ 462</u>	<u>\$ 209,708</u>	<u>\$ 443,875</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2021**

	Capital Projects			
	Industrial Park Expansion Land Purchase (141)	Local Development (150)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)
Assets				
Cash and investments	\$ 41	\$ 940,376	\$ 2,490	\$ 2,187
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	375	-	3,588	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	1,885	-	-
Land held for resale	633,200	-	-	95,160
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 633,616</u>	<u>\$ 942,261</u>	<u>\$ 6,078</u>	<u>\$ 97,347</u>
Liabilities				
Accounts payable	\$ -	\$ 13,193	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	767,840	-	-
Contracts payable	-	15,800	-	-
Due to other governments	108,369	-	-	-
Advances from other funds	576,818	-	-	-
Unearned revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>685,187</u>	<u>796,833</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	1,885	-	-
Advanced Appropriations - State Shared Taxes	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-</u>	<u>1,885</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	633,200	-	-	-
Restricted	-	-	6,078	97,347
Committed	-	-	-	-
Assigned	-	143,543	-	-
Unassigned	(684,771)	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>(51,571)</u>	<u>143,543</u>	<u>6,078</u>	<u>97,347</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 633,616</u>	<u>\$ 942,261</u>	<u>\$ 6,078</u>	<u>\$ 97,347</u>

Capital Projects

Commercial Redevelopment TIF 1-5 (171)	Northern Star TIF1-7 (173)	Computer Replacement Fund (194)	Street Maintenance Fund (196)	Lake Maintenance Fund (197)	Total Other Governmental Funds
\$ 3,102	\$ 96,607	\$ 226,205	\$ 1,582,536	\$ 50,285	\$ 6,185,844
-	-	-	-	-	17,857
-	-	-	-	-	1,136
-	-	-	-	-	50,825
-	-	-	-	-	300,000
-	-	-	-	-	5,136
-	-	-	-	-	1,011,022
-	-	-	-	-	790,285
-	-	-	-	-	445
<u>\$ 3,102</u>	<u>\$ 96,607</u>	<u>\$ 226,205</u>	<u>\$ 1,582,536</u>	<u>\$ 50,285</u>	<u>\$ 8,362,550</u>
\$ -	\$ -	\$ -	\$ -	\$ -	16,479
-	-	-	-	-	2,272
1,000	-	-	-	-	768,840
-	-	-	-	-	15,800
-	-	-	-	-	108,370
-	-	-	-	-	811,670
-	-	-	-	-	645,224
<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,368,655</u>
-	-	-	-	-	300,000
-	-	-	-	-	17,857
-	-	-	-	-	1,016,158
-	-	-	-	-	124,562
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,458,577</u>
-	-	-	-	-	633,330
2,102	96,607	-	-	-	2,239,171
-	-	-	-	-	213,700
-	-	226,205	1,582,536	50,285	2,247,145
-	-	-	-	-	(798,028)
<u>2,102</u>	<u>96,607</u>	<u>226,205</u>	<u>1,582,536</u>	<u>50,285</u>	<u>4,535,318</u>
<u>\$ 3,102</u>	<u>\$ 96,607</u>	<u>\$ 226,205</u>	<u>\$ 1,582,536</u>	<u>\$ 50,285</u>	<u>\$ 8,362,550</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2021

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Revenues				
Property taxes	\$ 131,483	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	36,887	14,805	-
Miscellaneous				
Investment and other interest income	866	193	72	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>132,349</u>	<u>37,080</u>	<u>14,877</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	11,075	2,761	-
Culture and recreation	-	-	-	-
Economic development	97,754	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	627	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	3,064	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>98,381</u>	<u>14,139</u>	<u>2,761</u>	<u>-</u>
Excess of revenues over (under) expenditures	33,968	22,941	12,116	-
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Insurance recovery proceeds	-	10,650	-	-
Transfers in	100,000	-	-	-
Transfers out	(46,362)	-	-	-
Total other financing sources (uses)	<u>53,638</u>	<u>10,650</u>	<u>-</u>	<u>-</u>
Net change in fund balances	87,606	33,591	12,116	-
Fund Balances				
Beginning balance	<u>126,094</u>	<u>2,554</u>	<u>2,968</u>	<u>20</u>
End of year	<u>\$ 213,700</u>	<u>\$ 36,145</u>	<u>\$ 15,084</u>	<u>\$ 20</u>

Special Revenue				Debt Service		
Farmers Market (280)	Veterans Memorial Fund (281)	Music in the Park (282)	American Rescue Plan (274)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)
\$ -	\$ -	\$ -	\$ -	\$ 202,069	\$ 60,830	\$ 245,578
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,764
4,130	-	-	-	-	-	-
1,857	2,000	-	-	48,067	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
168	140	98	-	1,478	(171)	122
17,787	28,981	23,688	-	-	-	-
39	-	-	-	-	-	-
<u>23,981</u>	<u>31,121</u>	<u>23,786</u>	<u>-</u>	<u>251,614</u>	<u>60,659</u>	<u>247,464</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
21,038	23,380	5,504	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	270,000	50,000	205,000
-	-	-	-	56,682	7,770	31,944
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,600	4,000	-	-	-	-
-	-	-	-	-	-	-
<u>21,038</u>	<u>25,980</u>	<u>9,504</u>	<u>-</u>	<u>326,682</u>	<u>57,770</u>	<u>236,944</u>
2,943	5,141	14,282	-	(75,068)	2,889	10,520
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,000	-	98,382	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>98,382</u>	<u>-</u>	<u>-</u>
2,943	5,141	19,282	-	23,314	2,889	10,520
15,892	10,445	-	-	99,049	14,409	163,780
<u>\$ 18,835</u>	<u>\$ 15,586</u>	<u>\$ 19,282</u>	<u>\$ -</u>	<u>\$ 122,363</u>	<u>\$ 17,298</u>	<u>\$ 174,300</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2021

	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	\$ 325,295	\$ -	\$ -	\$ 25,040
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	184,305	45,157	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	27,107	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	(866)	6,047	109	61
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>508,734</u>	<u>51,204</u>	<u>27,216</u>	<u>25,101</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	530,000	130,000	131,000	30,063
Interest and other charges	57,050	66,795	21,799	3,497
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>587,050</u>	<u>196,795</u>	<u>152,799</u>	<u>33,560</u>
Excess of revenues over (under) expenditures	(78,316)	(145,591)	(125,583)	(8,459)
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Insurance recovery proceeds	-	-	-	-
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	34,747	(145,591)	(125,583)	(628)
Fund Balances				
Beginning balance	<u>181,906</u>	<u>929,001</u>	<u>12,326</u>	<u>31,601</u>
End of year	<u>\$ 216,653</u>	<u>\$ 783,410</u>	<u>\$ (113,257)</u>	<u>\$ 30,973</u>

Debt Service					Capital Projects	
G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)	GO Improvement Bond 2021A (228)	GO Improvement Bond 2022A (229)	Neighborhood Stabilization Program (116)	Parks and Trails Maintenance (195)
\$ 744	\$ 318,376	\$ 15,427	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
71	25,978	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	20,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50	(1,613)	742	273	2	-	785
-	-	-	-	-	-	-
-	-	-	-	-	67,297	-
<u>865</u>	<u>342,741</u>	<u>16,169</u>	<u>273</u>	<u>2</u>	<u>67,297</u>	<u>20,785</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	430,000	45,000	-	-	-	-
-	11,987	2,657	78,147	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	67,297	-
-	<u>441,987</u>	<u>47,657</u>	<u>78,147</u>	-	<u>67,297</u>	-
865	(99,246)	(31,488)	(77,874)	2	-	20,785
-	-	-	126,787	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	149,370
<u>(6,809)</u>	-	-	-	-	-	-
<u>(6,809)</u>	-	-	<u>126,787</u>	-	-	<u>149,370</u>
(5,944)	(99,246)	(31,488)	48,913	2	-	170,155
5,944	124,683	135,347	-	-	-	39,553
<u>\$ -</u>	<u>\$ 25,437</u>	<u>\$ 103,859</u>	<u>\$ 48,913</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 209,708</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2021

	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	-	-	-	47,166
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	46,361	-	-
Charges for services	46,541	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	3,822	163	-	51
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>50,363</u>	<u>46,524</u>	<u>-</u>	<u>47,217</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	117,032	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	23,147	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	1,377	-	-	-
Economic development	-	464	-	1,000
Total expenditures	<u>1,377</u>	<u>140,643</u>	<u>-</u>	<u>1,000</u>
Excess of revenues over (under) expenditures	48,986	(94,119)	-	46,217
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Insurance recovery proceeds	-	-	-	-
Transfers in	-	71,826	-	-
Transfers out	(80,000)	-	-	(52,588)
Total other financing sources (uses)	<u>(80,000)</u>	<u>71,826</u>	<u>-</u>	<u>(52,588)</u>
Net change in fund balances	(31,014)	(22,293)	-	(6,371)
Fund Balances				
Beginning balance	<u>474,889</u>	<u>(29,278)</u>	<u>143,543</u>	<u>12,449</u>
End of year	<u>\$ 443,875</u>	<u>\$ (51,571)</u>	<u>\$ 143,543</u>	<u>\$ 6,078</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37,579	13,513	(4,637)	120,498	-	-
-	-	-	-	42,532	-
-	-	-	-	-	-
-	-	-	-	-	100,000
-	-	-	-	-	-
-	-	-	-	-	-
47	15	84	304	1,670	8,670
-	-	-	-	-	-
-	-	-	-	-	-
<u>37,626</u>	<u>13,528</u>	<u>(4,553)</u>	<u>120,802</u>	<u>44,202</u>	<u>108,670</u>
-	-	-	-	12,381	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	25,812	-
-	-	-	-	-	-
-	-	-	-	-	-
1,000	13,162	19,653	107,087	-	-
<u>1,000</u>	<u>13,162</u>	<u>19,653</u>	<u>107,087</u>	<u>38,193</u>	<u>-</u>
36,626	366	(24,206)	13,715	6,009	108,670
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	59,840	629,656
(45,795)	-	-	-	-	-
<u>(45,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,840</u>	<u>629,656</u>
(9,169)	366	(24,206)	13,715	65,849	738,326
106,516	1,736	24,206	82,892	160,356	844,210
<u>\$ 97,347</u>	<u>\$ 2,102</u>	<u>\$ -</u>	<u>\$ 96,607</u>	<u>\$ 226,205</u>	<u>\$ 1,582,536</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, 2021

