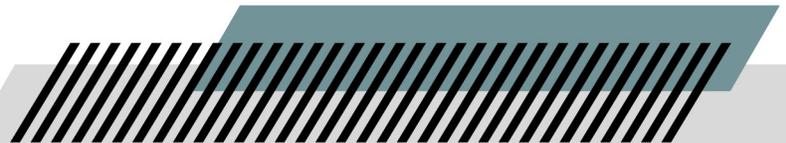


**City of Big Lake
Sherburne County, Minnesota**

Basic Financial Statements

December 31, 2022



**City of Big Lake
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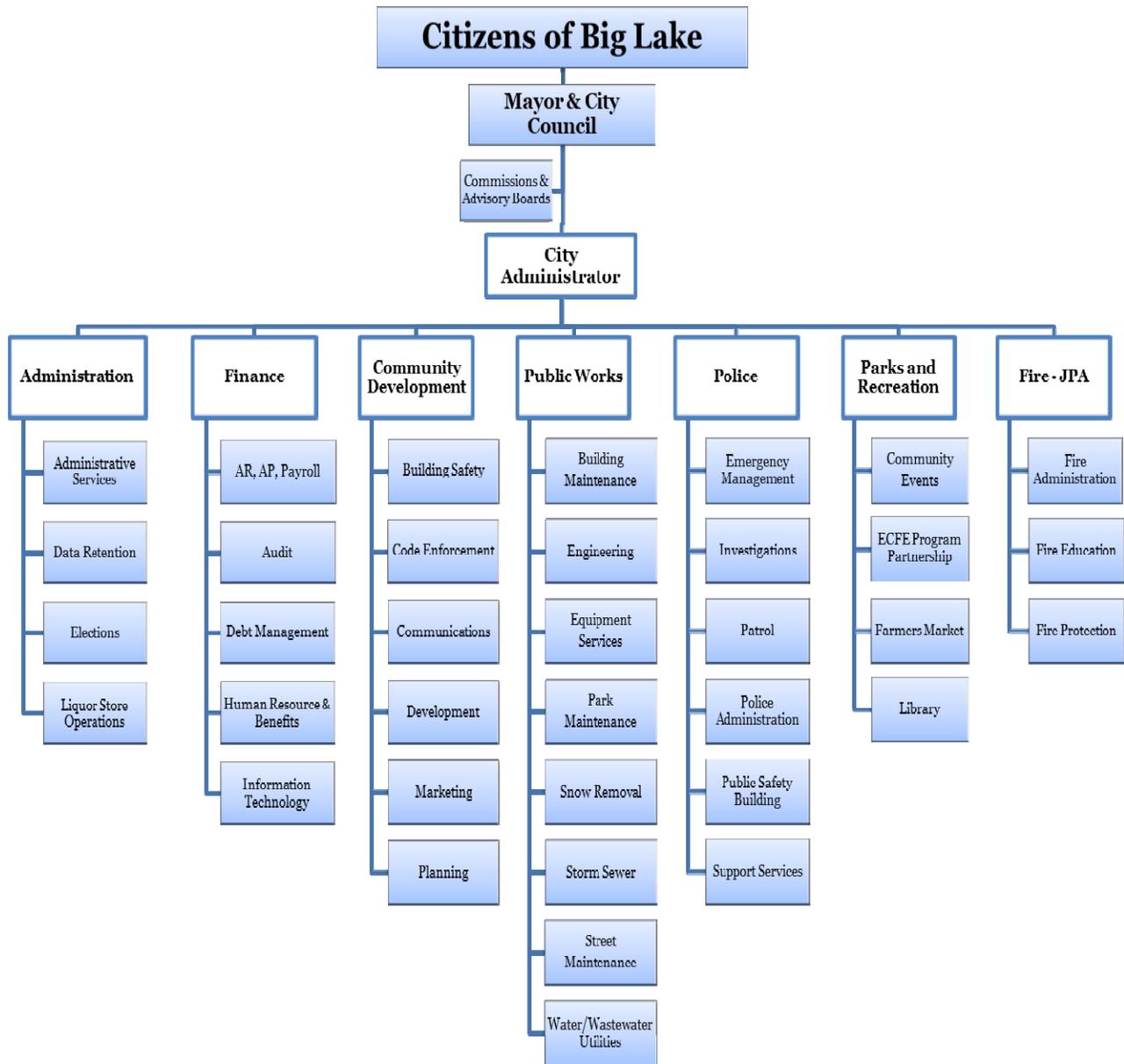
**City of Big Lake
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**City of Big Lake
Elected Officials and Administration
December 31, 2022**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Paul Knier	Mayor	December 31, 2024
Ken Halverson	Council Member	December 31, 2026
Kim Noding	Council Member	December 31, 2026
Sam Hanson	Council Member	December 31, 2024
Paul Seefeld	Council Member	December 31, 2024
 <u>Administration</u>		
Hanna Klimmek	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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and the American Rescue Plan Special Revenue 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.

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements (Continued)

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 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.

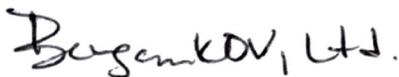
Supplementary Information

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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2023, 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
April 13, 2023

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**City of Big Lake
Management's Discussion and Analysis
December 31, 2022**

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, 2022. 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 \$72,047,053. Of this amount, \$14,357,071 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$3,304,975 from the prior year. Of the increase, 58% was attributable to governmental activities and 42% to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,976,859, an increase of \$1,701,098 from the previous year. This was due to increases in property taxes, permits and licenses, bond issuances and savings in the general fund expenditure budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,596,606 (not including those funds in the balance that are designed for specific purposes) or 66%, of the total General Fund expenditures not including transfers out. When transfers out are included the unassigned fund balance is at 60%.
- The City's total bonded debt increased by \$344,000 during the current fiscal year. In 2022, the 2022A Go Improvement bonds were issued in the amount of \$5,065,000 to finance the 2022 Street Improvement projects. The total outstanding bonded debt is \$25,728,000, of which \$15,459,000 is governmental activities and supported by the Debt Levy and Special Assessments. The remaining \$10,269,000 is contributed to business-type activities. Total bond indebtedness is up by 1% compared to 2021.
- In 2022, the City implemented GASB 87, which is the recording of leased liabilities. For 2022, the total leased liabilities for the City is \$235,483, of which 17% or \$39,531 is for the leased office equipment of the general government and the remaining \$195,952 or 83% is for the leased land with the railroad for the water and sewer infrastructure.

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, 2022**

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 26-29 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, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The City maintains 36 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 the Capital Project/Equipment and Building Replacement Fund, and the GO Improvement Bond 2021A Debt Service Fund and for the American Rescue Plan Act Special Revenue Fund. Data from the other 30 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 30-38 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 39-41 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 43-75 of this report.

Other Information

Required supplementary information pertaining to the net pension liability can be found on pages 78-85 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 88-103 of this report.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$72,047,053 at the close of the most recent fiscal year.

Approximately 72% 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, 8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$14,357,071 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		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 19,474,537	\$ 16,500,668	\$ 11,234,698	\$ 10,020,105	\$ 30,709,235	\$ 26,520,773
Capital Assets	35,548,084	32,273,881	41,146,092	42,770,204	76,694,176	75,044,085
Total Assets	<u>55,022,621</u>	<u>48,774,549</u>	<u>52,380,790</u>	<u>52,790,309</u>	<u>107,403,411</u>	<u>101,564,858</u>
Deferred Outflows of Resources	3,324,484	2,012,805	501,598	593,660	3,826,082	2,606,465
Noncurrent Liabilities Outstanding	19,989,982	12,451,916	10,356,868	12,179,766	30,346,850	24,631,682
Other Liabilities	5,198,799	4,706,816	2,794,629	2,706,588	7,993,428	7,413,404
Total Liabilities	<u>25,188,781</u>	<u>17,158,732</u>	<u>13,151,497</u>	<u>14,886,354</u>	<u>38,340,278</u>	<u>32,045,086</u>
Deferred Inflows of Resources	243,027	2,642,732	599,135	741,427	842,162	3,384,159
Net Position						
Net Investment in Capital Assets	21,405,843	21,142,224	30,567,887	29,417,906	51,973,730	50,560,130
Restricted	5,520,302	3,434,352	-	-	5,520,302	3,434,352
Unrestricted	5,989,154	6,409,314	8,563,869	8,338,282	14,553,023	14,747,596
Total Net Position	<u>\$ 32,915,299</u>	<u>\$ 30,985,890</u>	<u>\$ 39,131,756</u>	<u>\$ 37,756,188</u>	<u>\$ 72,047,055</u>	<u>\$ 68,742,078</u>

**City of Big Lake
Management's Discussion and Analysis
December 31, 2022**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The City's net position increased by \$3,304,975 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 58% or \$1,929,407 and business type activities increased by \$1,375,568 or 42%. The City's total other liabilities increased by \$580,024, for governmental activities the increase was due to the to the grant funds received from the American Rescue Plan Act and the increase in the current year debt payments due to new debt issuance in 2021 and 2022 and was 68% of the total increase. The business type activities increase in other liabilities was \$88,041. The City received the first half payment of the American Rescue Plan Act in the amount of \$613,401 in 2021 and 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.

City of Big Lake's Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenue						
Program Revenues						
Charges for Services	\$ 1,173,461	\$ 1,227,774	\$ 11,078,787	\$ 11,243,496	\$ 12,252,248	\$ 12,471,270
Operating Grants and Contributions	550,242	426,716	19,793	40,964	570,035	467,680
Capital Grants and Contributions	2,220,263	807,256	1,162,644	1,079,254	3,382,907	1,886,510
General Revenues:						
Property Taxes and Tax Increment and Franchise Fees	5,787,257	5,509,998	-	-	5,787,257	5,509,998
State Aids	820,985	653,319	-	-	820,985	653,319
Unrestricted Investment Earnings	(425,427)	(93,355)	163,529	89,791	(261,898)	(3,564)
Other Income	55,304	168,841	-	-	55,304	168,841
Total Revenues	<u>10,182,085</u>	<u>8,700,549</u>	<u>12,424,753</u>	<u>12,453,505</u>	<u>22,606,838</u>	<u>21,154,054</u>
Expenses						
General Government	1,165,230	1,005,419	-	-	1,165,230	1,005,419
Public Safety	3,291,228	2,718,236	-	-	3,291,228	2,718,236
Streets and Highways	2,196,979	1,971,568	-	-	2,196,979	1,971,568
Culture and Recreation	890,832	882,228	-	-	890,832	882,228
Economic Development	832,922	567,085	-	-	832,922	567,085
Interest on Long-Term Debt	419,548	338,486	-	-	419,548	338,486
Water	-	-	2,142,217	2,138,327	2,142,217	2,138,327
Sewer	-	-	2,933,413	2,743,746	2,933,413	2,743,746
Municipal Liquor	-	-	5,007,633	4,855,038	5,007,633	4,855,038
Storm Sewer	-	-	421,859	349,165	421,859	349,165
Total Expenses	<u>8,796,739</u>	<u>7,483,022</u>	<u>10,505,122</u>	<u>10,086,276</u>	<u>19,301,861</u>	<u>17,569,298</u>
Increase (Decrease) in Net Position						
before Transfers and Capital Contributions	1,385,346	1,217,527	1,919,631	2,367,229	3,304,977	3,584,756
Transfers	544,063	624,683	(544,063)	(624,683)	-	-
Increase (Decrease) in Net Position	<u>1,929,409</u>	<u>1,842,210</u>	<u>1,375,568</u>	<u>1,742,546</u>	<u>3,304,977</u>	<u>3,584,756</u>
Net Position - Beginning	<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>
Net Position - Ending	<u>\$ 32,915,299</u>	<u>\$ 30,985,890</u>	<u>\$ 39,131,756</u>	<u>\$ 37,756,188</u>	<u>\$ 72,047,055</u>	<u>\$ 68,742,078</u>

**City of Big Lake
Management's Discussion and Analysis
December 31, 2022**

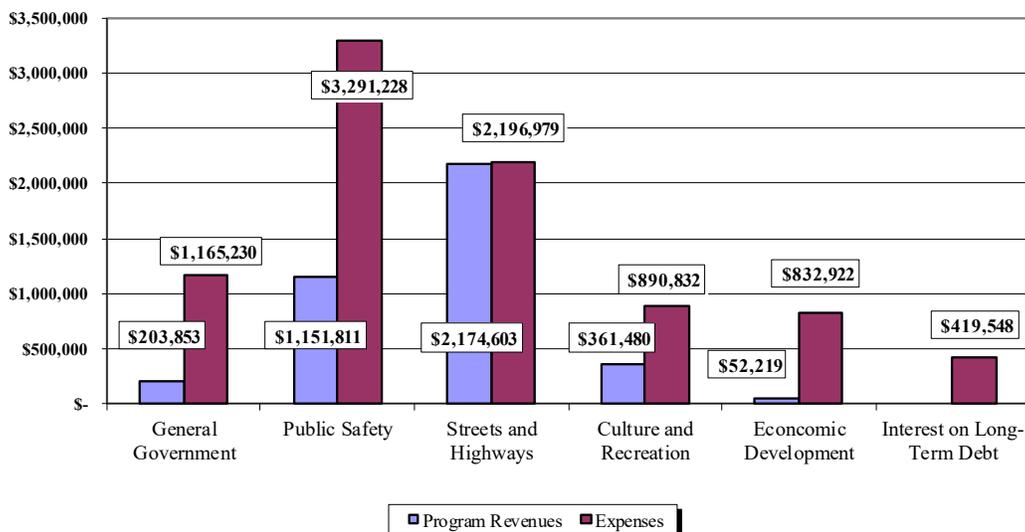
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

The City's total revenues for 2022 was \$22,606,838, an increase of \$1,452,784 over 2021; total expenses before transfers was \$19,301,863 an increase of \$1,732,565 over 2021 and total transfers from Business Type Activities to Governmental Activities was \$544,063, a decrease of \$80,620 over 2021. In 2022 the City transferred \$450,000 from the Liquor Store to the General Fund to help offset the tax levy in providing City services. In 2022, \$19,000 was transferred from the American Rescue Plan Act Fund to the Water Capital Improvement Fund for the engineering consultant contract on the Water Meter Replacement Project, this project will be completed by 2024. The increase in total expenditures/expense was due to the increase in personnel costs, with insurance and wages and the cost of product due to inflation. The increase in revenues was due to the increase in special assessments paid and the state shared taxes.

Governmental Activities

The City's net position increased by \$3,304,975 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 58% or \$1,929,407. This increase can be attributed to the increase in property tax payments due to the levy increase for 2022, the increase in special assessment prepayments for the 2021 Street Project in the amount of \$275,868, the increase in local government aid, the 2022 bond issuances and increase in other permits issued as well as an increase to Park Dedication fees due to new development. In 2022 the City issued 28 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 Arrow Components, Big Lake Car Condos, and Premier Marine, also welcomed new businesses, Ember Coffee, Coca Maas, The Frozen Spoon, Groom My Friend, Domino's Pizza, and Willy's on the Water. Overall, in 2022 the City added to the property tax valuation a total of \$23,565,600 with the new development.

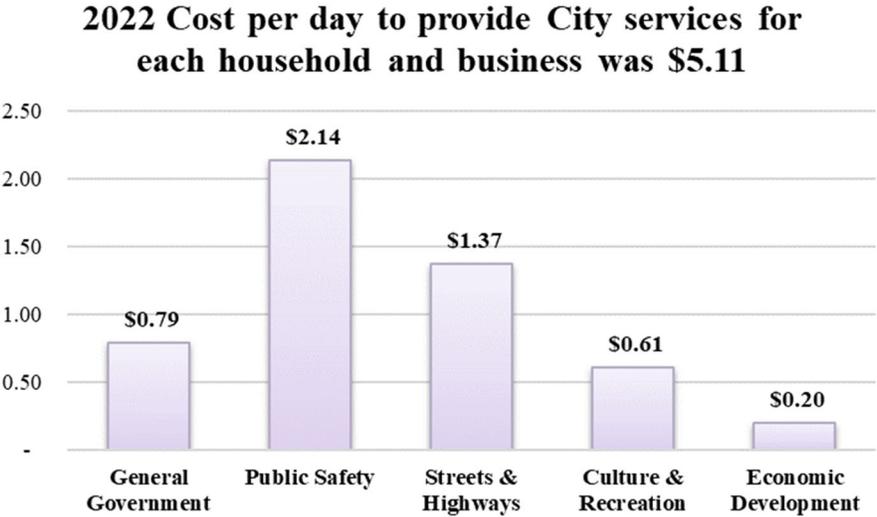
Expenses and Program Revenues - Governmental Activities



**City of Big Lake
Management's Discussion and Analysis
December 31, 2022**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities (Continued)



In 2022, 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 2022, 39% of the total governmental activities' expenses were attributed to public safety. The cost to provide City Services for 2022 for each household and business was \$5.20 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 2022 total cost to provide City Services including interest on long-term debt was \$8,796,741. Based on per capita of 12,165, the 2022 population for Big Lake, the cost to provide the services was \$723 a year or \$1.98 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 \$2,088 or \$5.72 per day.

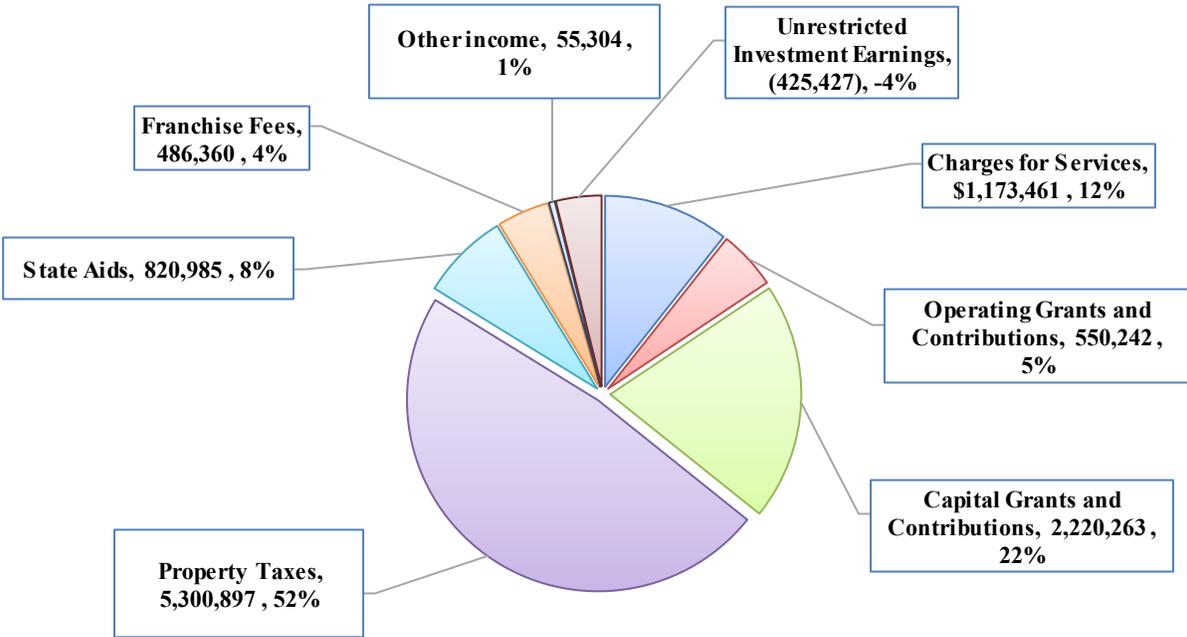
**City of Big Lake
Management's Discussion and Analysis
December 31, 2022**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities (Continued)

The City's total 2022 revenues for governmental activities was \$10,182,085 of which 52% is contributed to property taxes collected. Charges for Services is 12% of all revenues received for governmental activities and experienced a decrease from 2021 as in 2021, 90 new homes were constructed and only 28 in 2022. Capital Grants and Contribution, which is 22% of all revenues received includes prepaid special assessments and intergovernmental revenues or grants for capital items and experienced an increase due to the 2021 and 2022 Street projects pending assessment. Several property owners prepaid the assessment so that it would not be levied against their property taxes. In addition, the increase reflects the State shared taxes from the Department of Transportation for future state aid street projects. Operating Grants and Contributions is 5% of all revenues received and experienced an increase due to the increase received in park dedication fund from the new multifamily development that began in 2022. Total governmental activities revenues increased by \$1,481,536 over 2021. With the largest increase recorded in Capital Grants and Contributions of \$1,413,007. Operating Grants and Contributions increase was \$123,526, Property Taxes, which includes Tax Increment increased by \$277,635 and Charges for Services decreased by \$54,313. Franchise Fees, Unrestricted Investments Earnings and Other income recorded a decrease over 2021. Unrestricted Investment Earnings had the largest decrease of \$332,072, this was due to the fair market value adjustment to investments at year end.