	<u>Capital Projects</u>	
	Lake Maintenance Fund (197)	Total Other Governmental Funds
Revenues		
Property taxes	\$ -	\$ 1,324,842
Tax increments	-	214,119
Franchise fees	-	42,532
Special assessments	-	257,275
Licenses and permits	-	4,130
Intergovernmental	-	245,392
Charges for services	-	46,541
Fines and forfeitures	-	51,692
Miscellaneous		
Investment and other interest income	329	23,711
Contributions and donations	-	70,456
Other	-	67,336
Total revenues	329	2,348,026
Expenditures		
Current		
General government	-	12,381
Public safety	-	13,836
Culture and recreation	-	49,922
Economic development	-	214,786
Debt service		
Principal	-	1,821,063
Interest and other charges	-	362,102
Capital outlay		
General government	-	25,812
Public safety	-	3,064
Culture and recreation	-	7,977
Economic development	-	209,663
Total expenditures	-	2,720,606
Excess of revenues over (under) expenditures	329	(372,580)
Other Financing Sources (Uses)		
Issuance of debt	-	126,787
Insurance recovery proceeds	-	10,650
Transfers in	8,757	1,243,725
Transfers out	-	(231,554)
Total other financing sources (uses)	8,757	1,149,608
Net change in fund balances	9,086	777,028
Fund Balances		
Beginning balance	41,199	3,758,290
End of year	\$ 50,285	\$ 4,535,318

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,389,743	\$ 3,414,743	\$ 3,538,948	\$ 124,205
Franchise fees	432,362	442,362	444,204	1,842
Special assessments	2,000	2,000	5,167	3,167
Licenses and permits	450,517	512,917	697,647	184,730
Intergovernmental revenue				
Fire aid	98,000	118,000	120,534	2,534
Police aid	139,000	139,000	146,712	7,712
Federal grants	19,655	19,655	13,144	(6,511)
Other grants and aids	197,829	197,829	192,737	(5,092)
Total intergovernmental revenue	<u>454,484</u>	<u>474,484</u>	<u>473,127</u>	<u>(1,357)</u>
Charges for services				
General government	67,728	67,728	70,290	2,562
Public safety	52,650	52,650	53,446	796
Public works	175,741	175,741	169,716	(6,025)
Culture and recreation	1,450	1,450	4,425	2,975
Total charges for services	<u>297,569</u>	<u>297,569</u>	<u>297,877</u>	<u>308</u>
Fines and forfeitures	61,000	61,000	51,832	(9,168)
Miscellaneous revenues				
Investment income	17,000	17,000	(138,686)	(155,686)
Contributions and donations	4,800	4,800	16,103	11,303
Other	45,037	45,037	16,138	(28,899)
Total miscellaneous revenues	<u>66,837</u>	<u>66,837</u>	<u>(106,445)</u>	<u>(173,282)</u>
Total revenues	<u>5,154,512</u>	<u>5,271,912</u>	<u>5,402,357</u>	<u>130,445</u>
Expenditures				
General government				
Mayor and council	34,196	34,196	31,867	(2,329)
Administrative and finance	568,388	574,388	558,382	(16,006)
Other general government	273,178	308,878	278,304	(30,574)
Capital outlay	1,500	1,500	1,440	(60)
Total general government	<u>877,262</u>	<u>918,962</u>	<u>869,993</u>	<u>(48,969)</u>
Public safety				
Police				
Current	2,113,226	2,113,226	2,077,589	(35,637)
Capital outlay	19,000	19,000	16,196	(2,804)
Total police	<u>2,132,226</u>	<u>2,132,226</u>	<u>2,093,785</u>	<u>(38,441)</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2021

	<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	\$ 417,853	\$ 437,853	\$ 309,717	\$ (128,136)
Other:				
Current	245,512	250,712	224,328	(26,384)
Total public safety	<u>2,795,591</u>	<u>2,820,791</u>	<u>2,627,830</u>	<u>(192,961)</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	626,754	626,754	523,124	(103,630)
Street engineering	106,860	106,860	86,331	(20,529)
Street lighting	107,100	107,100	95,603	(11,497)
Total streets and highways	<u>840,714</u>	<u>840,714</u>	<u>705,058</u>	<u>(135,656)</u>
Sanitation				
Garbage and other refuse				
Collection and disposal	1,920	1,920	2,622	702
Total public works	<u>842,634</u>	<u>842,634</u>	<u>707,680</u>	<u>(134,954)</u>
Culture and recreation				
Libraries				
Current	72,572	72,572	64,962	(7,610)
Parks and recreation				
Current	593,355	643,855	593,716	(50,139)
Capital outlay	500	500	399	(101)
Total parks and recreation	<u>593,855</u>	<u>644,355</u>	<u>594,115</u>	<u>(50,240)</u>
Total culture and recreation	<u>666,427</u>	<u>716,927</u>	<u>659,077</u>	<u>(57,850)</u>
Economic Development				
Economic development				
Current	116,381	116,381	96,605	(19,776)
Total expenditures	<u>5,298,295</u>	<u>5,415,695</u>	<u>4,961,185</u>	<u>(454,510)</u>
Excess of revenues over (under) expenditures	<u>(143,783)</u>	<u>(143,783)</u>	<u>441,172</u>	<u>584,955</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	500	500	3,224	2,724
Insurance recoveries	1,000	1,000	14,644	13,644
Transfers in	450,000	450,000	450,000	-
Transfers out	(317,717)	(317,717)	(731,938)	(414,221)
Total other financing sources (uses)	<u>133,783</u>	<u>133,783</u>	<u>(264,070)</u>	<u>(397,853)</u>
Net change in fund balances	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>177,102</u>	<u>\$ 187,102</u>
Fund Balances				
Beginning of year			<u>3,915,369</u>	
End of year			<u>\$ 4,092,471</u>	

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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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2022.

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 Responses on Internal Control that we consider to be a significant deficiency, audit finding 2021-001.

Compliance and Other Matters

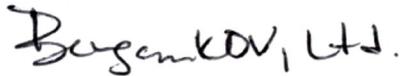
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses on Internal Control. 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 the response.

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 result 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 25, 2022

Minnesota Legal Compliance

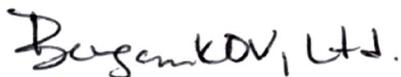
Independent Auditor's Report

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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2022.

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 25, 2022

**City of Big Lake
Schedule of Findings and Responses on
Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Audit Finding 2021-001 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2021, 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's Response:

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

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

Communications Letter

December 31, 2021



**City of Big Lake
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Financial Analysis	9
Emerging Issue	26

Report on Matters Identified as a Result of the Audit of the Basic 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 basic 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, 2021, 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 basic 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:

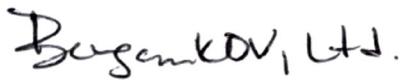
- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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 25, 2022, on such statements.

This communication, which is an integral part of our audit, 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." The signature is written in a cursive, slightly slanted style.

St. Cloud, Minnesota
March 25, 2022

**City of Big Lake
Significant Deficiency**

Lack of Segregation of Accounting Duties

During the year ended December 31, 2021, 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 basic 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, 2021. 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 basic 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 basic 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 basic financial statements are free of material misstatement. An audit of the basic 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 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 basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic 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 basic 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 basic 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

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.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- **Improper Revenue Recognition**
 - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the governments operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- **Lack of Segregation of Accounting Duties**
 - If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of unauthorized disbursements, including credit card disbursements, and employee payouts, being made from the City. In addition, generally this results in less review taking place as transactions are recorded in the financial statements.
- **Management Override of Internal Control over Journal Entries**
 - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.

City of Big Lake Required Communication

Qualitative Aspects of the City's 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 basic 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, 2021. 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 basic 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 basic 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 basic financial statements relate to:

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 basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic 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.

City of Big Lake Required Communication

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 basic 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 basic 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 basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

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, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational 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 Included in Annual Report

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.

**City of Big Lake
Required Communication**

Other Information Included in Annual Report (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 basic financial statements or to the basic financial statements themselves.