Revenue by Source - Governmental Activities



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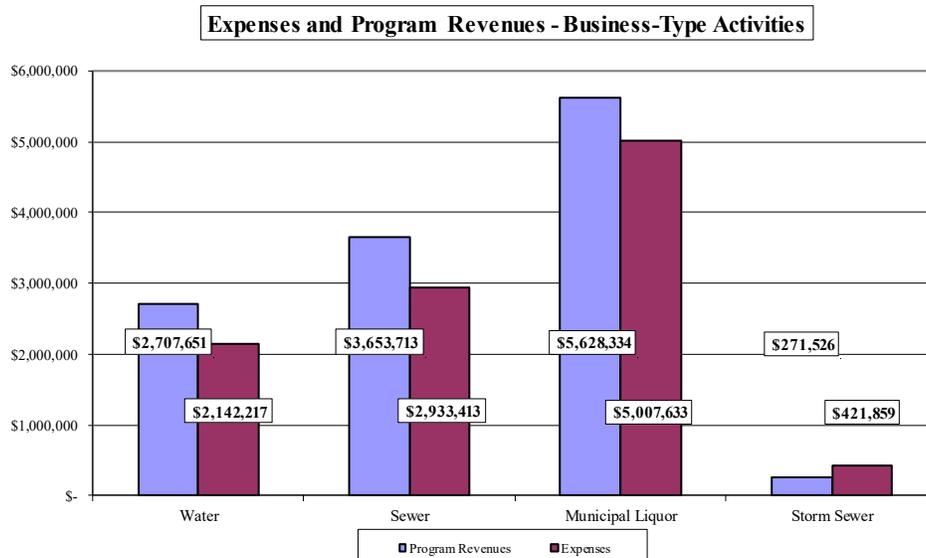
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Business-Type Activities

Business-type activities increased the City's net position by \$1,375,568, resulting in 42% of the total increase in the government's net position. The City's Liquor Store contributed \$450,000 to the General Fund. In 2022, the Liquor Store saw a slight decrease of less than 1% in sales compared to 2021, however compared to pre-pandemic sales, the Liquor Store saw an increase over 2019 sales of 26%. In 2022, the Liquor Store had net profits of \$192,059 after transfers and depreciation expense.

For the Utility funds, Water usage was down by 5%, a reflection of more residents no longer working from home, in addition the Water usage rates were the same as in 2022, resulting in overall revenues being down. Sewer sales were up compared to 2022 due to the increase in new development as the rates remained the same as in 2021. In 2022, there were 28 new home permits, a multi-unit and 2 commercial unit which was an increase in WAC/SAC and Trunk fees. Development in 2022 represents the normal and anticipated development the City expects for 2023 in regard to multi-family, residential and commercial development, as well as for long-term planning. In 2022 there was a new development that was billed the Storm Water trunk charges which is the reason why Storm Sewer showed an increase in total nonoperating revenues; that and along with the new homes built 2021 and 2022 total revenues are up slightly compared to 2021.

The Liquor Store total revenues were down by .07% compared to 2021, with overall expenses, including transfers, up by 2% compared to 2021. There was a slight increase to cost of goods sold by .78% for 2022 compared to 2021. Personnel costs increased by 27% over 2021 and represented 11% of total sales. The increase in personnel cost was due to the increase in the pay plan and insurance costs. In 2022 the Liquor Store transferred \$450,000 to the General Fund, which was used to help offset the levy needs for the City. The Liquor Store ended 2022 with a 3% Net Profit, which covered depreciation expense as well as the transfer to the General Fund. 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 and would have to either raise the levy or cut services provided.

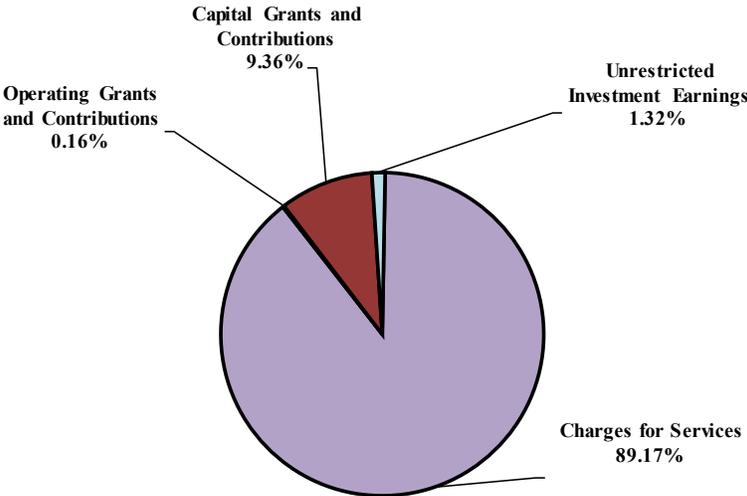


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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Business-Type Activities (continued)

Revenue by Source - Business-Type Activities



The total revenues collected from business-type activities for 2022 was \$12,424,753; of this 89% is revenues received from services provided or \$11,078,787, this is a decrease of \$164,709 over 2021. This decrease is a representation of the decrease in water usage, slight decrease in sales at the Liquor Store and the decrease in development. Investment earnings totaled \$163,529 or 1% of total revenues, is up from 2021. Operating Grants and Contributions revenues received for the year totaled \$19,793, which is down slightly but constant with prior years. Finally, Capital Grants and Contributions for the year totaled \$1,162,644 this included the WAC/SAC received from new development within the City. The decrease in revenues over 2021 was \$28,752 and can be contributed to the slowdown of development. The total increase of net position for business-type activities was \$1,375,568.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

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

Governmental Funds (Continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,976,859, an increase of \$1,701,098 from the previous year. Approximately 64% of this total amount, \$9,485,595, 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, unassigned, and spendable fund balance of the General Fund was \$3,596,606, while total fund balance reached \$3,763,601. 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 60% of the total General Fund expenditures and transfers out, while total fund balance represents 62% of that same amount.

The fund balance of the City's General Fund decreased by \$328,870 during the current fiscal year. Total revenues and other sources in were \$234,125 under the amended budget due to the market to market adjustment or fair market value of investments at year end in the amount of \$652,546, this was due to investment interest rate being down in 2022, not an actual loss of investments. Expenditures and transfers out ended 2022 over the amended budget by \$84,745, primarily due to an approved transfer of \$100,000 to the Capital Street Maintenance Funds for future street improvements/projects and a \$100,000 transfer to the Capital Parks and Trail Improvement fund for future parks and trails at year end per the City's financial policies. The policies state that any excess fund balance over the 50% can be transferred to the Capital Improvement funds at year end.

Proprietary Funds

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

Unrestricted net position of the water operations at the end of the year was \$1,208,678; for the sewer operations the year ended at \$5,160,870 and the storm water operations was \$459,276 and for the liquor store operation the year ended at \$1,539,093. The changes in net position for each of the utility funds were as follows: water an increase of \$568,864, sewer an increase of \$797,408, and storm water a decrease of \$(182,763). The liquor fund saw an increase of \$192,059. 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 \$642,059. With an operating transfer of \$450,000 to the General Fund, resulted in net position increase of \$192,059, far exceeding the projections for 2022 and can be contributed to the store maintaining the customer base acquired over the years, 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 2022 budgeted numbers.

**City of Big Lake
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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, 2022, amounts to \$76,694,174 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, improvements, infrastructure, collection and distribution systems, buildings, machinery, and equipment, as well as leased assets per new General Accounting Standard Board requirements.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 8,007,824	\$ 8,045,419	\$ 1,534,320	\$ 1,534,320	\$ 9,542,144	\$ 9,579,739
Construction in Progress	7,331,832	2,944,107	568,985	34,887	7,900,817	2,978,994
Leased Assets	38,922	-	193,442	-	232,364	-
Leasehold Improvements	310,158	242,496	61,615	67,656	371,773	310,152
Infrastructure	15,877,812	17,071,177	-	-	15,877,812	17,071,177
Collection and Distribution Systems	-	-	20,648,954	22,197,040	20,648,954	22,197,040
Buildings	2,161,489	2,316,887	17,475,637	18,397,240	19,637,126	20,714,127
Machinery and Equipment	1,820,047	1,653,795	663,139	539,061	2,483,186	2,192,856
Total	\$ 35,548,084	\$ 32,273,881	\$ 41,146,092	\$ 42,770,204	\$ 76,694,176	\$ 75,044,085

Additional information on the City's capital assets can be found in Note 6 on pages 57-59 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$25,728,000. Of this amount, \$1,304,000 comprises of debt backed by the full faith and credit of the government and \$12,695,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., tax increment financing [TIF] bonds, revenue bonds, lease revenue bonds).

City of Big Lake's Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
G.O. Bonds/Notes	\$ 1,304,000	\$ 1,487,000	\$ -	\$ -	\$ 1,304,000	\$ 1,487,000
G.O. Tax Increment Bonds	1,460,000	1,730,000	-	-	1,460,000	1,730,000
G.O. Special Assessment Bonds	12,695,000	8,830,000	-	-	12,695,000	8,830,000
PFA Drinking Water Revolving Loan	-	-	1,116,000	1,654,000	1,116,000	1,654,000
PFA Clean Water Revolving Loan	-	-	6,248,000	7,058,000	6,248,000	7,058,000
G.O. Taxable Tax Abatement Bonds	-	125,718	-	334,282	-	460,000
G.O. Revenue Bonds/Notes	-	-	2,905,000	4,165,000	2,905,000	4,165,000
Total	\$ 15,459,000	\$ 12,172,718	\$ 10,269,000	\$ 13,211,282	\$ 25,728,000	\$ 25,384,000

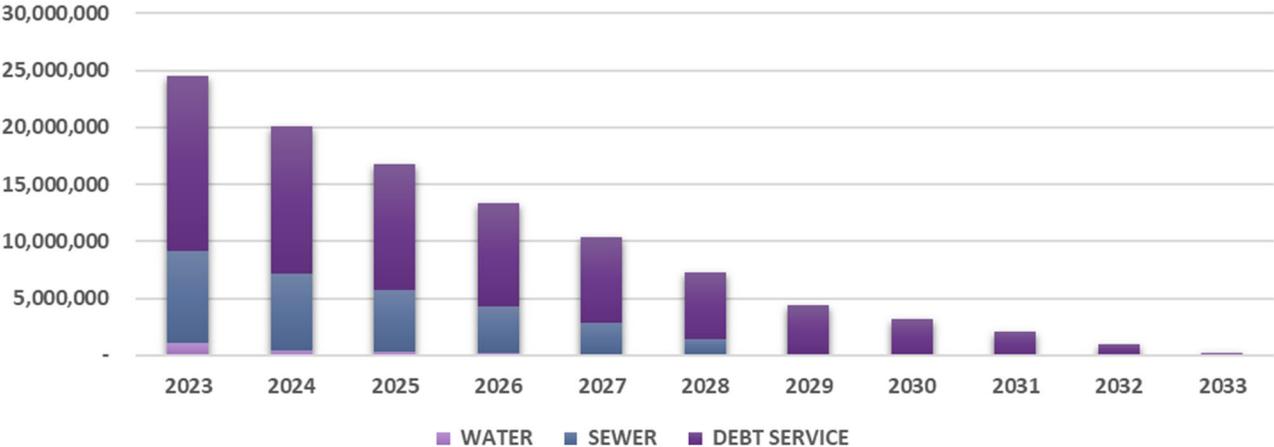
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CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

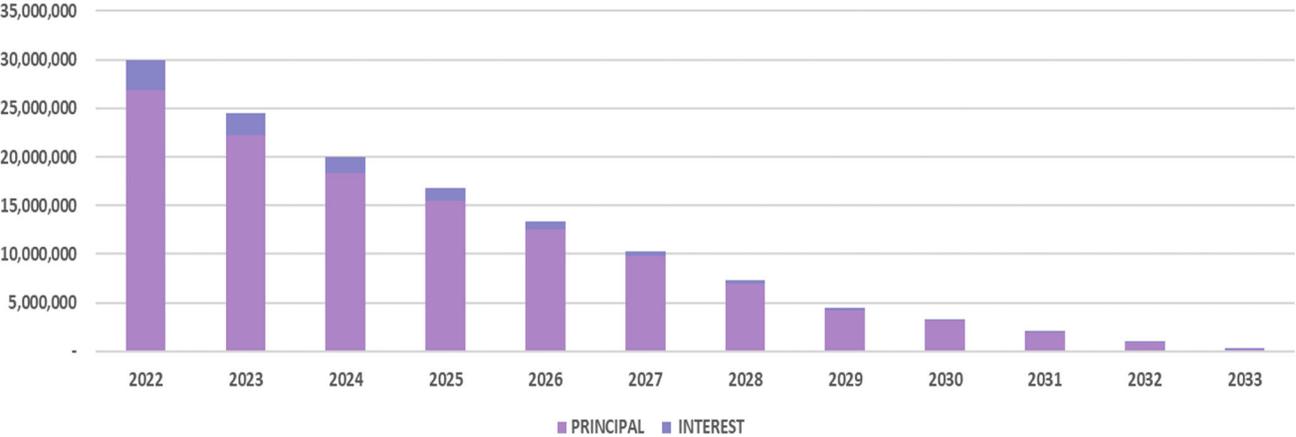
Long-Term Debt (Continued)

The following graph shows the amount of existing outstanding principal debt for the City of Big Lake based on activities and how it has decreased over the years. The total outstanding bonded debt increased by \$344,000 and the City issued \$5,065,000 of new debt in 2022. The City also called \$1,120,000 of outstanding bonds early, which lead to an interest savings of \$43,903. Also shown is the outstanding principal and interest debt for the City.

Outstanding Debt - Principal and Interest



Total Outstanding Debt - Principal and Interest



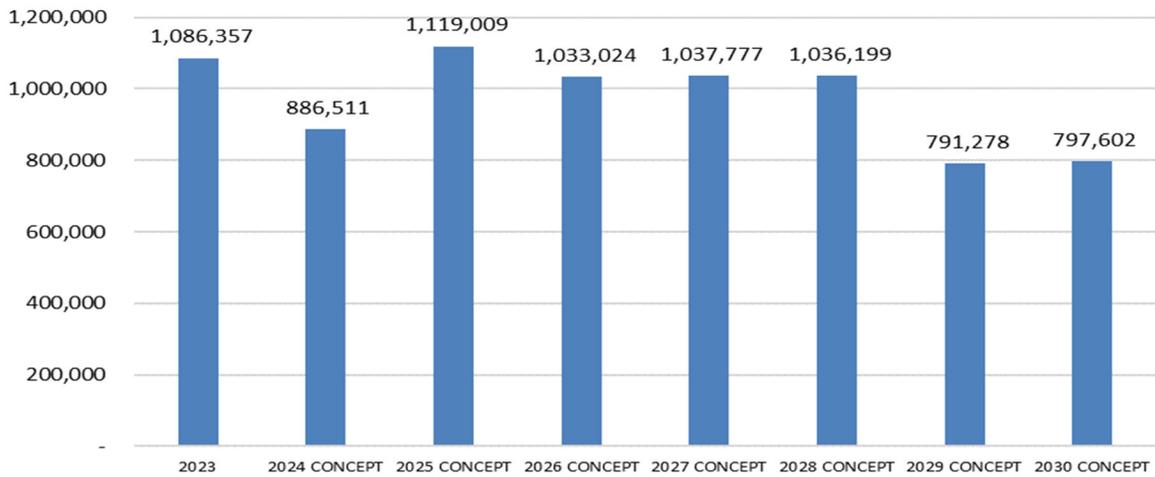
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CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

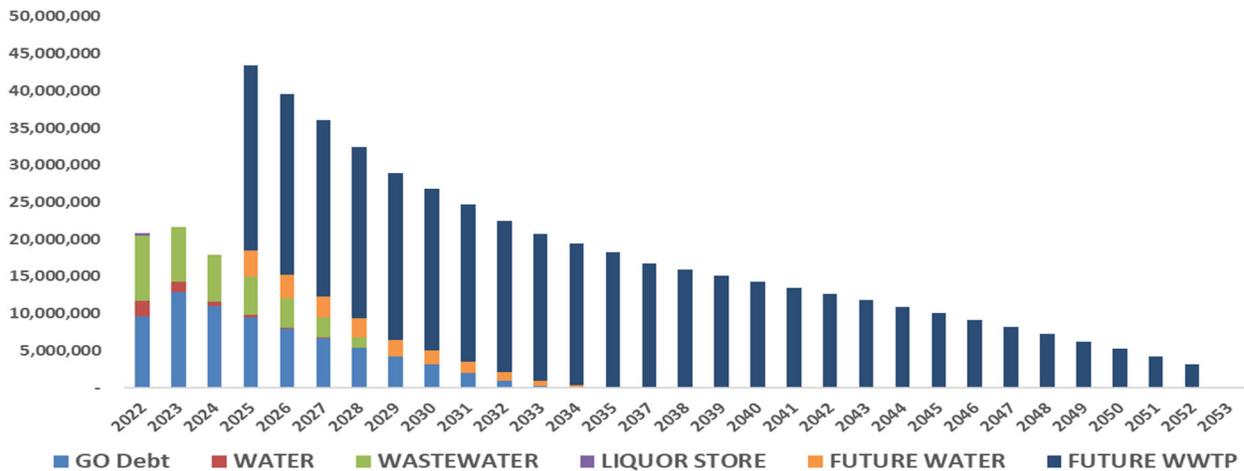
Long-Term Debt (Continued)

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 2025. The 2018 street improvements that was bonded will not be levied until 2025, but instead the debt payments will be paid from allocation of the Local Government Aid and MSA Street Aid that was advanced to completed the project. The 2022 street improvement that was bonded will not be levied until 2025, instead the bond premium received will be used for the debt payments due in 2023 and 2024. Also included is a graph the indicates all future projects that could be funded by debt. The proposed projects are in the orange and purple on the second chart. These are not guaranteed debt, just used for future financial planning.

PROPERTY TAX LEVY FOR DEBT SERVICE 2023-2030



OUTSTANDING PRINCIPLE INCLUDING FUTURE PROJECTS



**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 59-63 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.
- 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.

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

- Budgeted spending for the City's General Fund for 2023 was increased by 9.99% over the 2022 budget; for an overall balanced budget of \$6,295.651. In 2023, the City did budget for a 9.62% increase in personnel, with the increase to the City's pay plan, reclass of police staff, reallocation between the General Fund and the Big Lake Economic Development Authority Fund of wages paid to the Executive Director, established a \$25 stipend for each park board meeting attended by the park advisory board, and increase cost of insurance as well as workers compensation.
- A market-rate increase to the City's pay plan for 2023 of 5% increases.
- The 2023 total levy amount of \$5,346,485 was a 4.12% increase over the 2022 amount.
- In 2023, the City will begin levying for an Abatement Property tax levy for the Carlson Group, which is for Premier Marine. The Tax Abatement note is for 12 years or \$1,200,000, whichever comes first and must be levied as a special levy. The City also levies for the Lupulin/Garage Guys Tax Abatement note, which was entered into in 2020 and was for \$284,000 or 15 years. For 2023 the tax abatement levies totaled \$12,050, beginning in 2024 the tax abatement levy will be \$112,000, to reflect the increase taxable value of the Premier Marine project.
- The Net Tax Capacity is projected to increase by 39.45% for 2023 with Taxable Market Value increasing by 31%. Of the increase, approximately 3.13% is contributed to new construction.
- In 2023, the City anticipates receiving approximately \$792,209 in Local Government Aid (LGA), as compared to \$771,630 received in 2022. 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 2022 the water and sewer usage rates did not change from 2021, and the base fees remained flat. The only change for 2022 rates were for the Municipal accounts and the industrial accounts.
- For 2023, water usage rates will remain flat as well as the base fees for residential, multi-family and commercial. Sewer usage rates will increase by 2% and the base fees will remain flat. Municipal water usage rates will increase 5% and Industrial rates will increase 8%. For the next coming years, it is projected that the water rates will need to increase by 1% to cover the increasing cost of treatment as well as needed infrastructure. 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 was anticipating approximately 40 new permits, which is more consistent of year over year compared to the 90 issued in 2021. However only 28 new home permits were issued. Future long-term planning is projecting only 30 new home permits until additional plats are developed to accommodate the addition needs.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2022**

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

- The City did see current business expand their operations as well as an increase in housing projects that should be completed in the coming years. However, 2023, staff is predicting a slight pause on development due to the current economy. Staff does feel development will begin to grow again in 2024. For new projects, the City has seen the following, however some developments are currently on waiting until 2024 to move forward:
 - Marketplace Crossing – 60 Market Rate & Affordable Units – in the beginning stages of development
 - Aeon-Goldenrod Glen – 74 Senior Affordable Rental Units – in the beginning stages of development
 - Parkwood Knolls – 152 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
 - Prairie Rose – 135 Single-Family Detached Townhomes – in the beginning stages of development
 - Big Lake Car Condos – phases 1-3
 - Arrow Components Premier Marine
 - Ember Coffee Company
 - Domino's
 - Willy McCoy's
- The City began the street reconstruction projects in 2018, in 2020 the projects were postponed until 2021. In 2022 the City did several street projects that were planned in 2023-2027 to take advantage of the low borrowing rate. This saved the taxpayers approximately \$500,000 in interest.
- The City began the Code Revision project for the zoning, subdivision, and sign ordinance in 2022. This project will be completed in April of 2023.
- 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 30 new home permits a year.
 - Operational Expenditures – the plan reflects a three percent increase in some expenditures such as supplies and utilities.
 - Transfer of a portion of the 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.

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

- Transfer of \$100,000 to the Parks-Trail Improvement Capital fund for years 2023-2026 and then beginning in 2027, the \$100,000 would be an allocation from the Local Government Aid received.
- 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, 2022**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 17,008,734	\$ 8,729,242	\$ 25,737,976
Receivables			
Property tax receivable	61,926	-	61,926
Accounts receivable	124,265	561,079	685,344
Interest receivable	32,604	-	32,604
Notes receivable	260,000	-	260,000
Lease Receivable	151,502	572,222	723,724
Special assessments receivable			
Delinquent	7,202	11,205	18,407
Deferred	2,013,827	6,016	2,019,843
Due from other governments	277,511	1,889	279,400
Advances to other funds (internal balances)			
Within one year	(32,004)	32,004	-
After one year	(747,739)	747,739	-
Inventories	-	357,042	357,042
Land held for resale	207,839	-	207,839
Prepaid items	108,870	90,842	199,712
Restricted cash and cash equivalents	-	125,418	125,418
Capital assets not being depreciated/amortized			
Land	8,007,824	1,534,320	9,542,144
Construction in progress	7,331,832	568,985	7,900,817
Capital assets being depreciated/amortized			
Infrastructure	41,953,591	-	41,953,591
Buildings	4,979,619	27,648,091	32,627,710
Leasehold improvements	360,170	223,833	584,003
Leased Asset	55,084	199,130	254,214
Machinery and equipment	6,401,378	1,995,033	8,396,411
Collection and distribution systems	-	49,017,022	49,017,022
Less accumulated depreciation/amortization	(33,541,414)	(40,040,322)	(73,581,736)
 Total assets	 <u>55,022,621</u>	 <u>52,380,790</u>	 <u>107,403,411</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	3,324,484	501,598	3,826,082
 Total assets and deferred outflows of resources	 <u>\$ 58,347,105</u>	 <u>\$ 52,882,388</u>	 <u>\$ 111,229,493</u>

City of Big Lake
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 178,546	\$ 496,618	\$ 675,164
Salaries and benefits payable	107,065	70,890	177,955
Escrow payable	1,052,753	125,000	1,177,753
Contracts payable	261,023	13,862	274,885
Due to other governments	4,036	64,250	68,286
Interest payable	243,543	104,486	348,029
Unearned revenue	1,256,236	-	1,256,236
Net G.O. Bonds principal payable			
Payable within one year	1,620,000	-	1,620,000
Payable after one year	13,709,079	-	13,709,079
G.O. revenue bonds and notes payable			
Payable within one year	-	1,761,000	1,761,000
Payable after one year	-	8,621,253	8,621,253
Notes payable			
Payable within one year	135,000	-	135,000
Payable after one year	864,000	-	864,000
Lease liability			
Payable within one year	16,009	3,278	19,287
Payable after one year	23,522	192,674	216,196
Compensated absences payable			
Payable within one year	282,973	155,245	438,218
Severance payable			
Payable within one year	41,615	-	41,615
Net pension liability	5,393,381	1,542,941	6,936,322
Total liabilities	<u>25,188,781</u>	<u>13,151,497</u>	<u>38,340,278</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to lease receivable	151,502	572,222	723,724
Deferred inflows of resources related to pensions	91,525	26,913	118,438
Total deferred inflows of resources	<u>243,027</u>	<u>599,135</u>	<u>842,162</u>
Net Position			
Net investment of capital assets	21,405,841	30,567,887	51,973,728
Restricted for			
Debt service	4,341,577	-	4,341,577
Tax increment	278,496	-	278,496
Parkland dedication	655,112	-	655,112
Other purposes	245,117	-	245,117
Unrestricted	5,989,154	8,563,869	14,553,023
Total net position	<u>32,915,297</u>	<u>39,131,756</u>	<u>72,047,053</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 58,347,105</u>	<u>\$ 52,882,388</u>	<u>\$ 111,229,493</u>

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**City of Big Lake
Statement of Activities
Year Ended December 31, 2022**

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	\$ 1,189,587	\$ 152,077	\$ 32,776	\$ 19,000	\$ (985,734)	\$ -	\$ (985,734)
Public safety	3,291,228	737,396	414,415	-	(2,139,417)	-	(2,139,417)
Streets and highways	2,152,571	189,954	40,000	1,944,649	22,032	-	22,032
Culture and recreation	910,885	84,937	63,051	213,492	(549,405)	-	(549,405)
Economic development	832,922	9,097	-	43,122	(780,703)	-	(780,703)
Interest on long-term debt	419,548	-	-	-	(419,548)	-	(419,548)
Total governmental activities	<u>8,796,741</u>	<u>1,173,461</u>	<u>550,242</u>	<u>2,220,263</u>	<u>(4,852,775)</u>	<u>-</u>	<u>(4,852,775)</u>
Business-type activities							
Water	2,142,217	2,265,513	8,908	433,230	-	565,434	565,434
Sewer	2,933,413	2,924,476	6,223	723,014	-	720,300	720,300
Liquor	5,007,633	5,625,135	3,199	-	-	620,701	620,701
Storm sewer	421,859	263,663	1,463	6,400	-	(150,333)	(150,333)
Total business-type activities	<u>10,505,122</u>	<u>11,078,787</u>	<u>19,793</u>	<u>1,162,644</u>	<u>-</u>	<u>1,756,102</u>	<u>1,756,102</u>
Total governmental and business-type activities	<u>\$ 19,301,863</u>	<u>\$ 12,252,248</u>	<u>\$ 570,035</u>	<u>\$ 3,382,907</u>	<u>(4,852,775)</u>	<u>1,756,102</u>	<u>(3,096,673)</u>
General revenues							
Property taxes					5,074,927	-	5,074,927
Franchise Fees					486,360	-	486,360
Tax increments					225,970	-	225,970
State aids					820,985	-	820,985
Unrestricted investment and other interest income					(425,427)	163,529	(261,898)
Other general revenue					7,289	-	7,289
Gain on sale of assets					48,015	-	48,015
Transfers					544,063	(544,063)	-
Total general revenues and transfers					<u>6,782,182</u>	<u>(380,534)</u>	<u>6,401,648</u>
Change in net position					1,929,407	1,375,568	3,304,975
Net position - beginning					30,985,890	37,756,188	68,742,078
Net position - ending					<u>\$ 32,915,297</u>	<u>\$ 39,131,756</u>	<u>\$ 72,047,053</u>

See notes to basic financial statements.

City of Big Lake
Balance Sheet - Governmental Funds
December 31, 2022

	General (101)	Capital Projects		
		Equipment and Building Replacements (199)	Infrastructure Improvement Fund (198)	Street Improvement (175)
Assets				
Cash and investments	\$ 4,186,282	\$ 1,301,365	\$ 1,103,898	\$ 1,547,060
Taxes receivable - delinquent	43,318	-	4,190	-
Accounts receivable	123,129	-	-	-
Interest receivable	32,604	-	-	-
Due from other governments	101,707	-	147,931	5,000
Notes receivable	-	-	-	-
Lease receivable	151,502	-	-	-
Special assessment receivable				
Delinquent	632	-	2,003	3,180
Deferred	2,895	-	192,162	-
Land held for resale	-	-	-	-
Prepaid items	101,247	7,143	-	-
Total assets	\$ 4,743,316	\$ 1,308,508	\$ 1,450,184	\$ 1,555,240
Liabilities				
Accounts payable	\$ 120,487	\$ 16,021	\$ 3,161	\$ 35,042
Salaries and benefits payable	104,232	-	-	-
Escrow payable	525,759	-	6,510	10,000
Contracts payable	-	-	2,574	242,649
Due to other governments	4,036	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	26,854	-	-	-
Total liabilities	781,368	16,021	12,245	287,691
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Deferred inflows of resources related to lease receivables	151,502	-	-	-
Unavailable revenue - property taxes	43,318	-	4,190	-
Unavailable revenue - special assessments	3,527	-	194,165	3,180
Unavailable revenue - state shared taxes	-	-	143,562	-
Total deferred inflows of resources	198,347	-	341,917	3,180
Fund Balances				
Nonspendable	101,247	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	65,748	1,292,487	1,096,022	1,264,369
Unassigned	3,596,606	-	-	-
Total fund balances	3,763,601	1,292,487	1,096,022	1,264,369
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,743,316	\$ 1,308,508	\$ 1,450,184	\$ 1,555,240

<u>Debt Service</u>	<u>Special Revenue</u>		
GO			
Improvement Bond 2021A (228)	American Rescue Plan (274)	Other Governmental Funds	Total Governmental Funds
\$ 450,722	\$ 1,207,802	\$ 7,211,605	\$ 17,008,734
1,596	-	12,822	61,926
-	-	1,136	124,265
-	-	-	32,604
3,384	-	19,489	277,511
-	-	260,000	260,000
-	-	-	151,502
-	-	1,387	7,202
1,319,667	-	499,103	2,013,827
-	-	207,839	207,839
-	-	480	108,870
<u>\$ 1,775,369</u>	<u>\$ 1,207,802</u>	<u>\$ 8,213,861</u>	<u>\$ 20,254,280</u>
-	-	\$ 3,835	\$ 178,546
-	-	2,833	107,065
-	-	510,484	1,052,753
-	-	15,800	261,023
-	-	-	4,036
-	1,207,802	779,743	779,743
-	1,207,802	21,580	1,256,236
-	<u>1,207,802</u>	<u>1,334,275</u>	<u>3,639,402</u>
-	-	260,000	260,000
-	-	-	151,502
1,596	-	12,822	61,926
1,319,667	-	500,490	2,021,029
-	-	-	143,562
<u>1,321,263</u>	<u>-</u>	<u>773,312</u>	<u>2,638,019</u>
-	-	8	101,255
454,106	-	3,075,012	3,529,118
-	-	860,891	860,891
-	-	2,742,700	6,461,326
-	-	(572,337)	3,024,269
<u>454,106</u>	<u>-</u>	<u>6,106,274</u>	<u>13,976,859</u>
<u>\$ 1,775,369</u>	<u>\$ 1,207,802</u>	<u>\$ 8,213,861</u>	<u>\$ 20,254,280</u>

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City of Big Lake
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2022

Total fund balances - governmental funds \$ 13,976,859

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	69,089,498
Less accumulated depreciation/amortization	(33,541,414)

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	(14,460,000)
Unamortized bond premiums	(869,079)
Notes payable	(999,000)
Lease liability	(39,531)
Compensated absences payable	(282,973)
Severance payable	(41,615)
Net pension liability	(5,393,381)

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	61,926
Special assessments	7,202

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	(91,525)
Deferred outflows of resources related to pensions	3,324,484

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

Special assessments	2,013,827
Notes receivable	260,000
State shared taxes	143,562

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

(243,543)

Total net position - governmental activities

\$ 32,915,297

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

	General (101)	Capital Projects		
		Equipment and Building Replacements (199)	Infrastructure Improvement Fund (198)	Street Improvement (175)
Revenues				
Property taxes	\$ 3,585,748	\$ -	\$ 4,588	\$ -
Tax increments	-	-	-	-
Franchise fees	454,572	-	-	-
Special assessments	5,040	-	17,322	-
Licenses and permits	777,567	-	-	-
Intergovernmental	506,597	796,630	-	-
Charges for services	297,997	-	-	-
Fines and forfeitures	34,512	-	-	-
Miscellaneous				
Investment and other interest income	(576,434)	14,248	20,075	3,870
Contributions and donations	37,555	10,920	-	-
Other	14,462	-	-	-
Total revenues	<u>5,137,616</u>	<u>821,798</u>	<u>41,985</u>	<u>3,870</u>
Expenditures				
Current				
General government	938,222	128,661	-	-
Public safety	2,820,756	11,057	-	-
Streets and highways	813,788	-	44,410	620
Culture and recreation	733,854	6,995	-	-
Economic development	59,881	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	65,327	240,191	-	-
Streets and highways	176	175,536	6,004	4,392,437
Culture and recreation	-	46,891	-	-
Economic development	-	-	-	-
Total expenditures	<u>5,432,004</u>	<u>609,331</u>	<u>50,414</u>	<u>4,393,057</u>
Excess of revenues over (under) expenditures	(294,388)	212,467	(8,429)	(4,389,187)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	15,000	78,108	-	-
Issuance of debt	-	-	-	4,794,307
Bond premium	-	-	-	564,804
Insurance recoveries	36,907	-	-	-
Transfers in	506,841	17,640	-	9,769
Transfers out	(593,230)	-	(709,769)	(564,804)
Total other financing sources (uses)	<u>(34,482)</u>	<u>95,748</u>	<u>(709,769)</u>	<u>4,804,076</u>
Net change in fund balances	(328,870)	308,215	(718,198)	414,889
Fund Balances				
Beginning of year	<u>4,092,471</u>	<u>984,272</u>	<u>1,814,220</u>	<u>849,480</u>
End of year	<u>\$ 3,763,601</u>	<u>\$ 1,292,487</u>	<u>\$ 1,096,022</u>	<u>\$ 1,264,369</u>

See notes to basic financial statements.

<u>Debt Service</u>		<u>Special Revenue</u>	
<u>GO Improvement Bond 2021A (228)</u>	<u>American Rescue Plan (274)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 209,636	\$ -	\$ 1,274,292	\$ 5,074,264
-	-	225,970	225,970
-	-	31,788	486,360
275,868	-	197,094	495,324
-	-	3,880	781,447
-	19,000	401,694	1,723,921
-	-	202,492	500,489
-	-	35,922	70,434
6,398	-	106,416	(425,427)
-	-	51,051	99,526
-	-	1,871	16,333
<u>491,902</u>	<u>19,000</u>	<u>2,532,470</u>	<u>9,048,641</u>
-	-	8,112	1,074,995
-	-	6,882	2,838,695
-	-	-	858,818
-	-	57,028	797,877
-	-	654,010	713,891
-	-	1,778,718	1,778,718
86,709	-	335,712	422,421
-	-	28,943	28,943
-	-	6,579	312,097
-	-	-	4,574,153
-	-	129,561	176,452
-	-	74,528	74,528
<u>86,709</u>	<u>-</u>	<u>3,080,073</u>	<u>13,651,588</u>
405,193	19,000	(547,603)	(4,602,947)
-	-	163	93,271
-	-	270,693	5,065,000
-	-	-	564,804
-	-	-	36,907
-	-	2,078,825	2,613,075
-	(19,000)	(182,209)	(2,069,012)
-	<u>(19,000)</u>	<u>2,167,472</u>	<u>6,304,045</u>
405,193	-	1,619,869	1,701,098
48,913	-	4,486,405	12,275,761
<u>\$ 454,106</u>	<u>\$ -</u>	<u>\$ 6,106,274</u>	<u>\$ 13,976,859</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, 2022

Total net change in fund balances - governmental funds \$ 1,701,098

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/amortization expense.

Capital outlays	5,102,097
Depreciation/amortization expense	(1,837,722)
Disposal of Capital Assets	(45,256)

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

43,568

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.

1,794,271

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.

(453,927)

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.

(108,004)

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.

(5,065,000)

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

Special assessments	895,236
Long-term notes receivable	(40,000)
State shared taxes	143,562

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.

(201,179)

Pension expense

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.