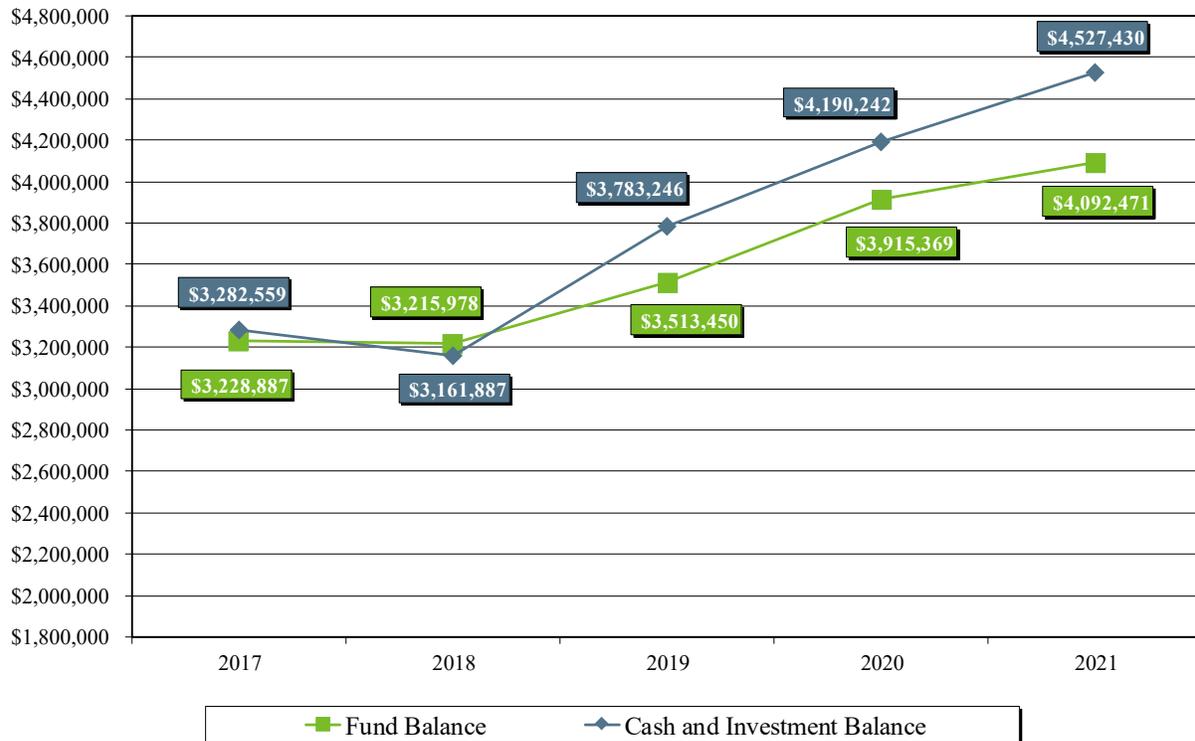
City of Big Lake Financial Analysis

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 \$1,244,871 from 2017 to 2021. The fund balance increased \$863,584 from 2017 to 2021. At December 31, 2021, the General Fund balance consisted of \$99,339 nonspendable, \$84,331 assigned and \$3,908,801 unassigned. The total unassigned fund balance represented about nine and a half 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 2022 budgeted expenditures of \$5,723,889, the City's unassigned General Fund balance was at 68.3% at December 31, 2021.

Cash and Investments and Fund Balance



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

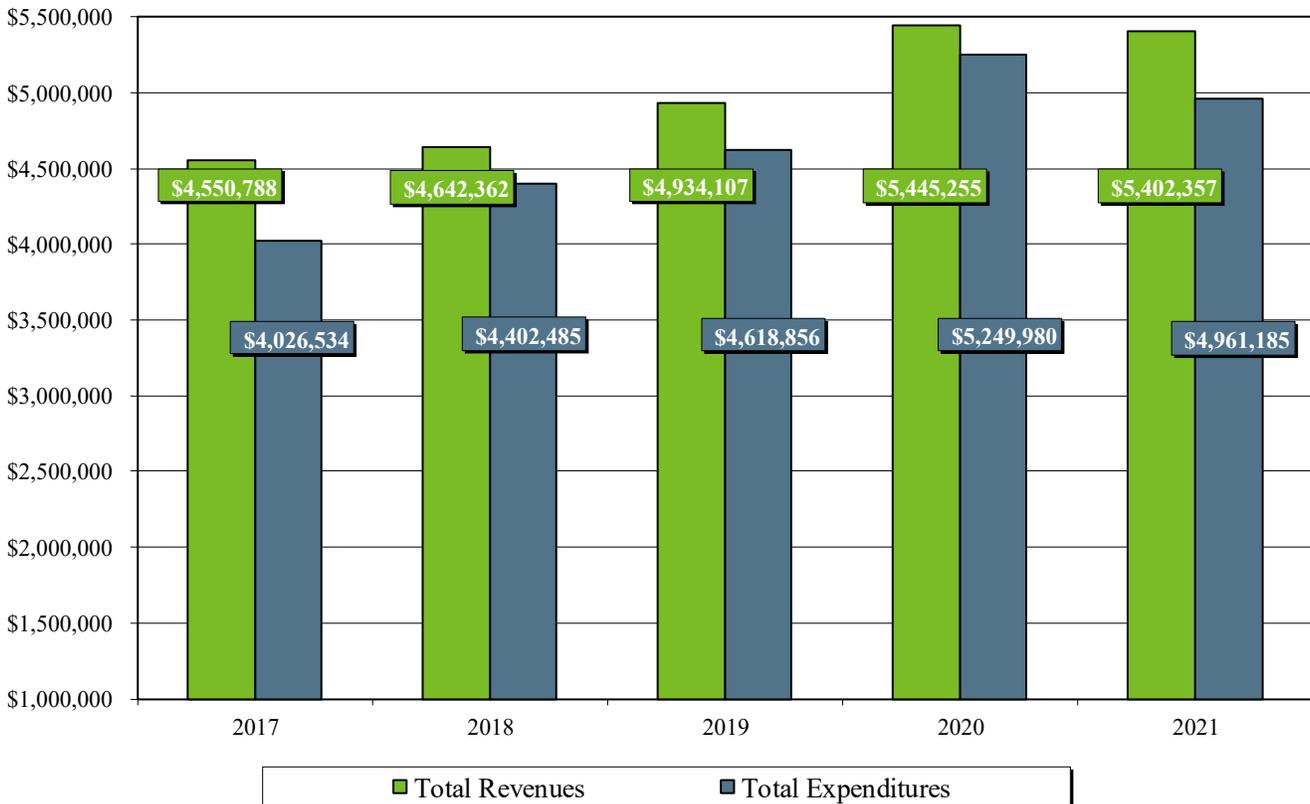
City of Big Lake Financial Analysis

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 \$4,550,788 in 2017. Overall from 2017 to 2021, revenues have increased \$851,569. Similarly, expenditures have fluctuated over the five years presented. In 2021, expenditures were \$4,961,185, a decrease from the prior year of \$288,795. Since 2017, expenditures have increased \$934,651. Revenues have exceeded expenditures in each of the five years presented. Transfers out for 2017 through 2021 were made for capital related items.

	2017	2018	2019	2020	2021
Revenues	\$ 4,550,788	\$ 4,642,362	\$ 4,934,107	\$ 5,445,255	\$ 5,402,357
Expenditures	4,026,534	4,402,485	4,618,856	5,249,980	4,961,185
Proceeds from the sale of capital assets	3,188	6,671	56,214	20,610	3,224
Insurance recoveries	25,532	3,417	4,613	10,055	14,644
Proceeds from capital lease	-	-	-	-	-
Net transfers	(348,259)	(262,874)	(78,606)	175,979	(281,938)
Net change in fund balance	\$ 204,715	\$ (12,909)	\$ 297,472	\$ 401,919	\$ 177,102

Revenues and Expenditures



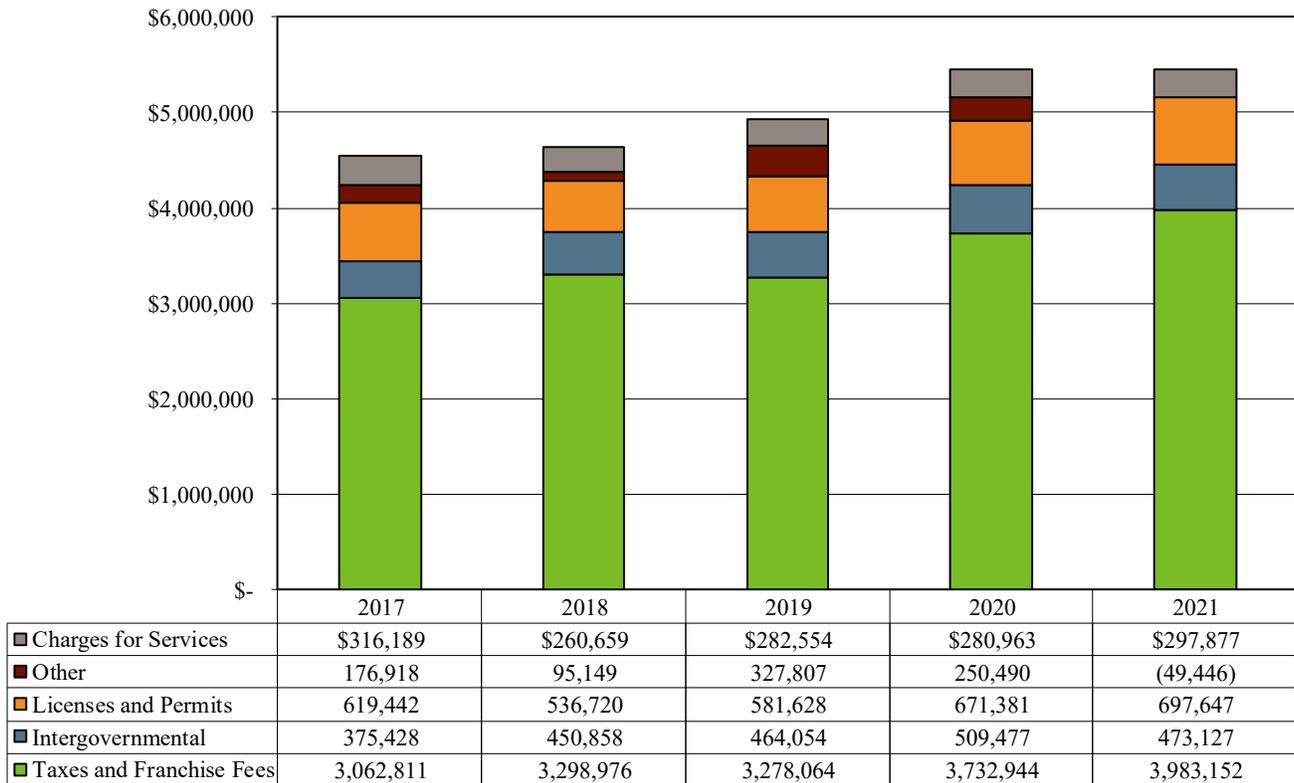
City of Big Lake Financial Analysis

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 73.7%, 8.8%, and 12.9% 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 decreased from 2020 to 2021 by \$42,898. Taxes and franchise fee revenue increased \$250,208 due to an increase in the levy. This was offset by a \$299,936 decrease in other revenues. This is due to the market conditions causing a negative market adjustment at year end.