663

Change in net position - governmental activities

\$ 1,929,407

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 3,509,954	\$ 3,564,954	\$ 3,585,748	\$ 20,794
Franchise fees	434,762	434,762	454,572	19,810
Special assessments	2,000	2,000	5,040	3,040
Licenses and permits	490,692	617,292	777,567	160,275
Intergovernmental	452,484	487,484	506,597	19,113
Charges for services	281,247	281,247	297,997	16,750
Fines and forfeitures	61,000	61,000	34,512	(26,488)
Miscellaneous revenues				
Investment income	17,000	17,000	(576,434)	(593,434)
Contributions and donations	4,800	4,800	37,555	32,755
Other	8,450	8,450	14,462	6,012
Total revenues	<u>5,262,389</u>	<u>5,478,989</u>	<u>5,137,616</u>	<u>(341,373)</u>
Expenditures				
Current				
General government	959,988	965,588	938,222	(27,366)
Public safety	2,736,611	2,880,611	2,820,756	(59,855)
Streets and highways	892,464	892,464	813,788	(78,676)
Culture and recreation	685,868	752,868	733,854	(19,014)
Economic development	113,737	113,737	59,881	(53,856)
Capital outlay				
General government	-	-	-	-
Public safety	19,000	19,000	65,327	46,327
Streets and highways	-	-	176	176
Culture and recreation	-	-	-	-
Total expenditures	<u>5,407,668</u>	<u>5,624,268</u>	<u>5,432,004</u>	<u>(192,264)</u>
Excess of revenues under expenditures	(145,279)	(145,279)	(294,388)	(149,109)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	500	500	15,000	14,500
Insurance recoveries	1,000	1,000	36,907	35,907
Transfers in	450,000	450,000	506,841	56,841
Transfers out	(316,221)	(316,221)	(593,230)	(277,009)
Total other financing sources (uses)	<u>135,279</u>	<u>135,279</u>	<u>(34,482)</u>	<u>(169,761)</u>
Net change in fund balances	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	(328,870)	<u>\$ (318,870)</u>
Fund Balances				
Beginning of year			<u>4,092,471</u>	
End of year			<u>\$ 3,763,601</u>	

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - American Rescue Plan Special Revenue Fund
Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal grants	<u>613,401</u>	<u>613,401</u>	<u>19,000</u>	<u>(594,401)</u>
Excess of revenues over (under) expenditures	<u>613,401</u>	<u>613,401</u>	<u>19,000</u>	<u>(594,401)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,226,802)</u>	<u>(1,226,802)</u>	<u>(19,000)</u>	<u>1,207,802</u>
Total other financing sources (uses)	<u>(1,226,802)</u>	<u>(1,226,802)</u>	<u>(19,000)</u>	<u>1,207,802</u>
Net change in fund balances	<u>\$ (613,401)</u>	<u>\$ (613,401)</u>	-	<u>\$ 613,401</u>
Fund Balances				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

City of Big Lake
Statement of Net Position - Proprietary Funds
December 31, 2022

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 1,862,139	\$ 4,627,719	\$ 1,705,380	\$ 534,004	\$ 8,729,242
Accounts receivable	153,819	383,242	-	24,018	561,079
Advances to other funds - within one year	-	32,004	-	-	32,004
Due from other governments	284	1,569	-	36	1,889
Lease receivable	-	572,222	-	-	572,222
Special assessment receivable					
Delinquent	5,075	5,514	-	616	11,205
Deferred	2,684	3,186	-	146	6,016
Inventories	-	-	357,042	-	357,042
Prepaid items	34,422	38,567	13,196	4,657	90,842
Total current assets	<u>2,058,423</u>	<u>5,664,023</u>	<u>2,075,618</u>	<u>563,477</u>	<u>10,361,541</u>
Noncurrent assets					
Restricted cash and cash equivalents	-	125,418	-	-	125,418
Advances to other funds - after one year	-	747,739	-	-	747,739
Capital assets not being depreciated					
Land	277,006	1,257,023	-	291	1,534,320
Construction in progress	532,430	36,555	-	-	568,985
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
Leased Asset	99,565	99,565	-	-	199,130
Machinery and equipment	550,877	863,858	278,571	301,727	1,995,033
Total capital assets	<u>28,027,755</u>	<u>43,800,796</u>	<u>2,251,949</u>	<u>7,105,914</u>	<u>81,186,414</u>
Less accumulated depreciation	<u>(14,324,115)</u>	<u>(19,783,518)</u>	<u>(1,231,905)</u>	<u>(4,700,784)</u>	<u>(40,040,322)</u>
Net capital assets	<u>13,703,640</u>	<u>24,017,278</u>	<u>1,020,044</u>	<u>2,405,130</u>	<u>41,146,092</u>
Total noncurrent assets	<u>13,703,640</u>	<u>24,890,435</u>	<u>1,020,044</u>	<u>2,405,130</u>	<u>42,019,249</u>
Total assets	<u>15,762,063</u>	<u>30,554,458</u>	<u>3,095,662</u>	<u>2,968,607</u>	<u>52,380,790</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to city pensions	159,689	159,689	144,485	37,735	501,598
Total assets and deferred outflows of resources	<u>\$ 15,921,752</u>	<u>\$ 30,714,147</u>	<u>\$ 3,240,147</u>	<u>\$ 3,006,342</u>	<u>\$ 52,882,388</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 295,046	\$ 78,106	\$ 116,413	\$ 7,053	\$ 496,618
Contracts payable	13,862	-	-	-	13,862
Salaries and benefits payable	23,068	23,068	20,505	4,249	70,890
Interest payable	17,800	86,686	-	-	104,486
Due to other governments	8,741	-	55,509	-	64,250
Current compensated absences	53,161	53,161	36,388	12,535	155,245
Amount due within one year	648,394	1,115,884	-	-	1,764,278
Total current liabilities	<u>1,060,072</u>	<u>1,356,905</u>	<u>228,815</u>	<u>23,837</u>	<u>2,669,629</u>
Noncurrent liabilities					
Lease liability	97,976	97,976	-	-	195,952
Escrow payable	-	125,000	-	-	125,000
G.O. Revenue Bonds, net of unamortized premium	619,560	2,398,693	-	-	3,018,253
PFA G.O. Revenue notes	1,116,000	6,248,000	-	-	7,364,000
Net pension liability	491,212	491,212	444,443	116,074	1,542,941
Less amount due within one year	<u>(648,394)</u>	<u>(1,115,884)</u>	<u>-</u>	<u>-</u>	<u>(1,764,278)</u>
Total noncurrent liabilities	<u>1,676,354</u>	<u>8,244,997</u>	<u>444,443</u>	<u>116,074</u>	<u>10,481,868</u>
Total liabilities	<u>2,736,426</u>	<u>9,601,902</u>	<u>673,258</u>	<u>139,911</u>	<u>13,151,497</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to lease receivable	-	572,222	-	-	572,222
Deferred inflows of resources related to city pensions	8,568	8,568	7,752	2,025	26,913
Total deferred inflows of resources	<u>8,568</u>	<u>580,790</u>	<u>7,752</u>	<u>2,025</u>	<u>599,135</u>
Net Position					
Net investment in capital assets	11,870,104	15,272,609	1,020,044	2,405,130	30,567,887
Unrestricted	1,306,654	5,258,846	1,539,093	459,276	8,563,869
Total net position	<u>13,176,758</u>	<u>20,531,455</u>	<u>2,559,137</u>	<u>2,864,406</u>	<u>39,131,756</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 15,921,752</u>	<u>\$ 30,714,147</u>	<u>\$ 3,240,147</u>	<u>\$ 3,006,342</u>	<u>\$ 52,882,388</u>

See notes to basic financial statements.

City of Big Lake
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2022

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Totals
Sales and cost of sales					
Sales	\$ -	\$ -	\$ 5,623,585	\$ -	\$ 5,623,585
Cost of sales	-	-	4,092,018	-	4,092,018
Gross profit	-	-	1,531,567	-	1,531,567
Operating revenues					
Charges for services	2,264,213	2,907,736	-	263,663	5,435,612
Operating expenses					
Wages and salaries	480,300	480,298	435,901	114,298	1,510,797
Employee benefits	208,283	208,564	184,575	57,258	658,680
Materials and supplies	61,445	109,377	8,706	347	179,875
Repairs and maintenance	75,237	95,435	12,065	13,149	195,886
Professional services	77,421	65,490	117,892	7,138	267,941
Insurance	31,200	24,864	13,397	4,857	74,318
Utilities and refuse	141,274	264,243	43,491	-	449,008
Depreciation/amortization	894,516	1,402,167	72,561	222,329	2,591,573
Travel	9,385	11,923	119	-	21,427
Bad debt expense	640	939	-	49	1,628
Equipment	6,627	5,775	1,468	-	13,870
Advertising	1,179	1,129	9,744	766	12,818
Dues, memberships, and training	9,619	4,188	6,725	-	20,532
Telephone	6,707	10,686	7,400	356	25,149
Postage	17,870	6,141	245	1,312	25,568
Water meters	34,206	-	-	-	34,206
Uniforms	1,612	2,444	833	-	4,889
Rental expense and real estate taxes	1,896	-	145	-	2,041
Miscellaneous	23,152	28,002	674	-	51,828
Total operating expenses	2,082,569	2,721,665	915,941	421,859	6,142,034
Operating income (loss)	181,644	186,071	615,626	(158,196)	825,145
Nonoperating revenues (expenses)					
Investment and other interest income	26,497	108,463	21,358	7,211	163,529
Refunds and reimbursements	8,908	6,223	3,199	1,463	19,793
Trunk and access charges	433,230	723,014	-	6,400	1,162,644
Interest expense	(64,474)	(228,158)	(6,200)	-	(298,832)
Amortization of premium	4,826	16,410	6,526	-	27,762
Rent	-	15,529	-	-	15,529
Other income	1,300	1,211	1,550	-	4,061
Total nonoperating revenues (expenses)	410,287	642,692	26,433	15,074	1,094,486
Income (loss) before transfers	591,931	828,763	642,059	(143,122)	1,919,631
Transfers in	19,000	-	-	-	19,000
Transfers out	(42,067)	(31,355)	(450,000)	(39,641)	(563,063)
Change in net position	568,864	797,408	192,059	(182,763)	1,375,568
Net position					
Beginning of year	12,607,894	19,734,047	2,367,078	3,047,169	37,756,188
End of year	\$ 13,176,758	\$ 20,531,455	\$ 2,559,137	\$ 2,864,406	\$ 39,131,756

See notes to basic financial statements.

Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 2,320,983	\$ 2,930,716	\$ 5,625,135	\$ 272,218	\$ 11,149,052
Payments to suppliers	(272,875)	(596,876)	(4,251,091)	(22,128)	(5,142,970)
Payments to employees	(650,090)	(650,369)	(573,486)	(157,197)	(2,031,142)
Net cash flows - operating activities	<u>1,398,018</u>	<u>1,683,471</u>	<u>800,558</u>	<u>92,893</u>	<u>3,974,940</u>
Cash Flows - Noncapital					
Financing Activities					
Receipt of advances to other funds	-	85,847	-	-	85,847
Payment of advances from other funds	(53,920)	-	-	-	(53,920)
Refunds and reimbursements	8,908	6,223	3,199	1,463	19,793
Transfer from other funds	19,000	-	-	-	19,000
Transfer to other funds	(42,067)	(31,355)	(450,000)	(39,641)	(563,063)
Net cash flows - noncapital financing activities	<u>(68,079)</u>	<u>60,715</u>	<u>(446,801)</u>	<u>(38,178)</u>	<u>(492,343)</u>
Cash Flows - Capital and Related					
Financing Activities					
Trunk and access charges	433,230	723,014	-	6,400	1,162,644
Principal paid on debt	(1,201,554)	(1,406,446)	(334,282)	-	(2,942,282)
Interest paid on debt	(77,210)	(243,051)	(9,592)	-	(329,853)
Payments paid on leases	(1,589)	(1,589)	-	-	(3,178)
Payments received on leases	-	15,529	-	-	15,529
Acquisition of capital assets	(618,675)	(135,795)	-	-	(754,470)
Net cash flows - capital and related financing activities	<u>(1,465,798)</u>	<u>(1,048,338)</u>	<u>(343,874)</u>	<u>6,400</u>	<u>(2,851,610)</u>
Cash Flows - Investing Activities					
Interest and dividends received	<u>26,497</u>	<u>108,463</u>	<u>21,358</u>	<u>7,211</u>	<u>163,529</u>
Net change in cash and cash equivalents	(109,362)	804,311	31,241	68,326	794,516
Cash and Cash Equivalents, January 1	<u>1,971,501</u>	<u>3,948,826</u>	<u>1,674,139</u>	<u>465,678</u>	<u>8,060,144</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,862,139</u>	<u>\$ 4,753,137</u>	<u>\$ 1,705,380</u>	<u>\$ 534,004</u>	<u>\$ 8,854,660</u>
Reconciliation of Operating					
Income (Loss) to Net Cash Flows -					
Operating Activities					
Operating income (loss)	\$ 181,644	\$ 186,071	\$ 615,626	\$ (158,196)	\$ 825,145
Adjustments to reconcile operating					
Income (loss) to net cash flows -					
Operating activities					
Other revenues	1,300	1,211	1,550	-	4,061
Depreciation/amortization expense	894,516	1,402,167	72,561	222,329	2,591,573
Net pension liability expense	35,599	35,599	41,609	17,277	130,084
Accounts receivable	(10,460)	(68,303)	-	18	(78,745)
Special assessments receivable	65,578	90,797	-	8,490	164,865
Due from other governments	352	(725)	-	47	(326)
Prepaid items	(11,529)	3,237	(1,404)	(575)	(10,271)
Inventory	-	-	44,695	-	44,695
Accounts payable	239,344	30,523	20,983	6,421	297,271
Due to other governmental units	(1,220)	-	(443)	-	(1,663)
Salaries payable	4,183	4,183	3,853	(82)	12,137
Compensated absences payable	(1,289)	(1,289)	1,528	(2,836)	(3,886)
Total adjustments	<u>1,216,374</u>	<u>1,497,400</u>	<u>184,932</u>	<u>251,089</u>	<u>3,149,795</u>
Net cash flows - operating activities	<u>\$ 1,398,018</u>	<u>\$ 1,683,471</u>	<u>\$ 800,558</u>	<u>\$ 92,893</u>	<u>\$ 3,974,940</u>

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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, 2022, the City contributed \$188,278 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. The City contributed \$7,143 in 2022.

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)

Major Governmental Funds: (Continued)

GO Improvement Bond 2021A Debt Service Fund – This fund accounts for all the debt service payments associated with the GO Improvement Bond 2021A.

American Rescue Plan Special Revenue Fund – This fund accounts for all revenue and costs associated with projects using the American Rescue Plan grant.

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.

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

1. Cash and Investments

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

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

Minnesota 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. Redemptions from the LTD Fund may only be made on the third Wednesday of each month upon at least two weeks advance notice.

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.

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

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

4. Inventory and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

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

5. Capital Assets

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

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

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

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

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

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 assets 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.

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 assets 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 six types of items that qualify for reporting in this category. Four of the items reported arise under the modified accrual basis of accounting and are reported in the Governmental Funds Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from four sources: notes receivable, property taxes, special assessments and state shared taxes. Additionally, the City reports deferred inflows related to lease receivables in the Governmental Funds Balance Sheet. 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 lease receivables 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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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.

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)**

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.

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 Fund, American Rescue Plan Special Revenue Fund, and the EDA Special Revenue Fund.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund, American Rescue Plan Special Revenue 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, American Rescue Plan Special Revenue 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, 2022:

Non-major Governmental Fund	
Industrial Park Expansion Land Purchase Capital Projects Fund	\$ 572,329

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, 2022, 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	\$ 20,074
Certificates of deposit	241,900
	241,900
Total	\$ 261,974

City of Big Lake
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

At December 31, 2022, 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	\$ 6,968,131	\$ 876,474	\$ 1,153,161	\$ 4,285,166	\$ 653,330
Cash and Brokered Money Market Accounts	53,192	53,192	-	-	-
Municipal Bonds	478,403	-	97,476	380,927	-
4M Fund	11,480,871	11,480,871	-	-	-
4M LTD	2,982,296	2,982,296	-	-	-
4M Plus	1,493,674	1,493,674	-	-	-
Total	23,456,567	16,886,507	1,250,637	4,666,093	653,330
Non-Pooled Cash and Cash Equivalents					
4M Fund	2,141,958	2,141,958	-	-	-
Total Investments	\$ 25,598,525	\$ 19,028,465	\$ 1,250,637	\$ 4,666,093	\$ 653,330

The City has the following recurring fair value measurements as of December 31, 2022:

- \$7,446,534 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 AA3 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, 2022:

Petty cash	\$ 2,895
Deposits (Note 3.A.)	261,974
Investments (Note 3.B.)	<u>25,598,525</u>
Total deposits and investments	<u><u>\$ 25,863,394</u></u>

Cash, deposits, and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 25,737,976
Restricted cash and cash equivalents	<u>125,418</u>
Total	<u><u>\$ 25,863,394</u></u>

NOTE 4 – NOTES RECEIVABLE AND LEASE 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 \$260,000. Principal and interest are due in semiannual installments through February 1, 2028.

The City has entered into a Tower Lease agreement with Tower Co, SBA for space leased on the tower located at the Wastewater Treatment Facility. This lease was entered into in 2018 and will continue through the end of 2031. This lease includes variable payments based on the Consumer Price Index for all Urban Consumers for the U.S. City Average for All Items. The City received payments of \$5,407 in principal and \$1,477 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$56,996 as of December 31, 2022.

The City has entered into a Communication Site Lease Agreement with Nextel West Corp. for the water tower on Lake Shore Drive. This lease was entered into in 2018 and will continue through 2023. The payment due in 2022 was \$21,974 with a 3% increase each year after. The City received payments of \$20,538 in principal and \$1,436 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$10,510 as of December 31, 2022.

City of Big Lake
Notes to Basic Financial Statements

NOTE 4 – NOTES RECEIVABLE AND LEASE RECEIVABLE

The City has entered into a Tower Lease agreement with APT Minneapolis, Inc. for the water tower located on Lake Shore Drive. This lease was entered into in 2018 and will continue to 2024. The lease payment was \$23,374 for 2022 and will increase by 2% yearly. The City received payments of \$21,601 in principal and \$1,773 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$68,965 as of December 31, 2022.

The City has entered into a Communication Site Lease Agreement with Palmer Wireless, LLC for space for Equipment Shelter. This lease was entered into in 2017 and will continue to 2036. The rent owed is \$100 monthly and will increase by 10% at the beginning of each five year term. The City received payments of \$932 in principal and \$298 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$15,031 as of December 31, 2022.

The City has entered into a Solar Energy Facility Lease and Easement agreement with Big Lake Holdco LLC. for land. This lease was entered into in 2017 and will continue to 2050. Rental payments vary from year to year based on the lease agreement. The City received payments of \$11,453 in principal and \$9,638 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$568,018 as of December 31, 2022.

The City has entered into a Lease agreement with Ewing Farms, Inc for property to be used for agricultural purposes. This lease was entered into in 2019 and will continue to 2051. The annual rent due is \$4,275 for the length of the term. The City received payments of \$4,076 in principal and \$199 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$4,204 as of December 31, 2022.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2022, was as follows:

	<u>Advances To</u>
	<u>Sewer Fund</u>
Advances from	
Other Governmental Funds	\$ 779,743

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, 2022, was as follows:

	Transfers In					Total
	General Fund	Equipment and Building Replacements	Water	Street Improvement	Other Governmental Funds	
Transfers out						
General Fund	\$ -	\$ 17,640	\$ -	\$ -	\$ 575,590	\$ 593,230
Infrastructure Improvement Fund	-	-	-	9,769	700,000	709,769
Street Improvement	-	-	-	-	564,804	564,804
American Rescue Plan	-	-	-	-	19,000	19,000
Other Governmental Funds	56,841	-	19,000	-	106,368	182,209
Liquor Fund	450,000	-	-	-	-	450,000
Water Fund	-	-	-	-	42,067	42,067
Sewer Fund	-	-	-	-	31,355	31,355
Storm Sewer Fund	-	-	-	-	39,641	39,641
Total	<u>\$ 506,841</u>	<u>\$ 17,640</u>	<u>\$ 19,000</u>	<u>\$ 9,769</u>	<u>\$ 2,078,825</u>	<u>\$ 2,632,075</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, 2022, 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	\$ 1,014	\$ 38,609	\$ 8,007,824
Construction in progress	<u>2,944,107</u>	<u>4,452,036</u>	<u>64,311</u>	<u>7,331,832</u>
Total capital assets not being depreciated	<u>10,989,526</u>	<u>4,453,050</u>	<u>102,920</u>	<u>15,339,656</u>
Other capital assets				
Infrastructure	41,953,591	-	-	41,953,591
Buildings	4,979,619	-	-	4,979,619
Leasehold improvements	276,685	83,485	-	360,170
Machinery and equipment	5,909,335	629,873	137,830	6,401,378
Machinery and equipment - leased	-	55,084	-	55,084
Total other capital assets	<u>53,119,230</u>	<u>768,442</u>	<u>137,830</u>	<u>53,749,842</u>
Less accumulated depreciation/ amortization for				
Infrastructure	24,882,414	1,193,365	-	26,075,779
Buildings	2,662,732	155,398	-	2,818,130
Leasehold improvements	34,189	15,823	-	50,012
Machinery and equipment	4,255,540	456,974	131,183	4,581,331
Machinery and equipment - leased	-	16,162	-	16,162
Total accumulated depreciation/amortization	<u>31,834,875</u>	<u>1,837,722</u>	<u>131,183</u>	<u>33,541,414</u>
Total other capital assets, net	<u>21,284,355</u>	<u>(1,069,280)</u>	<u>6,647</u>	<u>20,208,428</u>
Governmental activities capital assets, net	<u>\$ 32,273,881</u>	<u>\$ 3,383,770</u>	<u>\$ 109,567</u>	<u>\$ 35,548,084</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/amortized				
Land	\$ 1,534,320	\$ -	\$ -	\$ 1,534,320
Construction in progress	34,887	636,630	102,532	568,985
Total capital assets not being depreciated/amortized	<u>1,569,207</u>	<u>636,630</u>	<u>102,532</u>	<u>2,103,305</u>
Capital assets being depreciated/amortized				
Buildings	27,648,091	-	-	27,648,091
Collection and distribution systems	49,017,022	-	-	49,017,022
Leased asset	-	199,130	-	199,130
Leasehold improvements	223,833	-	-	223,833
Machinery and equipment	1,760,799	234,234	-	1,995,033
Total capital assets being depreciated/amortization	<u>78,649,745</u>	<u>433,364</u>	<u>-</u>	<u>79,083,109</u>
Less accumulated depreciation/amortization for				
Buildings	9,250,851	921,603	-	10,172,454
Leased assets	-	5,690	-	5,690
Collection and distribution systems	26,819,983	1,548,085	-	28,368,068
Leasehold improvements	156,177	6,042	-	162,219
Machinery and equipment	1,221,738	110,153	-	1,331,891
Total accumulated depreciation/amortization	<u>37,448,749</u>	<u>2,591,573</u>	<u>-</u>	<u>40,040,322</u>
Total capital assets being depreciated/amortized, net	<u>41,200,996</u>	<u>(2,158,209)</u>	<u>-</u>	<u>39,042,787</u>
Business-type activities capital assets, net	<u>\$ 42,770,203</u>	<u>\$ (1,521,579)</u>	<u>\$ 102,532</u>	<u>\$ 41,146,092</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	\$ 89,567
Public safety	283,932
Streets and highways	1,264,059
Culture and recreation	151,390
Economic development	<u>48,774</u>
Total depreciation expense - governmental activities	<u>\$ 1,837,722</u>
Business-type activities	
Water	\$ 894,516
Sewer	1,402,167
Liquor	72,561
Storm sewer	<u>222,329</u>
Total depreciation expense - business-type activities	<u>\$ 2,591,573</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 Bonds of 2015A	2015	2.00%-3.00%	4,330,000	2029	1,270,000	575,000
G.O. Capital Improvement Bonds of 2016B	2016	1.00%-2.25%	590,000	2028	305,000	45,000
G.O. Refunding Improvement Bonds of 2016C	2016	2.00%	1,875,000	2026	1,265,000	305,000
G.O. Improvement Bonds of 2018A	2018	3%-3.30%	2,350,000	2034	1,955,000	140,000
G.O. Improvement Bonds of 2021A	2021	1.05%-3.00%	3,140,000	2032	3,140,000	275,000
G.O. Improvement Bonds of 2022A	2022	2.00%-4.00%	5,065,000	2033	5,065,000	-
Taxable G.O. Refunding Bonds						
Taxable G.O. Refunding Bond of 2016A	2016	0.90%-3.10%	2,885,000	2030	1,460,000	280,000
Notes payable from direct borrowing						
Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	999,000	135,000
					<u>15,459,000</u>	<u>1,755,000</u>
Premium on bonds payable					869,079	-
Lease liability					39,531	16,009
Severance					41,615	41,615
Compensated absences					282,973	282,973
Total governmental activities					<u>16,692,198</u>	<u>2,095,597</u>
Business-type activities						
G.O. Revenue Bonds, including Refunding Bonds						
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,955,000	2029	2,905,000	380,000
					<u>2,905,000</u>	<u>380,000</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	1,116,000	551,000
Water G.O. Revenue Note of 2009	2009	2.41%	13,470,120	2029	6,248,000	830,000
					<u>7,364,000</u>	<u>1,381,000</u>
Premium on bonds payable					113,253	-
Lease liability					195,952	3,278
Compensated absences					155,245	155,245
Total business-type activities					<u>10,733,450</u>	<u>1,919,523</u>
Total all long-term liabilities					<u>\$ 27,425,648</u>	<u>\$ 4,015,120</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, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Improvement Bonds	\$ 9,185,000	\$ 5,065,000	\$ 1,250,000	\$ 13,000,000	\$ 1,340,000
G.O. Revenue /Tax Abatement Bonds	125,718	-	125,718	-	-
Taxable G.O. Refunding Bonds	1,730,000	-	270,000	1,460,000	280,000
Notes payable from direct borrowing	1,132,000	-	133,000	999,000	135,000
Premium on bonds	415,152	564,804	110,877	869,079	-
Total bonds payable	<u>12,587,870</u>	<u>5,629,804</u>	<u>1,889,595</u>	<u>16,328,079</u>	<u>1,755,000</u>
Lease liability	-	55,084	15,553	39,531	16,009
Compensated absences	319,925	298,421	335,373	282,973	282,973
Severance	48,231	-	6,616	41,615	41,615
Total governmental activities	<u>12,956,026</u>	<u>5,983,309</u>	<u>2,247,137</u>	<u>16,692,198</u>	<u>2,095,597</u>
Business-type activities					
Bonds payable					
G.O. Revenue Bonds	4,499,282	-	1,594,282	2,905,000	380,000
Premium on bonds	141,015	-	27,762	113,253	-
Total bonds payable	<u>4,640,297</u>	<u>-</u>	<u>1,622,044</u>	<u>3,018,253</u>	<u>380,000</u>
Notes from direct borrowing					
PFA G.O. Revenue Notes	8,712,000	-	1,348,000	7,364,000	1,381,000
Lease liability	-	199,130	3,178	195,952	3,278
Compensated absences	159,131	149,503	153,389	155,245	155,245
Total business-type activities	<u>13,511,428</u>	<u>348,633</u>	<u>3,126,611</u>	<u>10,733,450</u>	<u>1,919,523</u>
Total long-term liabilities	<u>\$ 26,467,454</u>	<u>\$ 6,331,942</u>	<u>\$ 5,373,748</u>	<u>\$ 27,425,648</u>	<u>\$ 4,015,120</u>

The General Fund typically liquidates the governmental activities lease liability, 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			Lease Liability		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,340,000	\$ 430,351	\$ 1,770,351	\$ 16,009	\$ 999	\$ 17,008
2024	1,610,000	308,838	1,918,838	16,512	496	17,008
2025	1,315,000	266,613	1,581,613	6,624	81	6,705
2026	1,365,000	226,038	1,591,038	386	2	388
2027	1,075,000	187,206	1,262,206	-	-	-
2028-2032	5,340,000	435,702	5,775,702	-	-	-
2033-2034	955,000	18,258	973,258	-	-	-
Total	\$ 13,000,000	\$ 1,873,006	\$ 14,873,006	\$ 39,531	\$ 1,578	\$ 41,109

Year Ending December 31,	Governmental Activities		
	Notes Payable from Direct Borrowing		
	Principal	Interest	Total
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	145,000	7,646	152,646
2028-2029	298,000	7,734	305,734
Total	\$ 999,000	\$ 70,178	\$ 1,069,178

Year Ending December 31,	Taxable G.O. Refunding Bond			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 280,000	\$ 35,940	\$ 315,940	\$ 1,771,009	\$ 484,532	\$ 2,255,541
2024	280,000	29,500	309,500	2,044,512	353,746	2,398,258
2025	170,000	23,930	193,930	1,631,624	303,154	1,934,778
2026	180,000	19,200	199,200	1,688,386	255,354	1,943,740
2027	185,000	13,998	198,998	1,405,000	208,850	1,613,850
2028-2030	365,000	13,872	378,872	6,003,000	457,308	6,460,308
	-	-	-	955,000	18,258	973,258
Total	\$ 1,460,000	\$ 136,440	\$ 1,596,440	\$ 15,498,531	\$ 2,081,202	\$ 17,579,733

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
2023	\$ 380,000	\$ 66,550	\$ 446,550	\$ 1,381,000	\$ 179,060	\$ 1,560,060
2024	385,000	57,000	442,000	1,415,000	145,085	1,560,085
2025	400,000	48,650	448,650	870,000	110,272	980,272
2026	410,000	39,281	449,281	892,000	89,270	981,270
2027	415,000	29,225	444,225	913,000	67,736	980,736
2028-2029	915,000	24,806	939,806	1,893,000	68,824	1,961,824
Total	<u>\$ 2,905,000</u>	<u>\$ 265,512</u>	<u>\$ 3,170,512</u>	<u>\$ 7,364,000</u>	<u>\$ 660,247</u>	<u>\$ 8,024,247</u>

Year Ending December 31,	Business-Type Activities					
	Lease Liability			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 3,278	\$ 6,028	\$ 9,306	\$ 1,764,278	\$ 251,638	\$ 2,015,916
2024	3,381	5,925	9,306	1,803,381	208,010	2,011,391
2025	3,487	5,819	9,306	1,273,487	164,741	1,438,228
2026	3,597	5,709	9,306	1,305,597	134,260	1,439,857
2027	3,710	5,596	9,306	1,331,710	102,557	1,434,267
2028-2032	20,375	26,155	46,530	2,828,375	119,785	2,948,160
2033-2037	24,215	23,091	47,306	24,215	23,091	47,306
2038-2042	27,840	18,690	46,530	27,840	18,690	46,530
2043-2047	32,501	14,029	46,530	32,501	14,029	46,530
2048-2052	37,943	8,587	46,530	37,943	8,587	46,530
2053-2057	35,625	2,341	37,966	35,625	2,341	37,966
Total	<u>\$ 195,952</u>	<u>\$ 121,970</u>	<u>\$ 317,922</u>	<u>\$ 10,464,952</u>	<u>\$ 1,047,729</u>	<u>\$ 11,512,681</u>

E. Lease Liability

On March 17, 2021, the City entered into a lease agreement with Pitney Bowes. The lease agreement includes monthly principal and interest payments of \$129. The lease agreement expires in 2026.

On April 21, 2020, the City entered into a lease agreement with Marco for copiers. The lease agreement includes monthly principal and interest payments of \$1,142. The lease agreement expires in 2025.

On April 21, 2020, the City entered into a lease agreement with Minnesota Computer Systems, Inc. (MCSI) for the use of copiers. The lease agreement includes monthly principal and interest payments of \$146. The lease agreement expires in 2025.

In June 1979, the City entered into a lease agreement with Railroad Crossing for the use of railroad. The lease agreement includes monthly principal and interest payments of \$775. The lease agreement expires in 2056.

City of Big Lake
Notes to Basic Financial Statements

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	GO Improvement Bond 2021A	Nonmajor Governmental Fund	Total
Nonspendable							
Land held for resale	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ 8
Prepaid items	101,247	-	-	-	-	-	101,247
Total nonspendable	<u>101,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>101,255</u>
Restricted							
Debt service	-	-	-	-	454,106	2,039,849	2,493,955
Park development	-	-	-	-	-	655,112	655,112
Small Cities Development Program	-	-	-	-	-	7,250	7,250
TIF	-	-	-	-	-	278,496	278,496
Police traffic safety	-	-	-	-	-	20	20
DWI forfeiture	-	-	-	-	-	33,267	33,267
Farmers market	-	-	-	-	-	19,657	19,657
Narcotic forfeiture	-	-	-	-	-	41,361	41,361
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>454,106</u>	<u>3,075,012</u>	<u>3,529,118</u>
Committed							
Economic development	-	-	-	-	-	860,891	860,891
Assigned							
Veterans memorial	-	-	-	-	-	15,789	15,789
Street improvement	-	-	-	1,264,369	-	-	1,264,369
Local development	-	-	-	-	-	143,543	143,543
Music in the park	-	-	-	-	-	13,968	13,968
Capital infrastructure replacement	-	-	1,096,022	-	-	-	1,096,022
Computer replacement	-	-	-	-	-	241,715	241,715
Lake maintenance	-	-	-	-	-	55,790	55,790
Police capital purchases	32,003	-	-	-	-	-	32,003
Street maintenance	-	-	-	-	-	1,938,830	1,938,830
Equipment and building replacements	-	1,292,487	-	-	-	-	1,292,487
Administration	6,000	-	-	-	-	-	6,000
Wellness program	5,133	-	-	-	-	-	5,133
ECFE - Reading in the park program	13,566	-	-	-	-	-	13,566
Movie in the park program	9,046	-	-	-	-	-	9,046
Parks and Trails Maintenance	-	-	-	-	-	333,065	333,065
Total assigned	<u>65,748</u>	<u>1,292,487</u>	<u>1,096,022</u>	<u>1,264,369</u>	<u>-</u>	<u>2,742,700</u>	<u>6,461,326</u>
Unassigned							
	<u>3,596,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(572,337)</u>	<u>3,024,269</u>
Total	<u>\$ 3,763,601</u>	<u>\$ 1,292,487</u>	<u>\$ 1,096,022</u>	<u>\$ 1,264,369</u>	<u>\$ 454,106</u>	<u>\$ 6,106,274</u>	<u>\$ 13,976,859</u>

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.

City of Big Lake
Notes to Basic Financial Statements

NOTE 9 – RISK MANAGEMENT (CONTINUED)

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 2022 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2022, 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, 2022, was \$798,673. 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.

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 local relief associations that elected to merge with and transfer assets and administration to PERA.

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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. 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.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. 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.

City of Big Lake
Notes to Basic Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

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 2022, 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, 2022, were \$203,946. 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 2022, 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, 2022, were \$207,653. 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, 2022, the City reported a liability of \$2,819,532 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 \$82,562.

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0356% at the end of the measurement period and 0.0346% for the beginning of the period.

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)

City's proportionate share of the net pension liability	\$ 2,819,532
State of Minnesota's proportionate share of net pension liability associated with the City	<u>82,562</u>
Total	<u><u>\$ 2,902,094</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$414,575 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$12,337 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, 2022, 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	\$ 23,552	\$ 29,099
Changes in actuarial assumptions	620,729	10,405
Net collective difference between projected and actual investment earnings	69,379	-
Changes in proportion	100,976	9,675
Contributions paid to PERA subsequent to the measurement date	<u>101,973</u>	<u>-</u>
Total	<u><u>\$ 916,609</u></u>	<u><u>\$ 49,179</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)

General Employees Fund Pension Costs (Continued)

The \$101,973 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, 2023. 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>
2023	\$ 279,990
2024	299,572
2025	(69,089)
2026	254,984
Total	<u>\$ 765,457</u>

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$4,116,790 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0948%, at the end of the measurement period and 0.1005% 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, 2022. 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, 2021. 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.

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, 2022, the City recognized pension expense of \$384,098 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$34,943 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 \$8,532 for the year ended December 31, 2022, 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, 2022, 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	\$ 257,504	\$ -
Changes in actuarial assumptions	2,480,115	25,095
Net collective difference between projected and actual investment earnings	-	7,498
Changes in proportion	68,027	36,666
Contributions paid to PERA subsequent to the measurement date	<u>103,827</u>	<u>-</u>
Total	<u><u>\$ 2,909,473</u></u>	<u><u>\$ 69,259</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 \$103,827 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 548,697
2024	533,712
2025	459,628
2026	858,450
2027	335,900
Total	\$ 2,736,387

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:

Asset Class	Target Allocation	Long-Term
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

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, 2022, 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 6.5%. 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 27 years of service. 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 2022:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

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 (Continued)

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 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 position of the General Employees Fund was 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.4% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

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%)
	<hr/>	<hr/>	<hr/>
City's proportionate share of the General Employees Fund net pension liability	\$ 4,453,598	\$ 2,819,532	\$ 1,479,345
	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
	<hr/>	<hr/>	<hr/>
City's proportionate share of the Police and Fire Fund net pension liability	\$ 6,243,145	\$ 4,125,322	\$ 2,413,188

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 two (2) 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, 2022, the City generated \$225,970 in tax increment revenue and made \$145,186 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, 2022, the City generated \$13,284 of tax increment revenue and made payments on the pay-as-you-go note of \$11,956. The note's balance at year end was \$112,370.
- 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, 2022, the City generated \$123,979 of tax increment revenue and made payments on the pay-as-you-go note of \$54,225. The note's balance at year end was \$155,242.

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Commitments

	<u>Project Authorization</u>	<u>Expended Through 12/31/2022</u>	<u>Remaining Commitment</u>
2020-2021 Street Projects	\$ 3,189,034	\$ 3,143,586	\$ 45,448
2022 Street Projects	4,687,701	3,688,991	998,710
GIS Software	29,600	29,078	522
CR 43 Project	14,867	8,509	6,358
CR 81 Extension	162,285	2,585	159,700
Well 1	882,690	492,801	389,889
Water Meter Replacement	1,682,426	13,712	1,668,714
New Well Location	17,990	12,680	5,310
WWTP Expansion Phase II	61,950	35,076	26,874
	<u>\$ 10,728,543</u>	<u>\$ 7,427,018</u>	<u>\$ 3,301,525</u>
Totals			

NOTE 14 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

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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 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%
2022	0.0356%	2,819,532	82,562	2,902,094	2,663,693	105.85%	76.67%

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 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%
2022	0.0948%	4,116,790	8,532	4,125,322	1,151,458	357.53%	70.53%

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

See notes to required supplementary information.