General Fund Revenues



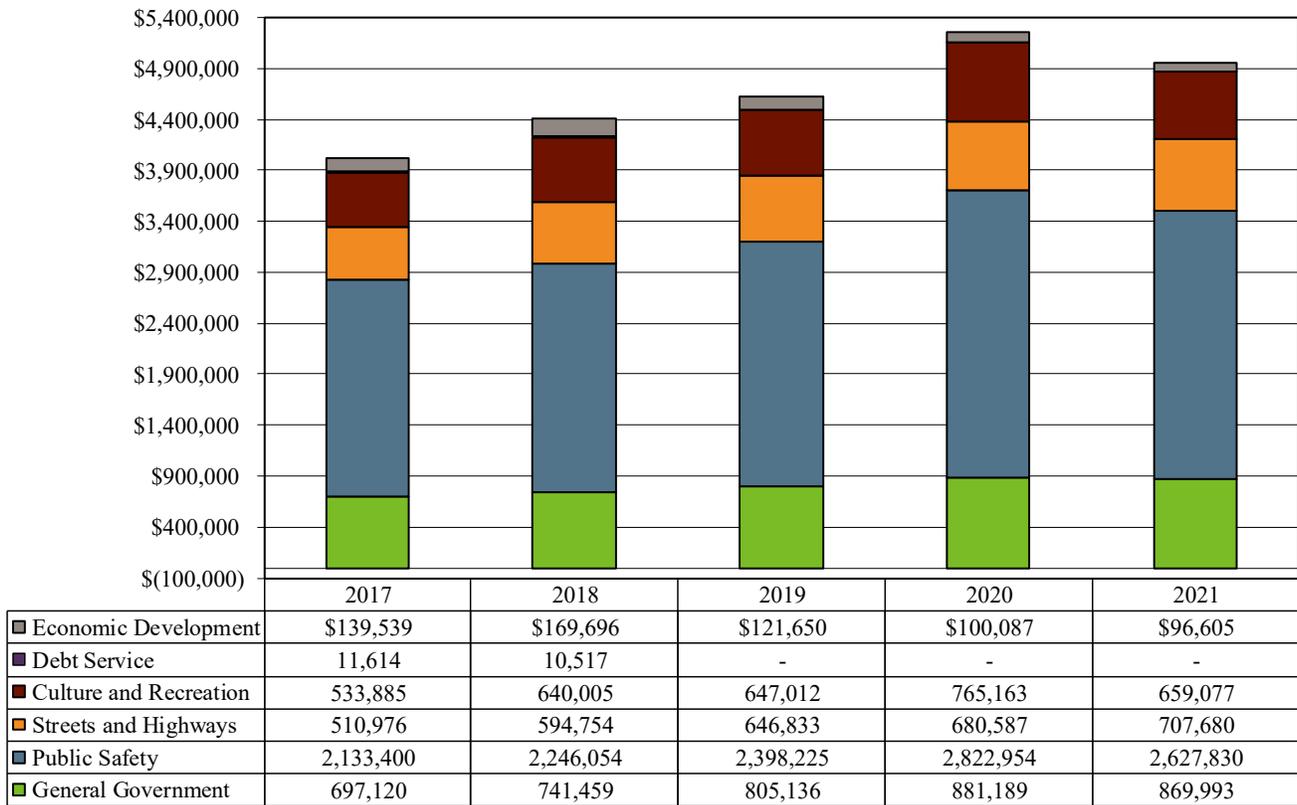
City of Big Lake Financial Analysis

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 53.0%. Overall, General Fund expenditures decreased \$288,795 from 2020.

Public Safety decreased \$195,124 due to salary and benefit decreases after the additional staffing needed to assist with COVID-19 pandemic in 2020. Culture and recreation decreased \$106,086 due to the purchase of a parking lot in 2020. 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	\$ 3,824,105	\$ 3,859,105	\$ 3,988,319	\$ 129,214
Intergovernmental	454,484	474,484	473,127	(1,357)
Licenses and permits	450,517	512,917	697,647	184,730
Charges for services	297,569	297,569	297,877	308
Fines	61,000	61,000	51,832	(9,168)
Miscellaneous	66,837	66,837	(106,445)	(173,282)
Total revenues	5,154,512	5,271,912	5,402,357	130,445
Expenditures				
General government	877,262	918,962	869,993	(48,969)
Public safety	2,795,591	2,820,791	2,627,830	(192,961)
Streets and highways	842,634	842,634	707,680	(134,954)
Culture and recreation	666,427	716,927	659,077	(57,850)
Economic development	116,381	116,381	96,605	(19,776)
Total expenditures	5,298,295	5,415,695	4,961,185	(454,510)
Excess of revenues over (under) expenditures	(143,783)	(143,783)	441,172	584,955
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	500	500	3,224	2,724
Insurance recoveries	1,000	1,000	14,644	13,644
Net transfers	132,283	132,283	(281,938)	(414,221)
Total other financing sources	133,783	133,783	(264,070)	(397,853)
Net change in fund balances	\$ (10,000)	\$ (10,000)	\$ 177,102	\$ 187,102

Overall, actual revenue was \$130,445, or 2.5%, over budget. Miscellaneous revenues were under budget due to the significant decline in market value of investments. This was offset by licenses and permits being over budget by \$184,730 due to budgeting conservatively. Taxes were also over budget \$129,214, 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 \$454,510 or 8.4%. Public safety and streets and highways were under budget by \$192,961 and \$134,954, respectively. This was due to overall conservative budgeting for projects and personnel costs. 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 decreased in 2021 after increasing in each of the four years prior. This decrease was due to having an abnormally high amount of sales in 2020 with the COVID-19 pandemic ongoing. Total sales for 2021 reflected a 2.0% decrease from 2020. During this same time period, cost of sales decreased 2.1%. The result was a gross profit percentage consistent with 2020 at 27.9%.

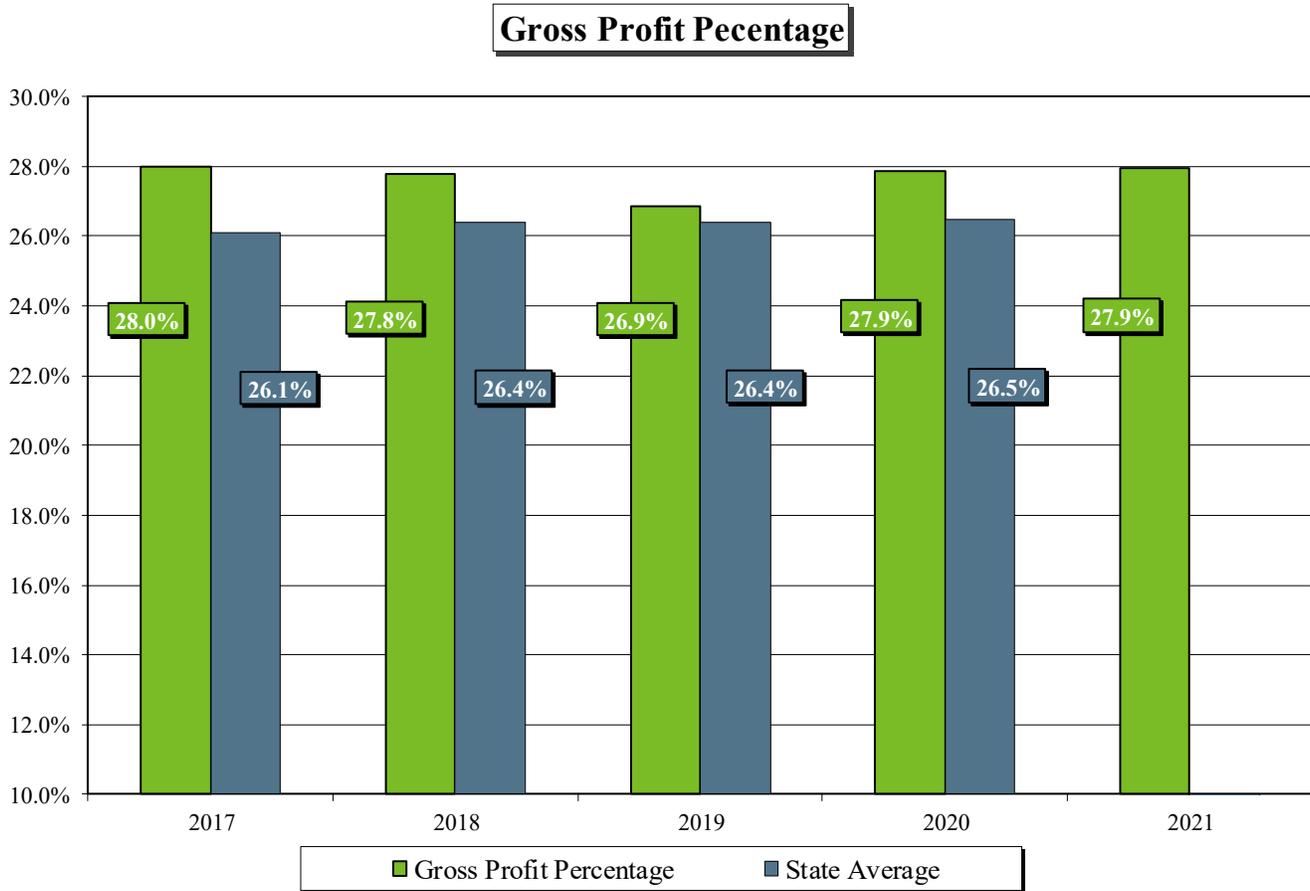
As of December 31, 2021, the Liquor Fund had an ending cash and investment balance of \$1,674,139. Unrestricted net position at year-end was \$1,615,281 compared to \$1,385,555 in 2020. The total debt outstanding at December 31, 2021, in the Liquor Fund was \$351,169, including interest of \$16,887.