**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%
2022	203,946	203,946	-	2,719,280	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%
2022	207,653	207,653	-	1,173,181	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

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of Big Lake
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

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

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

City of Big Lake
Notes to Required Supplementary Information

Police And Fire Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

City of Big Lake
Notes to Required Supplementary Information

Police And Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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SUPPLEMENTARY INFORMATION

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Assets				
Cash and investments	\$ 749,518	\$ 40,687	\$ 33,267	\$ 20
Taxes receivable - delinquent	1,525	-	-	-
Accounts receivable	-	674	-	-
Due from other governments	2,141	-	-	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	112,671	-	-	-
Prepaid expenses	350	-	-	-
	<u>\$ 866,205</u>	<u>\$ 41,361</u>	<u>\$ 33,267</u>	<u>\$ 20</u>
Liabilities				
Accounts payable	\$ 1,240	\$ -	\$ -	\$ -
Salaries and benefits payable	2,549	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>3,789</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	1,525	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>1,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	41,361	33,267	20
Committed	860,891	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>860,891</u>	<u>41,361</u>	<u>33,267</u>	<u>20</u>
	<u>\$ 866,205</u>	<u>\$ 41,361</u>	<u>\$ 33,267</u>	<u>\$ 20</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 866,205</u>	<u>\$ 41,361</u>	<u>\$ 33,267</u>	<u>\$ 20</u>

Special Revenue			Debt Service		
Farmers Market (280)	Veterans Memorial Fund (281)	Music in the Park (282)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)
\$ 20,620	\$ 15,924	\$ 14,110	\$ 327,671	\$ 18,519	\$ 280,164
-	-	-	2,655	742	3,921
-	-	-	-	-	-
25	-	-	3,214	978	5,570
-	-	-	260,000	-	-
-	-	-	-	-	280
-	-	-	-	-	4,747
-	-	-	-	-	-
130	-	-	-	-	-
<u>\$ 20,775</u>	<u>\$ 15,924</u>	<u>\$ 14,110</u>	<u>\$ 593,540</u>	<u>\$ 20,239</u>	<u>\$ 294,682</u>
\$ 976	\$ 135	\$ -	\$ -	\$ -	\$ -
142	-	142	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	204,852	-	-
-	-	-	-	-	-
<u>1,118</u>	<u>135</u>	<u>142</u>	<u>204,852</u>	<u>-</u>	<u>-</u>
-	-	-	260,000	-	-
-	-	-	2,655	742	3,921
-	-	-	-	-	5,027
-	-	-	<u>262,655</u>	<u>742</u>	<u>8,948</u>
-	-	-	-	-	-
19,657	-	-	126,033	19,497	285,734
-	-	-	-	-	-
-	15,789	13,968	-	-	-
-	-	-	-	-	-
<u>19,657</u>	<u>15,789</u>	<u>13,968</u>	<u>126,033</u>	<u>19,497</u>	<u>285,734</u>
<u>\$ 20,775</u>	<u>\$ 15,924</u>	<u>\$ 14,110</u>	<u>\$ 593,540</u>	<u>\$ 20,239</u>	<u>\$ 294,682</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Debt Service		
	G.O. Refunding Bond 2015A (222)	G.O. Improvement Bond 2018A (227)	G.O. State Aid Loan (211)
Assets			
Cash and investments	\$ 158,717	\$ 650,548	\$ 10,350
Taxes receivable - delinquent	3,979	-	-
Accounts receivable	-	-	-
Due from other governments	4,798	1,840	-
Notes receivable	-	-	-
Special assessment receivable			
Delinquent	274	833	-
Deferred	221,902	270,569	-
Land held for resale	-	-	-
Prepaid expenses	-	-	-
	-	-	-
Total assets	\$ 389,670	\$ 923,790	\$ 10,350
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-
Escrow payable	-	-	-
Contracts payable	-	-	-
Due to other governments	-	-	-
Advances from other funds	-	-	-
Unearned revenue	-	-	-
	-	-	-
Total liabilities	-	-	-
Deferred Inflows of Resources			
Unavailable revenue - notes receivables	-	-	-
Unavailable revenue - property taxes	3,979	-	-
Unavailable revenue - special assessments	222,176	271,402	-
	226,155	271,402	-
Total deferred inflows of resources	226,155	271,402	-
Fund Balances			
Nonspendable	-	-	-
Restricted	163,515	652,388	10,350
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	-	-	-
Total fund balances	163,515	652,388	10,350
Total liabilities, deferred inflows of resources, and fund balances	\$ 389,670	\$ 923,790	\$ 10,350

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	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	\$ 2,554	\$ 670,570	\$ 9,990	\$ 5,214
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	923
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	1,885	-	-
Land held for resale	8	-	-	95,160
Prepaid expenses	-	-	-	-
	\$ 2,562	\$ 672,455	\$ 9,990	\$ 101,297
Liabilities				
Accounts payable	\$ -	\$ 743	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	510,484	-	-
Contracts payable	-	15,800	-	-
Due to other governments	-	-	-	-
Advances from other funds	574,891	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	574,891	527,027	-	-
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	1,885	-	-
Total deferred inflows of resources	-	1,885	-	-
Fund Balances				
Nonspendable	8	-	-	-
Restricted	-	-	9,990	101,297
Committed	-	-	-	-
Assigned	-	143,543	-	-
Unassigned	(572,337)	-	-	-
Total fund balances	(572,329)	143,543	9,990	101,297
	\$ 2,562	\$ 672,455	\$ 9,990	\$ 101,297
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,562	\$ 672,455	\$ 9,990	\$ 101,297

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
\$ 945	\$ 166,264	\$ 241,994	\$ 1,938,830	\$ 55,790	\$ 7,211,605
-	-	-	-	-	12,822
-	-	-	-	-	1,136
-	-	-	-	-	19,489
-	-	-	-	-	260,000
-	-	-	-	-	1,387
-	-	-	-	-	499,103
-	-	-	-	-	207,839
-	-	-	-	-	480
<u>\$ 945</u>	<u>\$ 166,264</u>	<u>\$ 241,994</u>	<u>\$ 1,938,830</u>	<u>\$ 55,790</u>	<u>\$ 8,213,861</u>
\$ -	\$ -	\$ 279	\$ -	\$ -	3,835
-	-	-	-	-	2,833
-	-	-	-	-	510,484
-	-	-	-	-	15,800
-	-	-	-	-	-
-	-	-	-	-	779,743
-	-	-	-	-	21,580
<u>-</u>	<u>-</u>	<u>279</u>	<u>-</u>	<u>-</u>	<u>1,334,275</u>
-	-	-	-	-	260,000
-	-	-	-	-	12,822
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,490</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>773,312</u>
-	-	-	-	-	8
945	166,264	-	-	-	3,075,012
-	-	-	-	-	860,891
-	-	241,715	1,938,830	55,790	2,742,700
-	-	-	-	-	(572,337)
<u>945</u>	<u>166,264</u>	<u>241,715</u>	<u>1,938,830</u>	<u>55,790</u>	<u>6,106,274</u>
<u>\$ 945</u>	<u>\$ 166,264</u>	<u>\$ 241,994</u>	<u>\$ 1,938,830</u>	<u>\$ 55,790</u>	<u>\$ 8,213,861</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Revenues				
Property taxes	\$ 129,966	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	14,149	21,773	-
Miscellaneous				
Investment and other interest income	6,154	543	395	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>136,120</u>	<u>14,692</u>	<u>22,168</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	2,897	3,985	-
Culture and recreation	-	-	-	-
Economic development	42,567	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	6,579	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>42,567</u>	<u>9,476</u>	<u>3,985</u>	<u>-</u>
Excess of revenues over (under) expenditures	93,553	5,216	18,183	-
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Issuance of debt	-	-	-	-
Transfers in	600,000	-	-	-
Transfers out	(46,362)	-	-	-
Total other financing sources (uses)	<u>553,638</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	647,191	5,216	18,183	-
Fund Balances				
Beginning balance	<u>213,700</u>	<u>36,145</u>	<u>15,084</u>	<u>20</u>
End of year	<u>\$ 860,891</u>	<u>\$ 41,361</u>	<u>\$ 33,267</u>	<u>\$ 20</u>

Special Revenue			Debt Service		
Farmers Market (280)	Veterans Memorial Fund (281)	Music in the Park (282)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)
\$ -	\$ -	\$ -	\$ 194,887	\$ 59,374	\$ 340,829
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,884
3,880	-	-	-	-	-
580	-	-	47,289	-	-
-	-	-	-	-	-
-	-	-	-	-	-
315	254	272	2,922	(155)	1,566
11,551	11,000	28,500	-	-	-
24	-	-	-	-	-
<u>16,350</u>	<u>11,254</u>	<u>28,772</u>	<u>245,098</u>	<u>59,219</u>	<u>344,279</u>
-	-	-	-	-	-
-	-	-	-	-	-
15,528	7,831	33,669	-	-	-
-	-	-	-	-	-
-	-	-	270,000	50,000	205,000
-	-	-	50,434	7,020	27,845
-	-	-	-	-	-
-	-	-	-	-	-
-	3,220	417	-	-	-
-	-	-	-	-	-
<u>15,528</u>	<u>11,051</u>	<u>34,086</u>	<u>320,434</u>	<u>57,020</u>	<u>232,845</u>
822	203	(5,314)	(75,336)	2,199	111,434
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	79,006	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>79,006</u>	<u>-</u>	<u>-</u>
822	203	(5,314)	3,670	2,199	111,434
<u>18,835</u>	<u>15,586</u>	<u>19,282</u>	<u>122,363</u>	<u>17,298</u>	<u>174,300</u>
<u>\$ 19,657</u>	<u>\$ 15,789</u>	<u>\$ 13,968</u>	<u>\$ 126,033</u>	<u>\$ 19,497</u>	<u>\$ 285,734</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	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	\$ 291,055	\$ -	\$ -	\$ 26,337
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	134,088	57,503	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	275,953	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	(493)	9,295	192	(217)
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>424,650</u>	<u>66,798</u>	<u>276,145</u>	<u>26,120</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	550,000	135,000	133,000	125,718
Interest and other charges	40,851	62,820	19,538	3,608
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>590,851</u>	<u>197,820</u>	<u>152,538</u>	<u>129,326</u>
Excess of revenues over (under) expenditures	(166,201)	(131,022)	123,607	(103,206)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Issuance of debt	-	-	-	-
Transfers in	113,063	-	-	80,064
Transfers out	-	-	-	(7,831)
Total other financing sources (uses)	<u>113,063</u>	<u>-</u>	<u>-</u>	<u>72,233</u>
Net change in fund balances	(53,138)	(131,022)	123,607	(30,973)
Fund Balances				
Beginning balance	<u>216,653</u>	<u>783,410</u>	<u>(113,257)</u>	<u>30,973</u>
End of year	<u>\$ 163,515</u>	<u>\$ 652,388</u>	<u>\$ 10,350</u>	<u>\$ -</u>

Debt Service			Capital Projects		
G.O. Improvement Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)	GO Improvement Bond 2022A (229)	Neighborhood Stabilization Program (116)	Small Cities Development Program (118)	Parks and Trails Maintenance (195)
\$ 231,726	\$ 118	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
3,619	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	7,250	20,000
-	-	-	-	-	-
-	-	-	-	-	-
(1,288)	539	42,357	-	-	3,368
-	-	-	-	-	-
-	-	-	1,847	-	-
<u>234,057</u>	<u>657</u>	<u>42,357</u>	<u>1,847</u>	<u>7,250</u>	<u>23,368</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
220,000	90,000	-	-	-	-
3,080	1,919	95,524	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	125,924
-	-	-	1,847	-	-
<u>223,080</u>	<u>91,919</u>	<u>95,524</u>	<u>1,847</u>	<u>-</u>	<u>125,924</u>
10,977	(91,262)	(53,167)	-	7,250	(102,556)
-	-	-	-	-	163
-	-	270,693	-	-	-
-	-	564,804	-	-	225,750
(36,414)	(12,597)	-	-	-	-
<u>(36,414)</u>	<u>(12,597)</u>	<u>835,497</u>	<u>-</u>	<u>-</u>	<u>225,913</u>
(25,437)	(103,859)	782,330	-	7,250	123,357
25,437	103,859	2	-	-	209,708
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 782,332</u>	<u>\$ -</u>	<u>\$ 7,250</u>	<u>\$ 333,065</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	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	-	-	-	48,013
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	43,122	-	-
Charges for services	202,492	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	8,745	274	-	110
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>211,237</u>	<u>43,396</u>	<u>-</u>	<u>48,123</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	611,443	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	23,073	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	1,000	-	1,000
Total expenditures	<u>-</u>	<u>635,516</u>	<u>-</u>	<u>1,000</u>
Excess of revenues over (under) expenditures	211,237	(592,120)	-	47,123
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Issuance of debt	-	-	-	-
Transfers in	-	71,362	-	-
Transfers out	-	-	-	(43,211)
Total other financing sources (uses)	<u>-</u>	<u>71,362</u>	<u>-</u>	<u>(43,211)</u>
Net change in fund balances	211,237	(520,758)	-	3,912
Fund Balances				
Beginning balance	<u>443,875</u>	<u>(51,571)</u>	<u>143,543</u>	<u>6,078</u>
End of year	<u>\$ 655,112</u>	<u>\$ (572,329)</u>	<u>\$ 143,543</u>	<u>\$ 9,990</u>

Capital Projects

Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	Northern Star TIF1-7 (173)	Computer Replacement Fund (194)	Street Maintenance Fund (196)
\$ -	\$ -	\$ -	\$ -	\$ -
40,694	13,284	123,979	-	-
-	-	-	31,788	-
-	-	-	-	-
-	-	-	7,500	-
-	-	-	-	-
-	-	-	-	-
50	15	903	3,277	26,294
-	-	-	-	-
-	-	-	-	-
<u>40,744</u>	<u>13,299</u>	<u>124,882</u>	<u>42,565</u>	<u>26,294</u>
-	-	-	8,112	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	28,943	-
-	-	-	-	-
-	-	-	-	-
1,000	14,456	55,225	-	-
<u>1,000</u>	<u>14,456</u>	<u>55,225</u>	<u>37,055</u>	<u>-</u>
39,744	(1,157)	69,657	5,510	26,294
-	-	-	-	-
-	-	-	-	-
-	-	-	10,000	330,000
(35,794)	-	-	-	-
<u>(35,794)</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>330,000</u>
3,950	(1,157)	69,657	15,510	356,294
<u>97,347</u>	<u>2,102</u>	<u>96,607</u>	<u>226,205</u>	<u>1,582,536</u>
<u>\$ 101,297</u>	<u>\$ 945</u>	<u>\$ 166,264</u>	<u>\$ 241,715</u>	<u>\$ 1,938,830</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, 2022

	<u>Capital Projects</u>	
	<u>Lake Maintenance Fund (197)</u>	<u>Total Other Governmental Funds</u>
Revenues		
Property taxes	\$ -	\$ 1,274,292
Tax increments	-	225,970
Franchise fees	-	31,788
Special assessments	-	197,094
Licenses and permits	-	3,880
Intergovernmental	-	401,694
Charges for services	-	202,492
Fines and forfeitures	-	35,922
Miscellaneous		
Investment and other interest income	729	106,416
Contributions and donations	-	51,051
Other	-	1,871
Total revenues	<u>729</u>	<u>2,532,470</u>
Expenditures		
Current		
General government	-	8,112
Public safety	-	6,882
Culture and recreation	-	57,028
Economic development	-	654,010
Debt service		
Principal	-	1,778,718
Interest and other charges	-	335,712
Capital outlay		
General government	-	28,943
Public safety	-	6,579
Culture and recreation	-	129,561
Economic development	-	74,528
Total expenditures	<u>-</u>	<u>3,080,073</u>
Excess of revenues over (under) expenditures	729	(547,603)
Other Financing Sources (Uses)		
Proceeds from sale of capital asset	-	163
Issuance of debt	-	270,693
Transfers in	4,776	2,078,825
Transfers out	-	(182,209)
Total other financing sources (uses)	<u>4,776</u>	<u>2,167,472</u>
Net change in fund balances	5,505	1,619,869
Fund Balances		
Beginning balance	<u>50,285</u>	<u>4,486,405</u>
End of year	<u>\$ 55,790</u>	<u>\$ 6,106,274</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 3,509,954	\$ 3,564,954	\$ 3,585,748	\$ 20,794
Franchise fees	434,762	434,762	454,572	19,810
Special assessments	2,000	2,000	5,040	3,040
Licenses and permits	490,692	617,292	777,567	160,275
Intergovernmental revenue				
Fire aid	98,000	133,000	130,855	(2,145)
Police aid	137,000	137,000	159,847	22,847
Federal grants	19,655	19,655	8,033	(11,622)
Other grants and aids	197,829	197,829	207,862	10,033
Total intergovernmental revenue	<u>452,484</u>	<u>487,484</u>	<u>506,597</u>	<u>19,113</u>
Charges for services				
General government	67,732	67,732	67,571	(161)
Public safety	33,705	33,705	45,168	11,463
Public works	177,300	177,300	182,138	4,838
Culture and recreation	2,510	2,510	3,120	610
Total charges for services	<u>281,247</u>	<u>281,247</u>	<u>297,997</u>	<u>16,750</u>
Fines and forfeitures	61,000	61,000	34,512	(26,488)
Miscellaneous revenues				
Investment income	17,000	17,000	(576,434)	(593,434)
Contributions and donations	4,800	4,800	37,555	32,755
Other	8,450	8,450	14,462	6,012
Total miscellaneous revenues	<u>30,250</u>	<u>30,250</u>	<u>(524,417)</u>	<u>(554,667)</u>
Total revenues	<u>5,262,389</u>	<u>5,478,989</u>	<u>5,137,616</u>	<u>(341,373)</u>
Expenditures				
General government				
Mayor and council	33,857	39,457	38,179	(1,278)
Administrative and finance	589,830	589,830	592,787	2,957
Other general government	336,301	336,301	307,256	(29,045)
Total general government	<u>959,988</u>	<u>965,588</u>	<u>938,222</u>	<u>(27,366)</u>
Public safety				
Police				
Current	2,208,942	2,296,942	2,240,248	(56,694)
Capital outlay	19,000	19,000	65,327	46,327
Total police	<u>2,227,942</u>	<u>2,315,942</u>	<u>2,305,575</u>	<u>(10,367)</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2022

	<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	\$ 289,248	\$ 324,248	\$ 324,918	\$ 670
Other:				
Current	238,421	259,421	255,590	(3,831)
Total public safety	<u>2,755,611</u>	<u>2,899,611</u>	<u>2,886,083</u>	<u>(13,528)</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	680,266	680,266	624,273	(55,993)
Street engineering	100,898	100,898	89,521	(11,377)
Street lighting	107,100	107,100	96,900	(10,200)
Street - other capital outlay	-	-	176	176
Total streets and highways	<u>888,264</u>	<u>888,264</u>	<u>810,870</u>	<u>(77,394)</u>
Sanitation				
Garbage and other refuse				
Collection and disposal	4,200	4,200	3,094	(1,106)
Total public works	<u>892,464</u>	<u>892,464</u>	<u>813,964</u>	<u>(78,500)</u>
Culture and recreation				
Libraries				
Current	67,409	67,409	57,382	(10,027)
Parks and recreation				
Current	618,459	685,459	676,472	(8,987)
Total culture and recreation	<u>685,868</u>	<u>752,868</u>	<u>733,854</u>	<u>(19,014)</u>
Economic Development				
Economic development				
Current	113,737	113,737	59,881	(53,856)
Total economic development	<u>113,737</u>	<u>113,737</u>	<u>59,881</u>	<u>(53,856)</u>
Total expenditures	<u>5,407,668</u>	<u>5,624,268</u>	<u>5,432,004</u>	<u>(192,264)</u>
Excess of revenues under expenditures	<u>(145,279)</u>	<u>(145,279)</u>	<u>(294,388)</u>	<u>(149,109)</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	500	500	15,000	14,500
Insurance recoveries	1,000	1,000	36,907	35,907
Transfers in	450,000	450,000	506,841	56,841
Transfers out	(316,221)	(316,221)	(593,230)	(277,009)
Total other financing sources (uses)	<u>135,279</u>	<u>135,279</u>	<u>(34,482)</u>	<u>(169,761)</u>
Net change in fund balances	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>(328,870)</u>	<u>\$ (318,870)</u>
Fund Balances				
Beginning of year			4,092,471	
End of year			<u>\$ 3,763,601</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, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 13, 2023.

Report on 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 Legal Compliance and Internal Control that we consider to be a significant deficiency, audit finding 2022-001.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control. The City's response was not subjected to the other 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
April 13, 2023

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, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 13, 2023.

In connection with our audit, we noted that the City failed to comply with provisions of the claims and disbursements of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, insofar as they relate to accounting matters as described in the accompanying Schedule of Findings and Responses on Legal Compliance and Internal Control as audit finding 2022-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, 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
April 13, 2023

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Audit Finding 2022-001 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2022, 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.

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Audit Finding 2022-02 – Ensure supporting documentation is obtained for all credit card purchases

The City did not have supporting documentation for all purchases made via City credit cards. We recommend ensuring receipts are obtained from City employees prior to payment of credit card bills in accordance with City Policy. Additionally, City employees that do not provide itemized receipts need to be held personally responsible for those charges.

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

Communications Letter

December 31, 2022



**City of Big Lake
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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, 2022, 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:

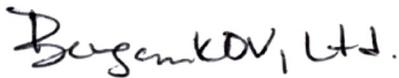
- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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 April 13, 2023, 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." in a cursive, slightly stylized font.

St. Cloud, Minnesota
April 13, 2023

**City of Big Lake
Significant Deficiency**

Lack of Segregation of Accounting Duties

During the year ended December 31, 2022, 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, 2022. 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/Misappropriation of Assets**
 - 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.

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, 2022. 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

City of Big Lake Required Communication

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

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.

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.