Liquor Fund



City of Big Lake Financial Analysis

Liquor Fund (Continued)



- State averages were taken from the 2017-2020 State of Minnesota "Analysis of Municipal Liquor Store Operations" for off-sale stores. Data for 2021 is not yet available.

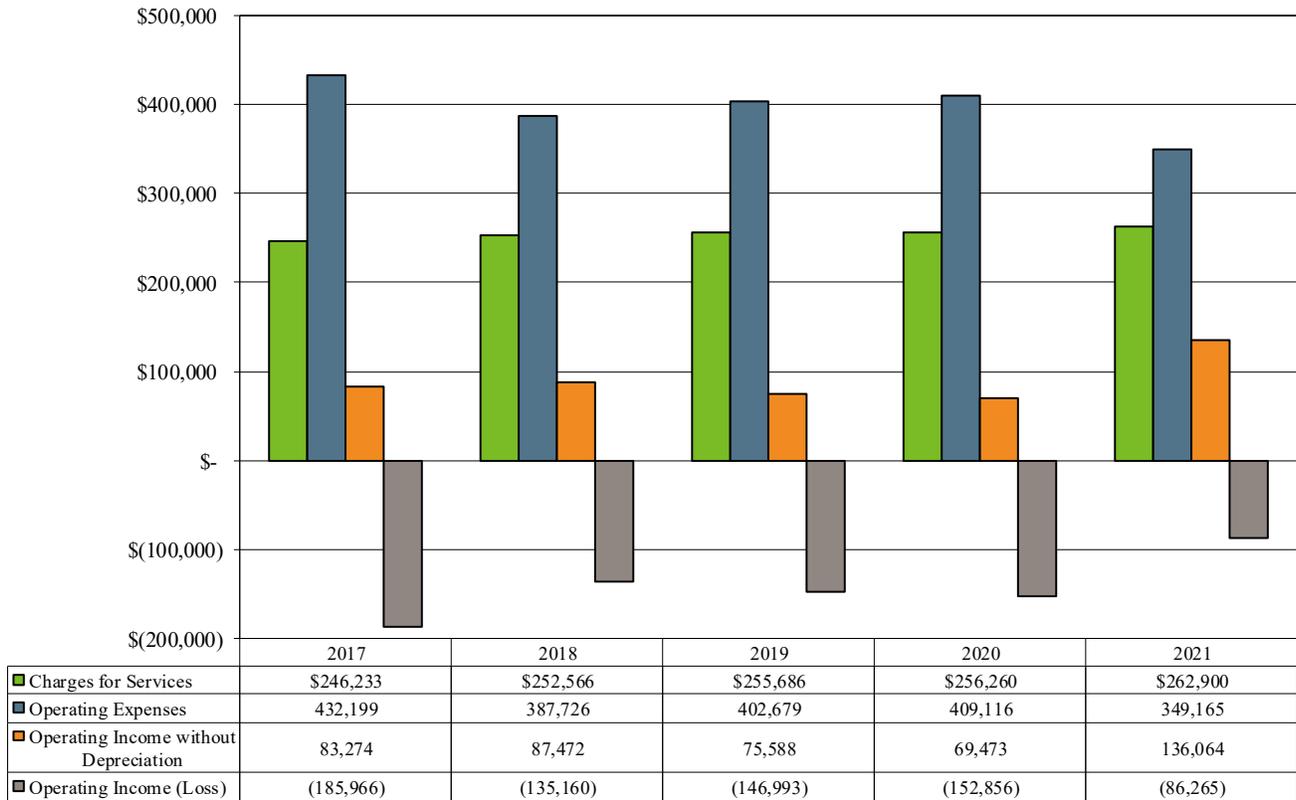
City of Big Lake Financial Analysis

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 \$6,640 or 2.6% while operating expenses decreased \$59,951 or 14.7%, compared to 2020. The net effect of the changes in revenues and expenses is a net loss of \$86,265. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$136,064.

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

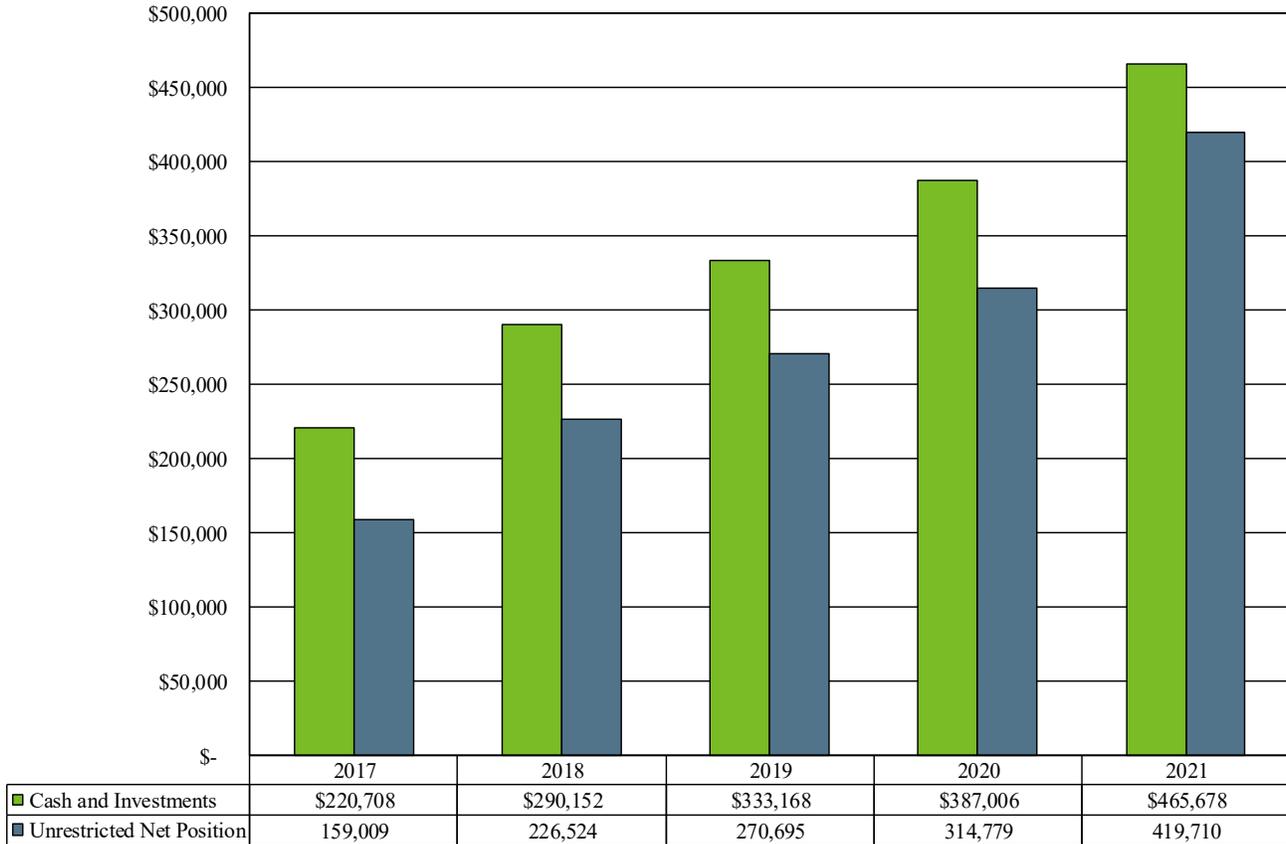
Storm Sewer Operations



**City of Big Lake
Financial Analysis**

Storm Sewer Fund (Continued)

Storm Sewer Fund



As of December 31, 2021, the Storm Water Fund had an ending net cash and investment balance of \$465,678. This is an increase of \$78,672 from 2020 levels. Total net position at year-end was \$3,047,169, while unrestricted net position at year-end was \$419,710. Unrestricted net position has increased \$260,701 since 2017.