City of Big Lake Required Communication

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

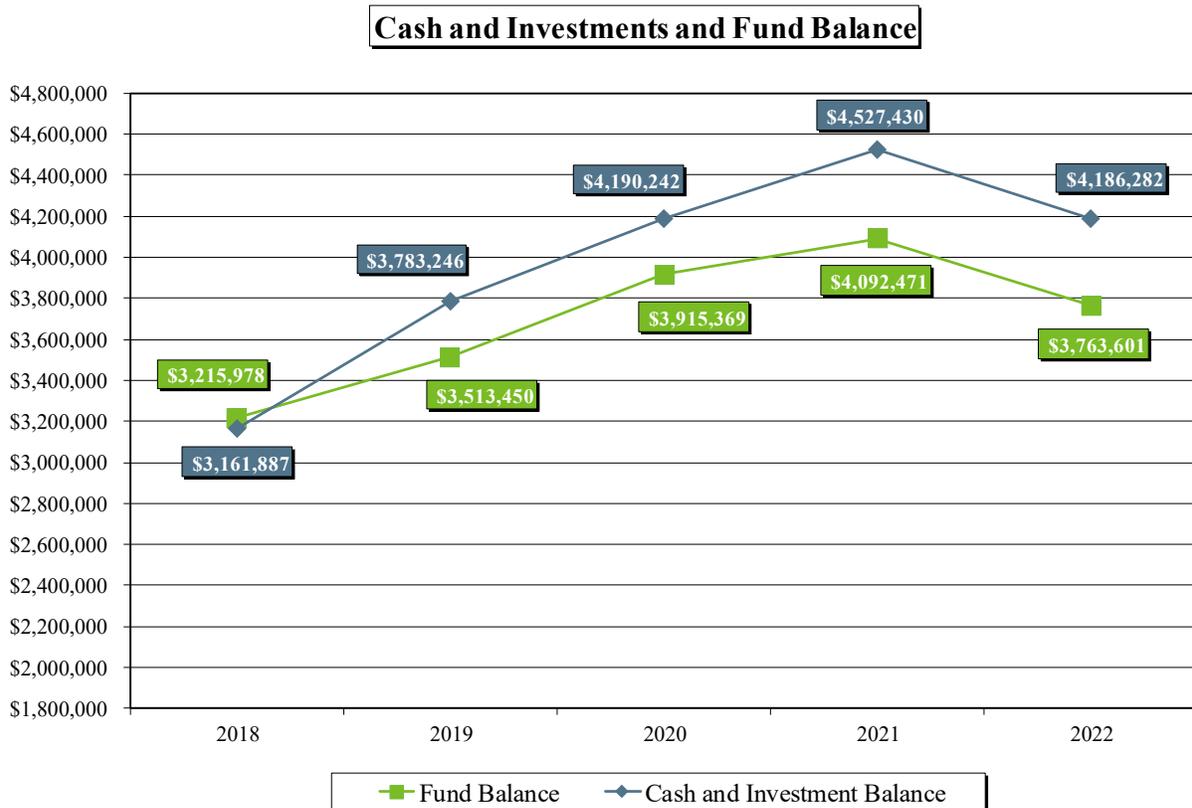
In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the 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.

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 \$1,024,395 from 2018 to 2022. The fund balance increased \$547,623 from 2018 to 2022. At December 31, 2022, the General Fund balance consisted of \$101,247 nonspendable, \$65,748 assigned and \$3,596,606 unassigned. The total unassigned fund balance represented about eight 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 2023 budgeted expenditures of \$6,295,651, the City's unassigned General Fund balance was at 57.1% at December 31, 2022.



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

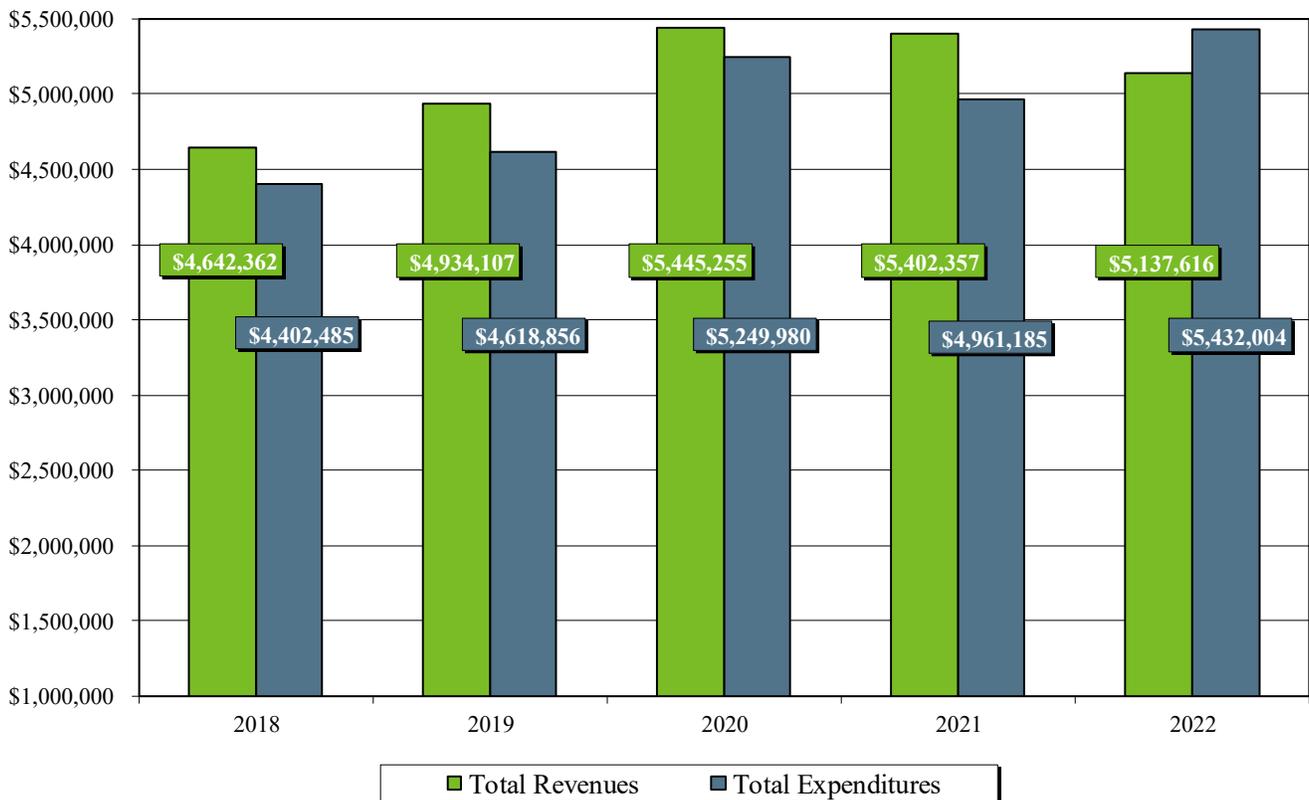
City of Big Lake Financial Analysis

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 \$4,642,362 in 2018. Overall, from 2018 to 2022, revenues have increased \$495,254. Similarly, expenditures have fluctuated over the five years presented. In 2022, expenditures were \$5,432,004, an increase from the prior year of \$470,819. Since 2018, expenditures have increased \$1,029,519. Revenues have exceeded expenditures in each of the five years presented, except 2022. Transfers out for 2018 through 2022 were made for capital related items.

	2018	2019	2020	2021	2022
Revenues	\$ 4,642,362	\$ 4,934,107	\$ 5,445,255	\$ 5,402,357	\$ 5,137,616
Expenditures	4,402,485	4,618,856	5,249,980	4,961,185	5,432,004
Proceeds from the sale of capital assets	6,671	56,214	20,610	3,224	15,000
Insurance recoveries	3,417	4,613	10,055	14,644	36,907
Net transfers	(262,874)	(78,606)	175,979	(281,938)	(86,389)
Net change in fund balance	\$ (12,909)	\$ 297,472	\$ 401,919	\$ 177,102	\$ (328,870)

Revenues and Expenditures



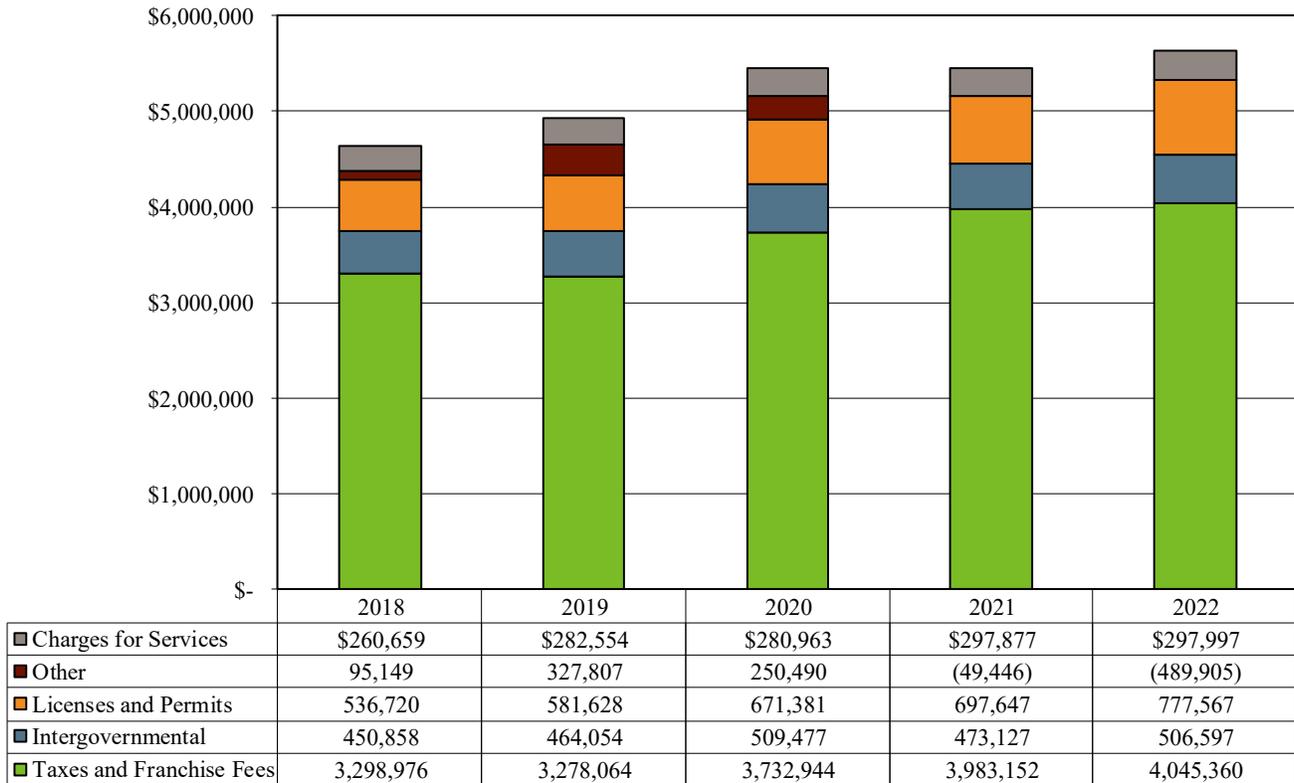
City of Big Lake Financial Analysis

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 78.8%, 9.9%, and 15.1% 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 2021 to 2022 by \$264,741. Taxes and franchise fee revenue increased \$62,208 due to an increase in the levy. Licenses and permit revenue increased \$79,920 due to additional permits for storm damage. This was offset by a \$440,459 decrease in other revenues. This is due to the market conditions causing a negative market adjustment at year end.

General Fund Revenues



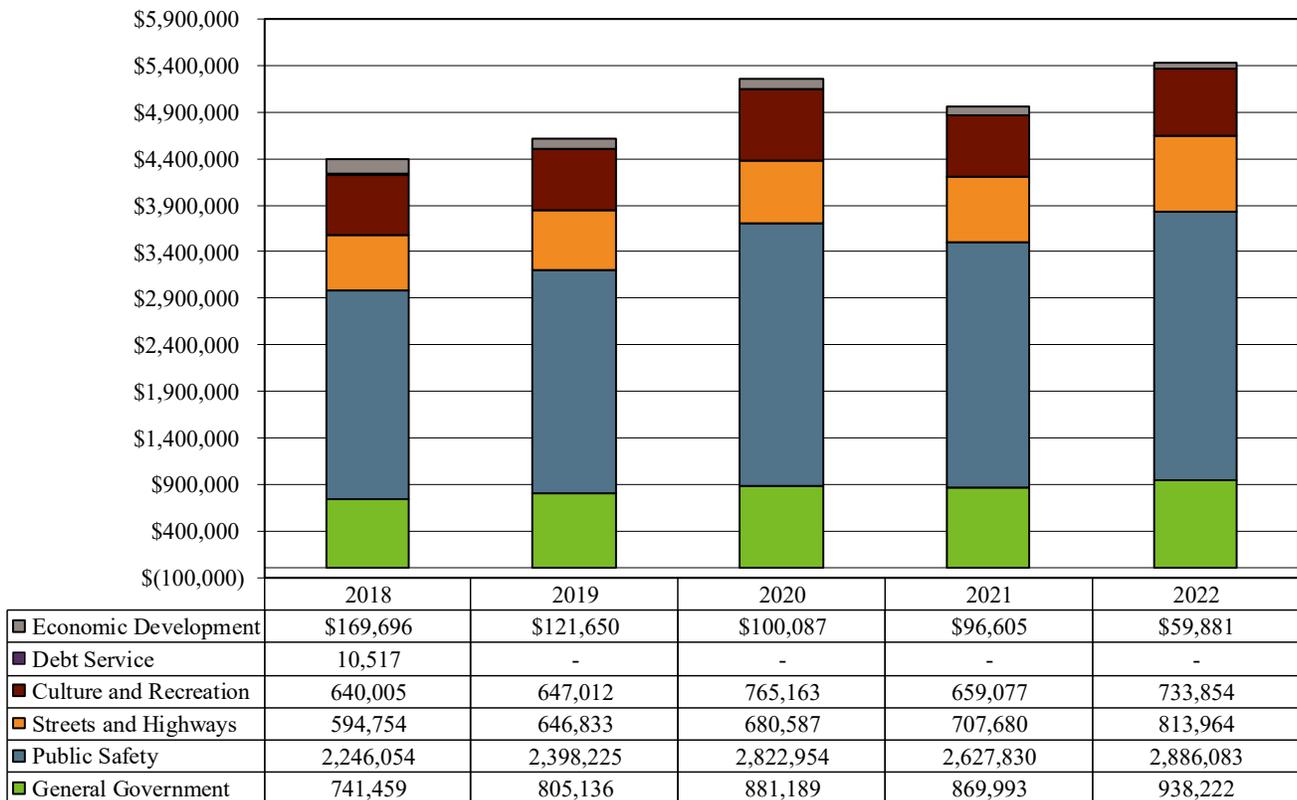
City of Big Lake Financial Analysis

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 53.1%. Overall, General Fund expenditures increased \$470,819 from 2021.

Public Safety increased \$258,253 due to salary and benefit increases and the purchase of a new vehicle. Streets and Highways increased \$106,284 due to salary and benefit increases, as well as increased fuel and supply costs. 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	\$ 3,946,716	\$ 4,001,716	\$ 4,045,360	\$ 43,644
Intergovernmental	452,484	487,484	506,597	19,113
Licenses and permits	490,692	617,292	777,567	160,275
Charges for services	281,247	281,247	297,997	16,750
Fines	61,000	61,000	34,512	(26,488)
Miscellaneous	30,250	30,250	(524,417)	(554,667)
Total revenues	5,262,389	5,478,989	5,137,616	(341,373)
Expenditures				
General government	959,988	965,588	938,222	(27,366)
Public safety	2,755,611	2,899,611	2,886,083	(13,528)
Streets and highways	892,464	892,464	813,964	(78,500)
Culture and recreation	685,868	752,868	733,854	(19,014)
Economic development	113,737	113,737	59,881	(53,856)
Total expenditures	5,407,668	5,624,268	5,432,004	(192,264)
Excess of revenues (under) expenditures	(145,279)	(145,279)	(294,388)	(149,109)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	500	500	15,000	14,500
Insurance recoveries	1,000	1,000	36,907	35,907
Net transfers	133,779	133,779	(86,389)	(220,168)
Total other financing sources	135,279	135,279	(34,482)	(169,761)
Net change in fund balances	\$ (10,000)	\$ (10,000)	\$ (328,870)	\$ (318,870)

Overall, actual revenue was \$341,373, or 6.2%, under budget. Miscellaneous revenues were under budget due to the significant decline in market value of investments. This was partially offset by licenses and permits being over budget by \$160,275 due to budgeting conservatively. All other revenue categories were relatively consistent with the budget.

Overall, actual expenditures were less than budgeted amounts by \$192,264 or 3.4%. Economic Development and streets and highways were under budget by \$53,856 and \$78,500, 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

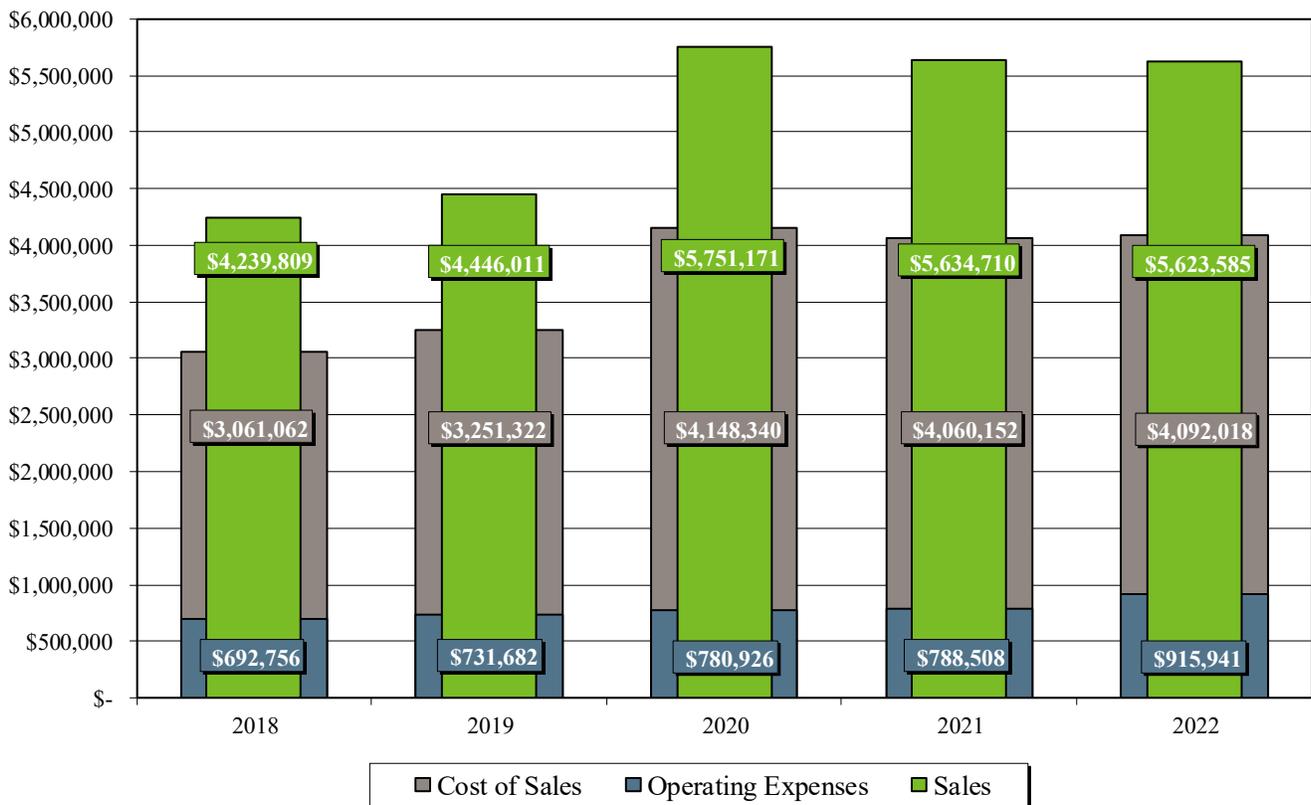
Since the liquor store is an important contributing factor to the City's budget, we recommend the Liquor Store Manager and City Council closely monitor expenses. In addition, pricing must also be continually reviewed to ensure charges keep pace with increases in costs of sales.