City of Big Lake Financial Analysis

Water and Sewer Funds

Water Fund

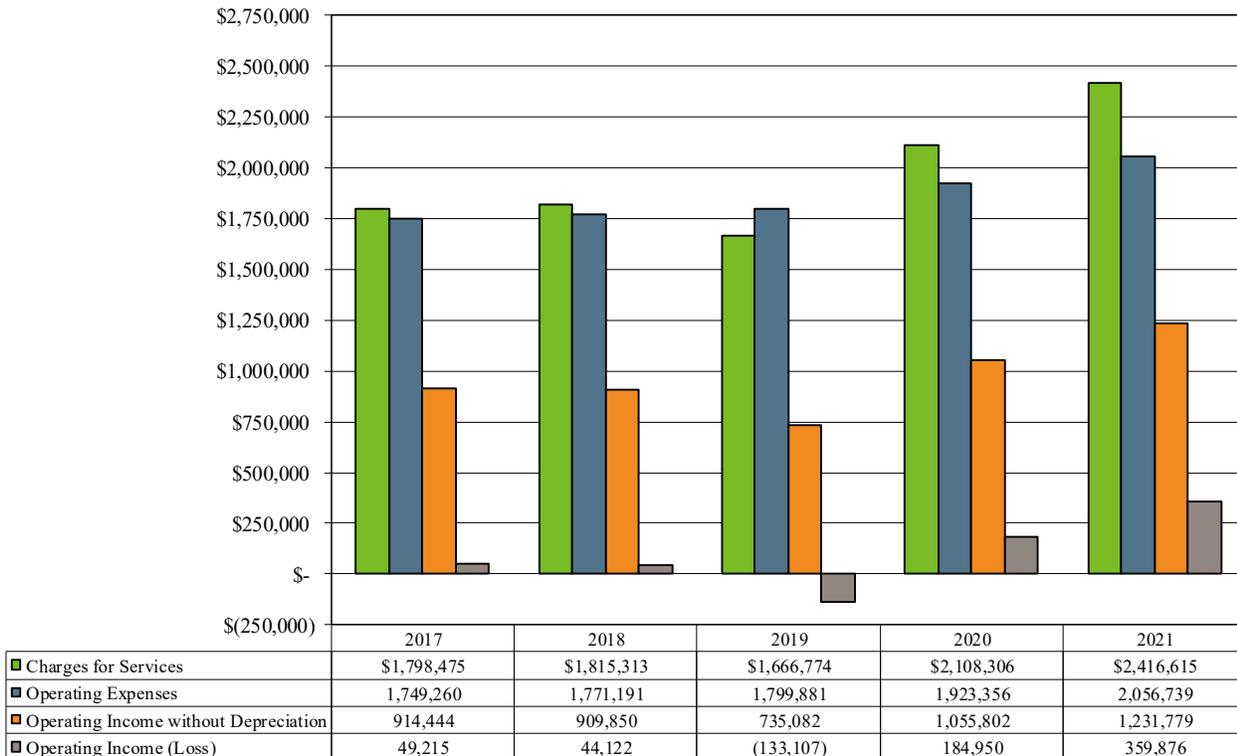
The following graph illustrates the current operations of the Water Fund for the past five years. Charges for services illustrated do not include water connection fees. These fees are not included because the revenue is set aside for future asset replacement costs. Similarly, operating income is shown 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, 2019 was the only year that experienced an operating loss. All other years the Fund generated an operating income. Charges for services increased \$308,309 or 14.6% from 2020 due to an increase in usage and rates. Operating expenses increased by \$133,383, or 6.9%. The net effect of the increased revenues and expenses is operating income of \$359,876. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$1,231,779.

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

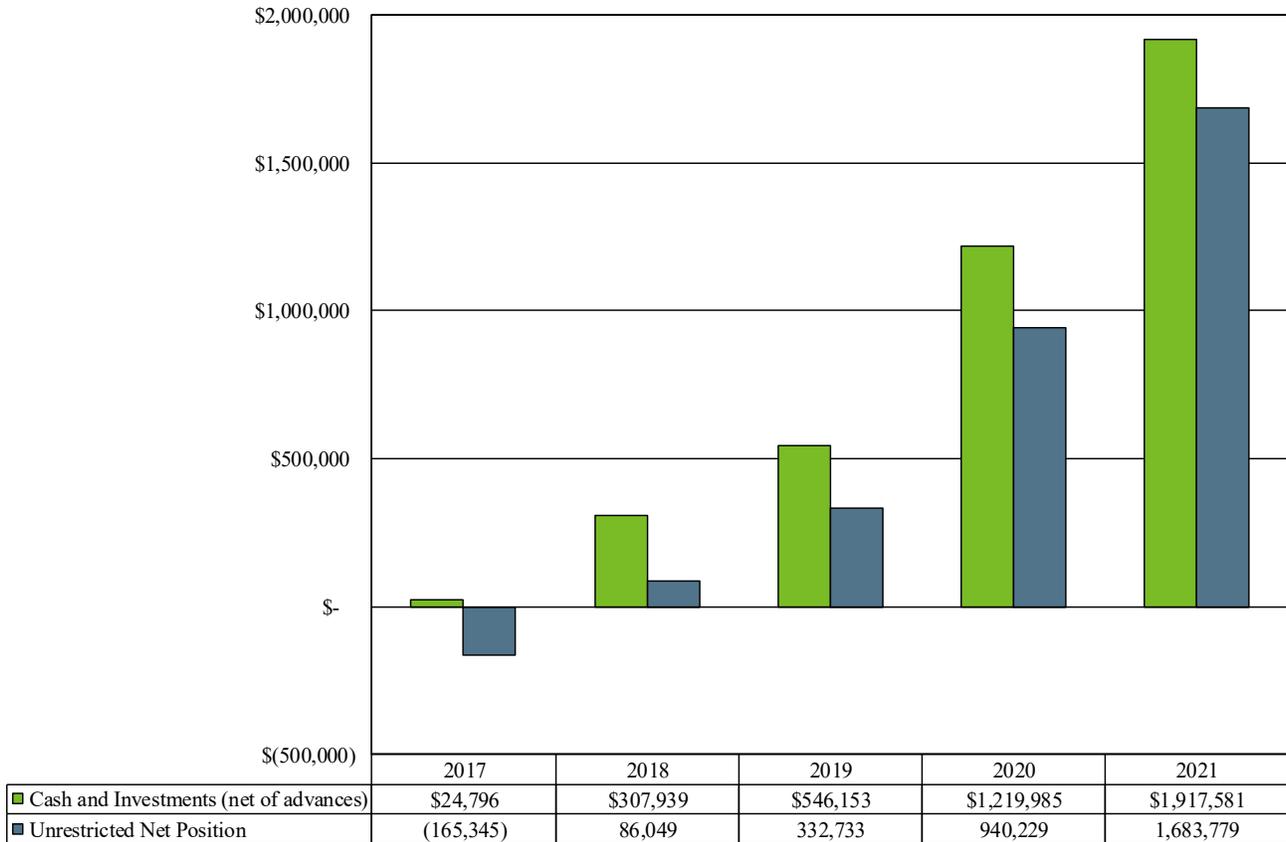


**City of Big Lake
Financial Analysis**

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 \$1,892,785 since 2017. 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 \$810,348. The total amount of debt outstanding in the Water Fund at December 31, 2021, was \$2,987,488 including principal and interest. Principal and interest due in 2022 totals \$680,382.

City of Big Lake Financial Analysis

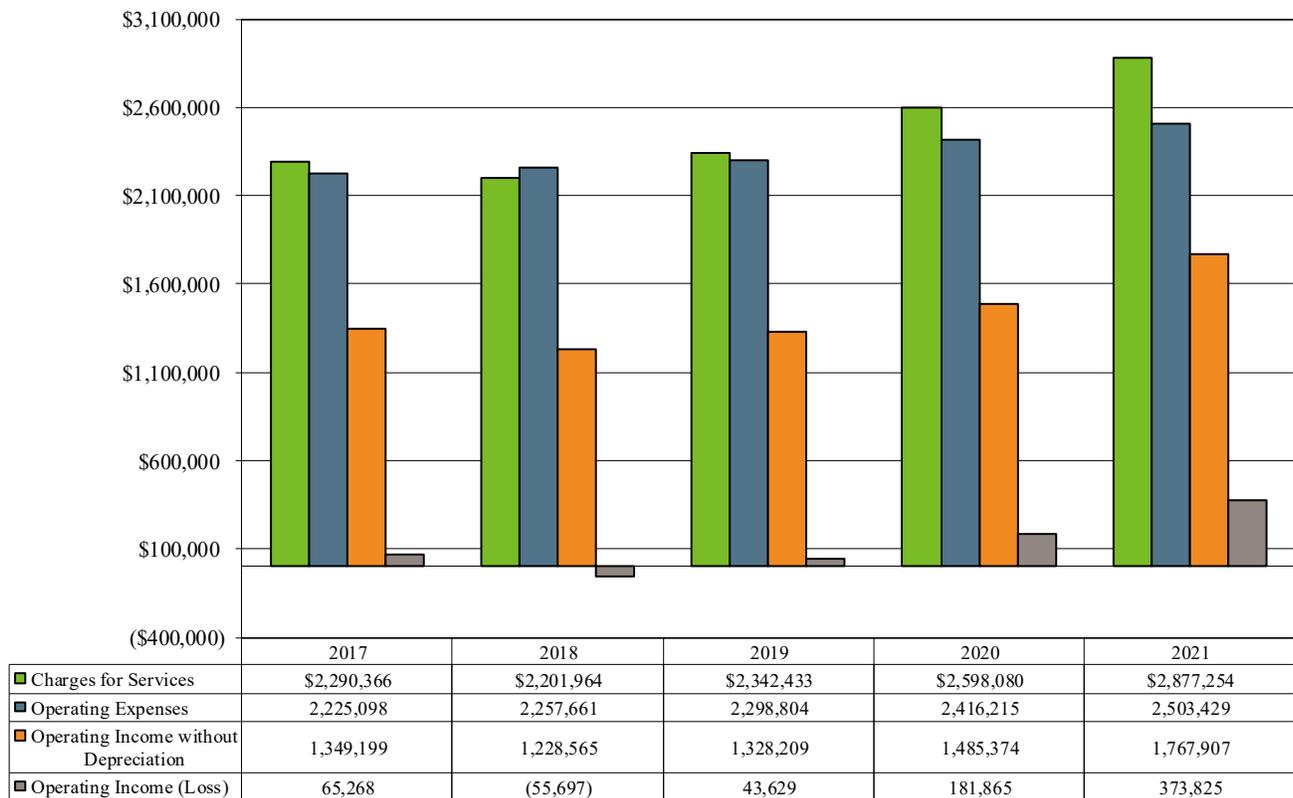
Water and Sewer Funds (Continued)

Sewer Fund

In four of the past five years, the Sewer Fund has shown an operating income. In 2021, the Fund showed operating income of \$373,825. This is an increase in operating results of \$191,960 from 2020. The Fund experienced an increase in charges for services of \$279,174, due to increased rates and usage, while expenses increased \$87,214.

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

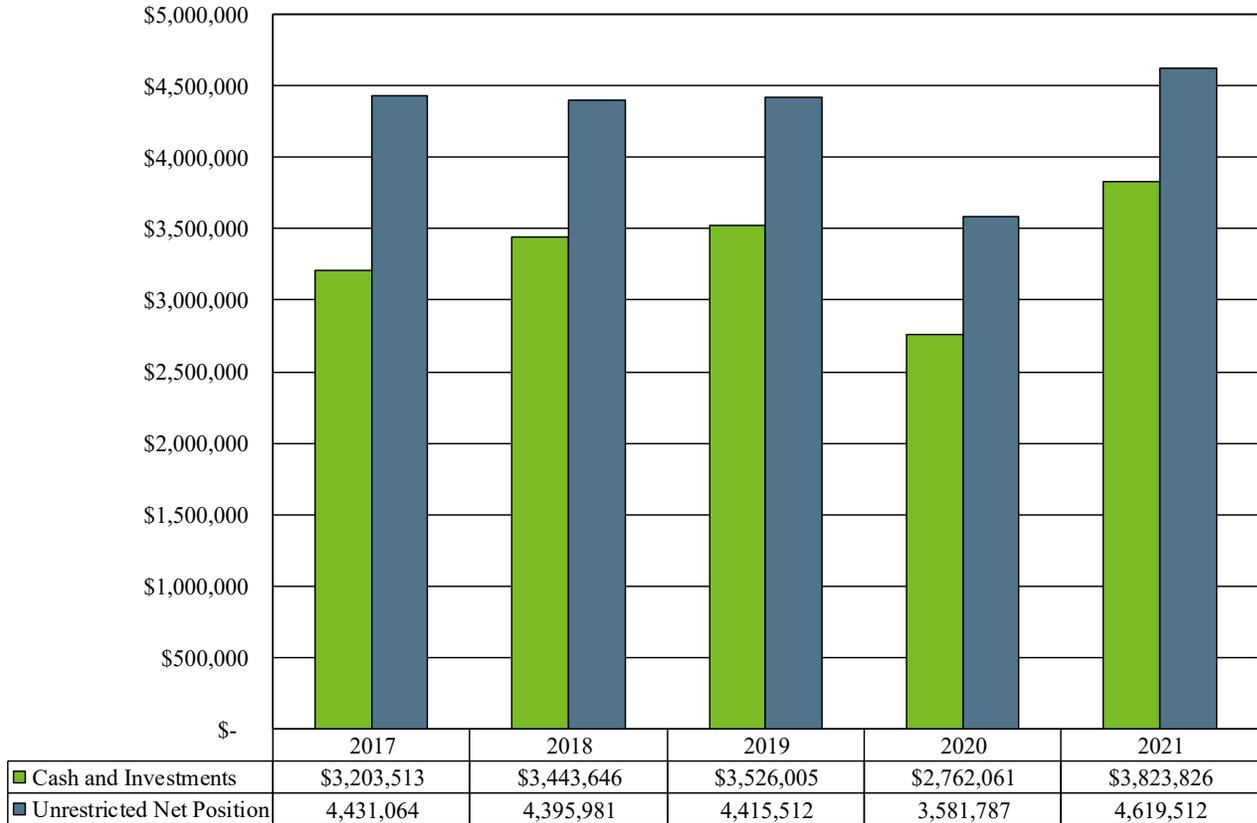


**City of Big Lake
Financial Analysis**

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 increased \$1,061,765 in 2021. 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 2021, the Fund again used approximately \$865,000 to cover cash deficits in other funds.

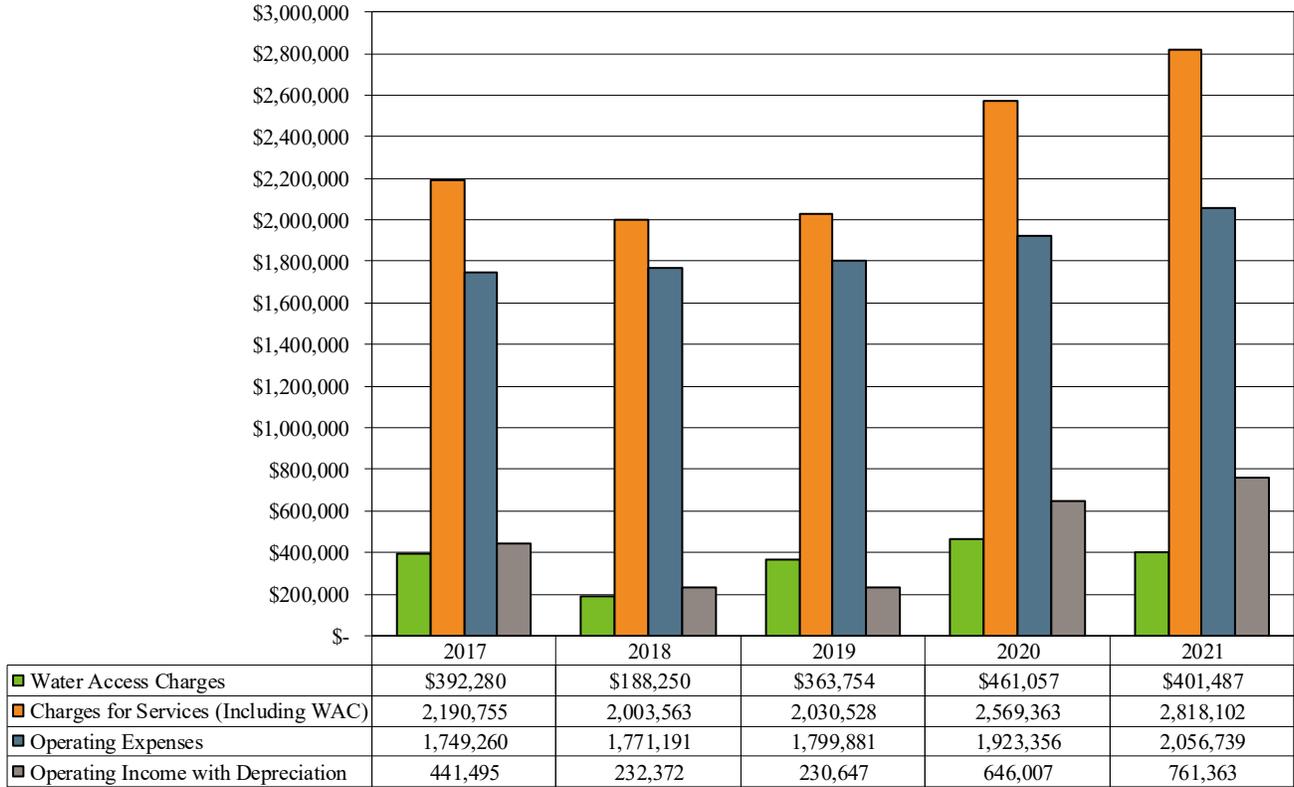
The current year interest and principal payments on the Sewer Fund debt were \$1,388,227. The total amount of debt outstanding at December 31, 2021, was \$11,164,519, including principal and interest. Principal and interest due in 2022 totals \$1,512,997 for the Sewer Fund.

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



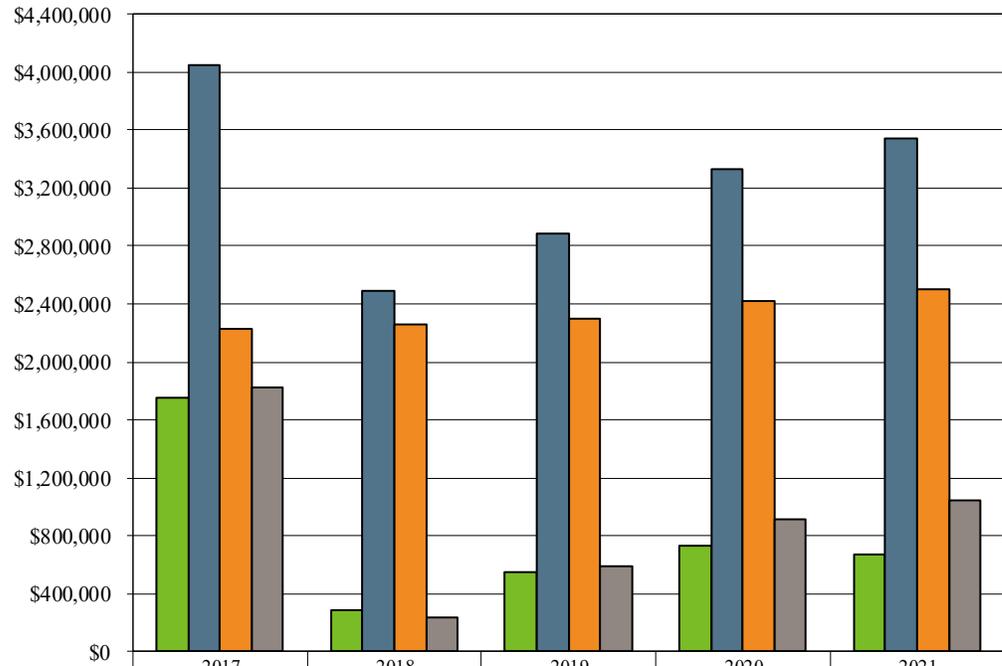
As presented, the Water Fund had been collecting access charges and trunk fees, along with charges for services, sufficient to finance the construction of new lines and to cover the costs of the existing lines through depreciation in each year presented.

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 decreased in 2021 compared to 2020 due to decreased development.

Sewer Operations



	2017	2018	2019	2020	2021
■ Sewer Access and Trunk Charges	\$1,757,326	\$291,000	\$546,227	\$730,958	\$668,767
■ Charges for Services (Including SAC and Trunk)	4,047,692	2,492,964	2,888,660	3,329,038	3,546,021
■ Operating Expenses	2,225,098	2,257,661	2,298,804	2,416,215	2,503,429
■ Operating Income (Loss) with Depreciation	1,822,594	235,303	589,856	912,823	1,042,592

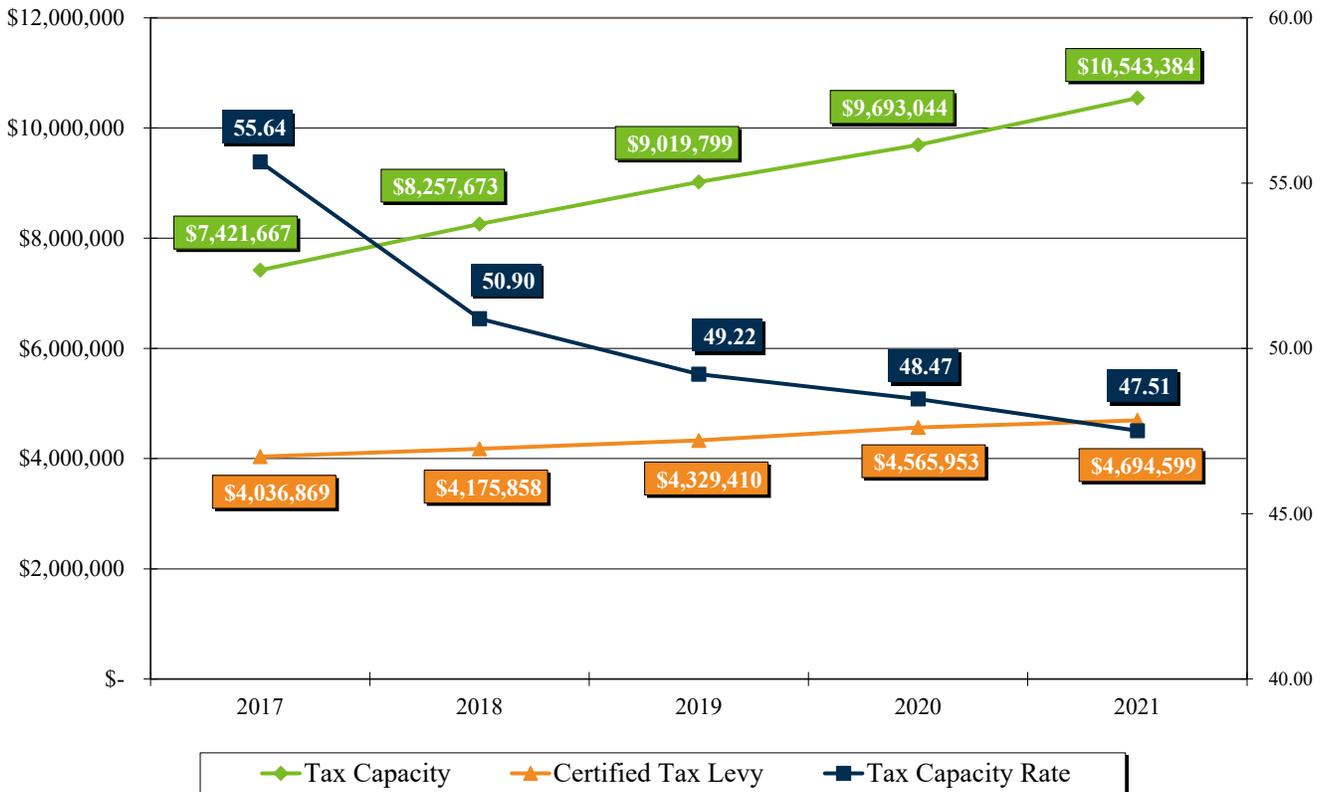
City of Big Lake Financial Analysis

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 2017 through 2021. 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 2017 through 2021, the City's tax capacity has increased from \$7,421,667 to \$10,543,384 or \$3,121,717. This is a 42.1% increase in tax capacity. The City's certified levy over this same time frame has increased \$657,730, or 16.3%. As a result of the City's certified tax levy increase and the increase in the tax capacity for 2017 through 2021, the City's tax capacity rate decreased from 55.64% in 2017 to 47.51% in 2021.

Tax Capacity, Levy, and Rates

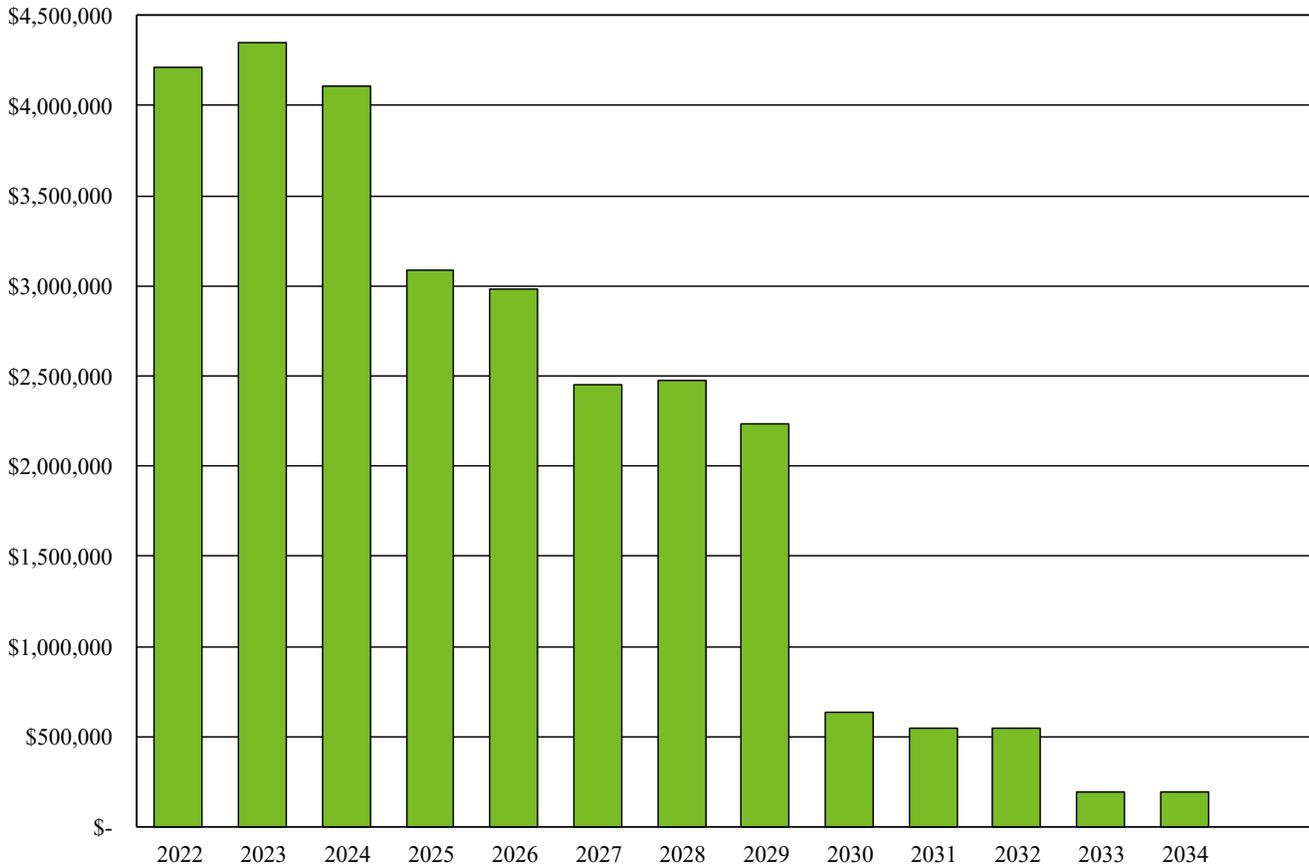


City of Big Lake Financial Analysis

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, 2021, are \$28,016,969, including interest totaling \$2,632,969.

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 this issue 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' basic 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 basic 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 basic 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.

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