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 slightly in 2022. Total sales for 2022 reflected a 0.2% decrease from 2021. During this same time period, cost of sales increased 0.8%. The result was a slight decrease in the gross profit percentage from 2021 to 27.2%.

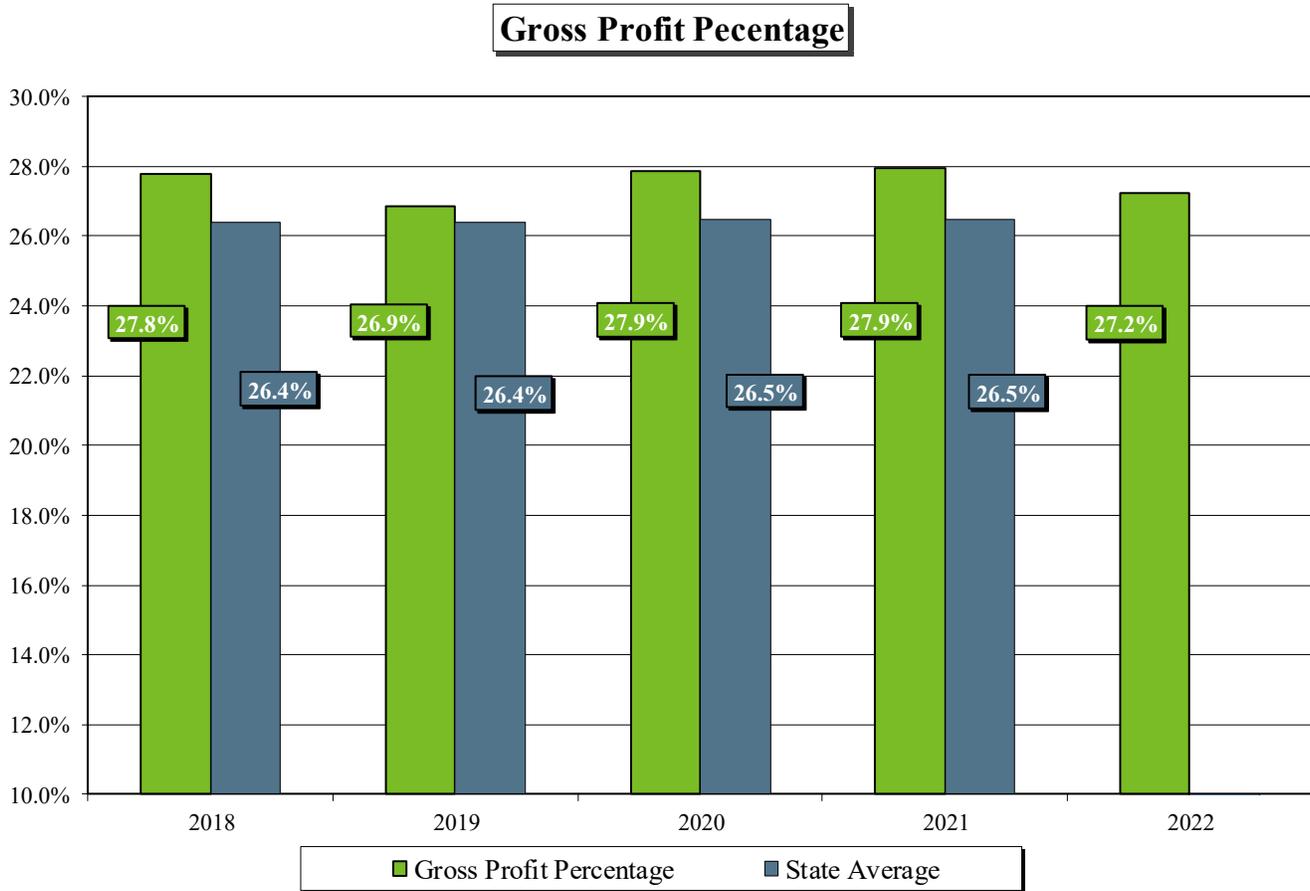
As of December 31, 2022, the Liquor Fund had an ending cash and investment balance of \$1,705,380. Unrestricted net position at year-end was \$1,539,093 compared to \$1,615,281 in 2021. There was no debt outstanding at December 31, 2022, in the Liquor Fund.

Liquor Fund



City of Big Lake Financial Analysis

Liquor Fund (Continued)



- State averages were taken from the 2018-2021 State of Minnesota "Analysis of Municipal Liquor Store Operations" for off-sale stores. Data for 2022 is not yet available.

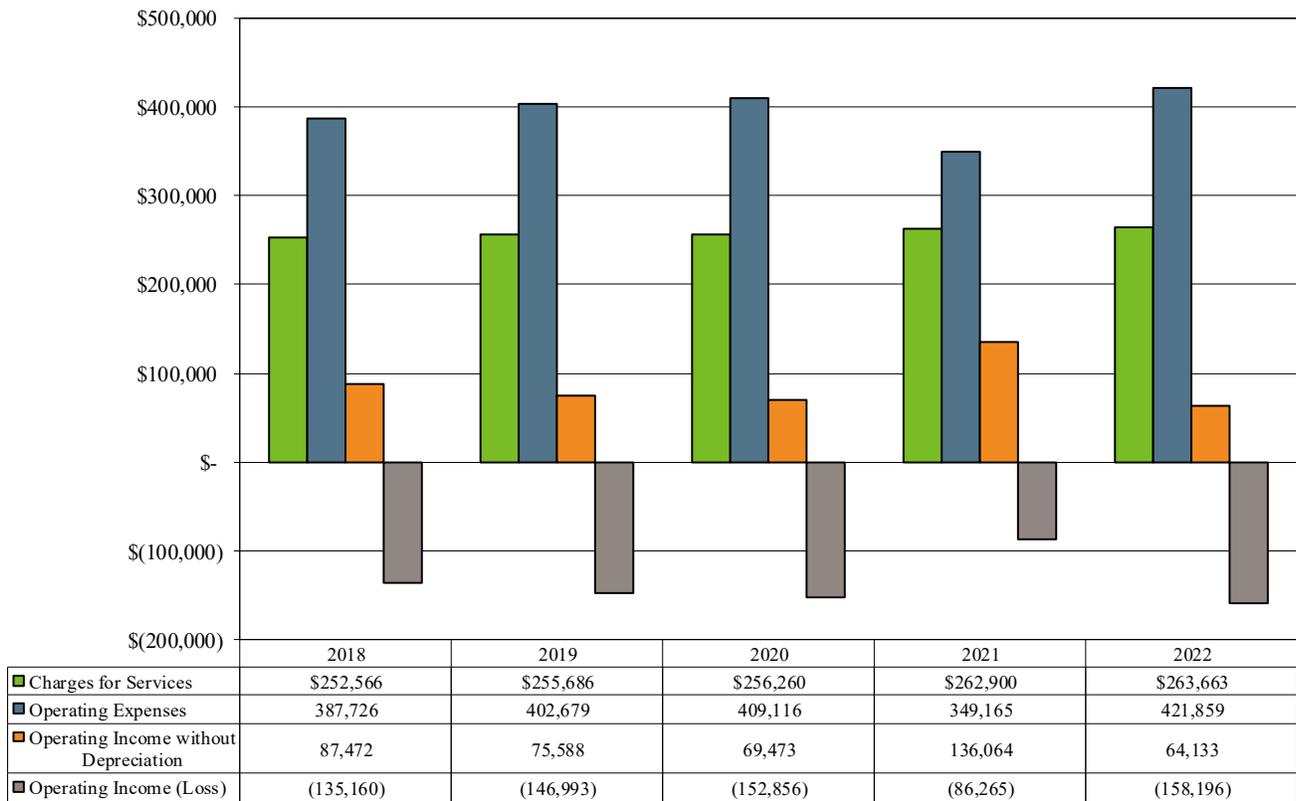
City of Big Lake Financial Analysis

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 \$763 or 0.3% while operating expenses increased \$72,694 or 20.8%, compared to 2021. The net effect of the changes in revenues and expenses is a net loss of \$158,196. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$64,133.

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

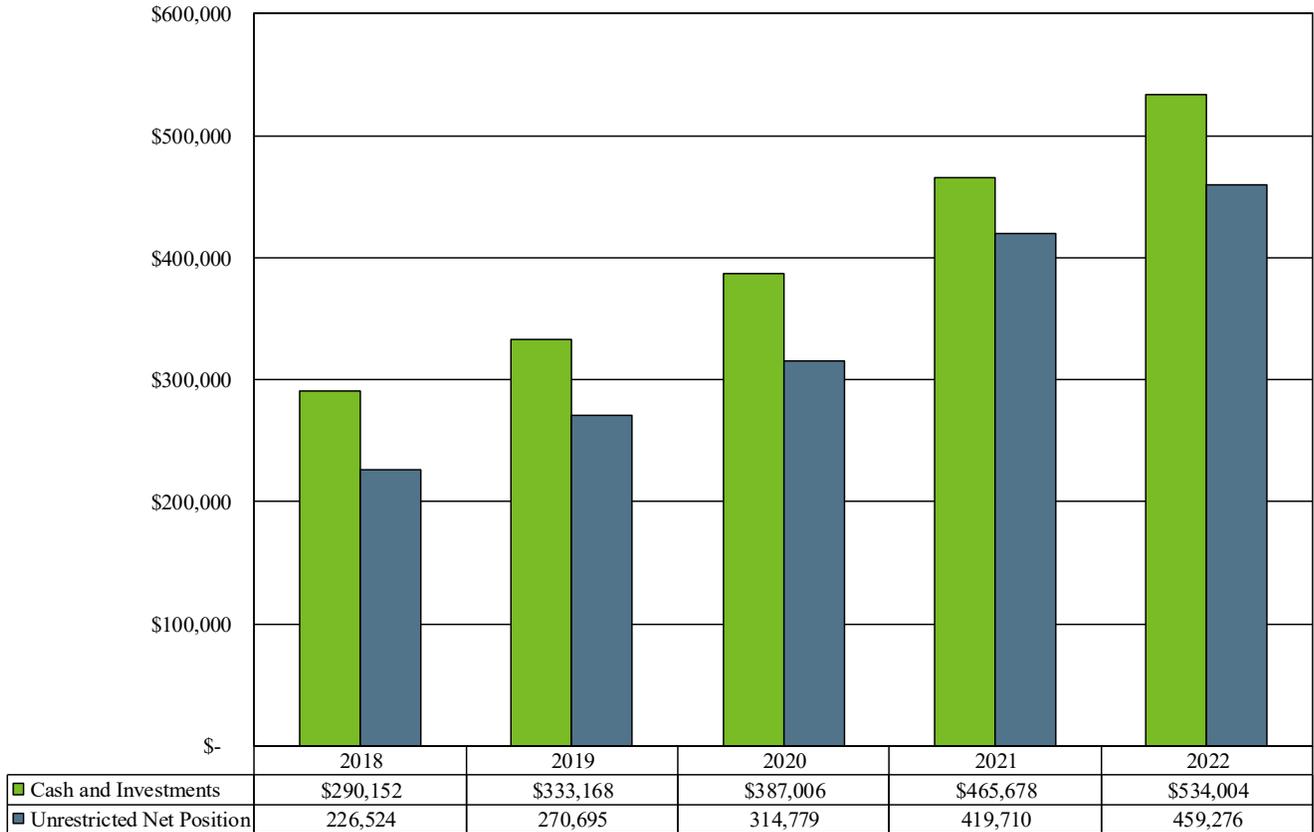
Storm Sewer Operations



**City of Big Lake
Financial Analysis**

Storm Sewer Fund (Continued)

Storm Sewer Fund



As of December 31, 2022, the Storm Water Fund had an ending net cash and investment balance of \$534,004. This is an increase of \$68,326 from 2021 levels. Total net position at year-end was \$2,864,406, while unrestricted net position at year-end was \$459,276. Unrestricted net position has increased \$232,752 since 2018.

City of Big Lake Financial Analysis

Water and Sewer Funds

Water Fund

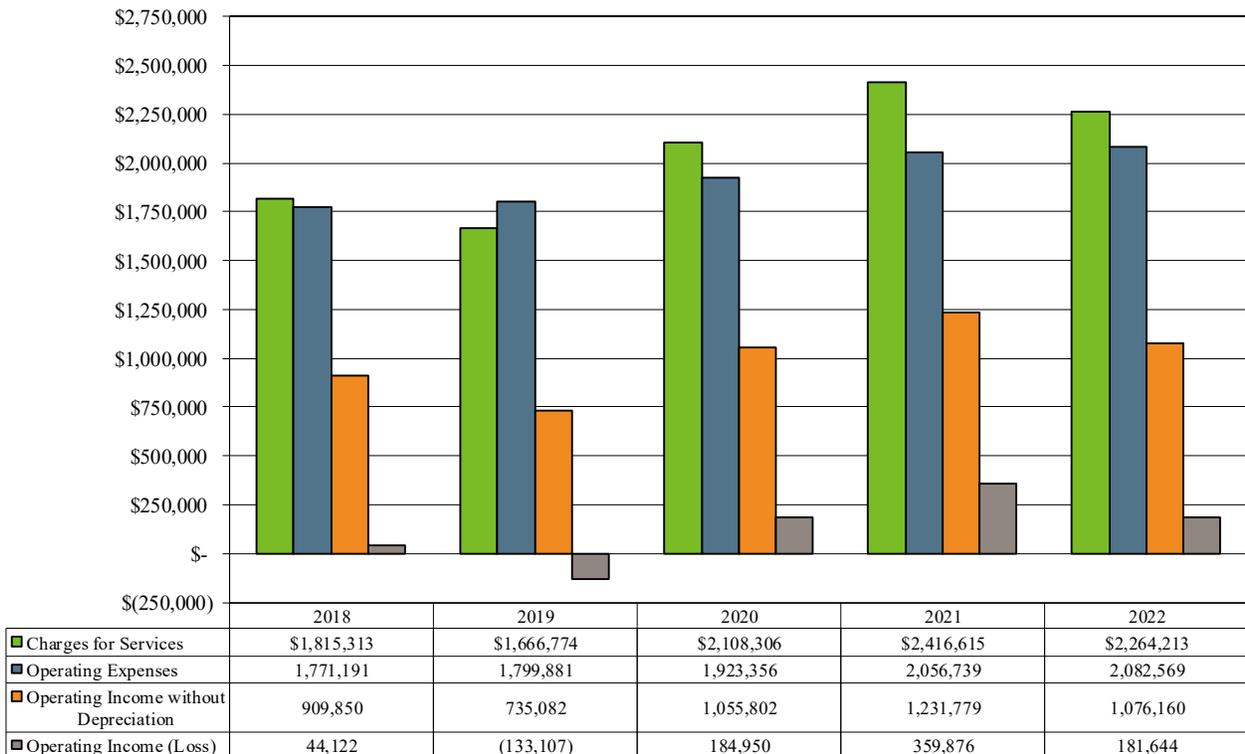
The following graph illustrates the current operations of the Water Fund for the past five years. Charges for services illustrated do not include water connection fees. These fees are not included because the revenue is set aside for future asset replacement costs. Similarly, operating income is shown 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 decreased \$152,402 or 6.3% from 2021 due to a decrease in usage. Operating expenses increased by \$25,830, or 1.3%. The net effect of the decreased revenues and increased expenses is operating income of \$181,644. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$1,076,160.

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

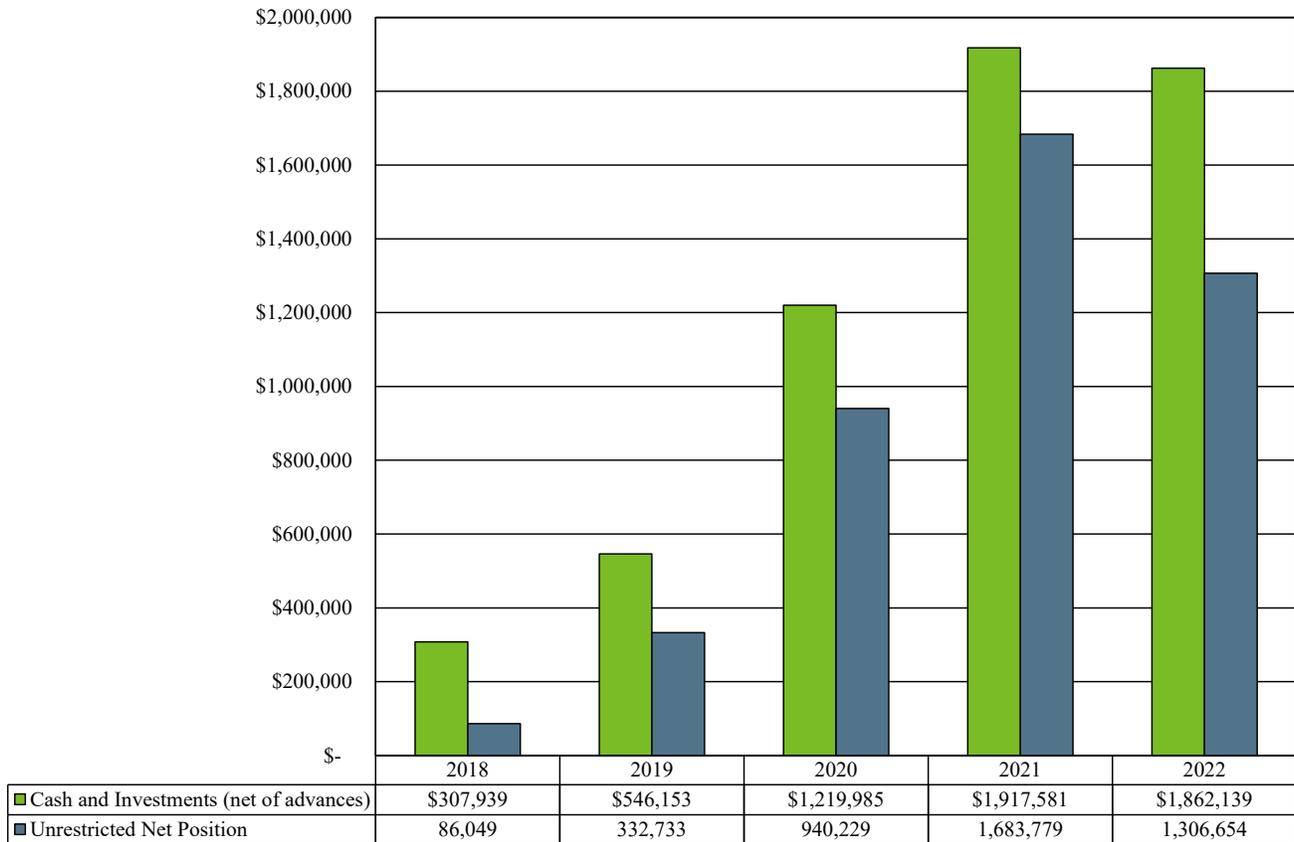


**City of Big Lake
Financial Analysis**

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 \$1,554,200 since 2018. In 2018 through 2021, a portion of the cash and investments in the Water Fund was being advanced from the Sewer Fund. That amount has been removed from the presentation above for those years. This balance was paid off in 2022. Current year interest and principal payments on the Water Fund debt were \$1,278,764. The total amount of debt outstanding in the Water Fund at December 31, 2022, was \$2,200,413 including principal and interest. Principal and interest due in 2023 totals \$783,380.

City of Big Lake Financial Analysis

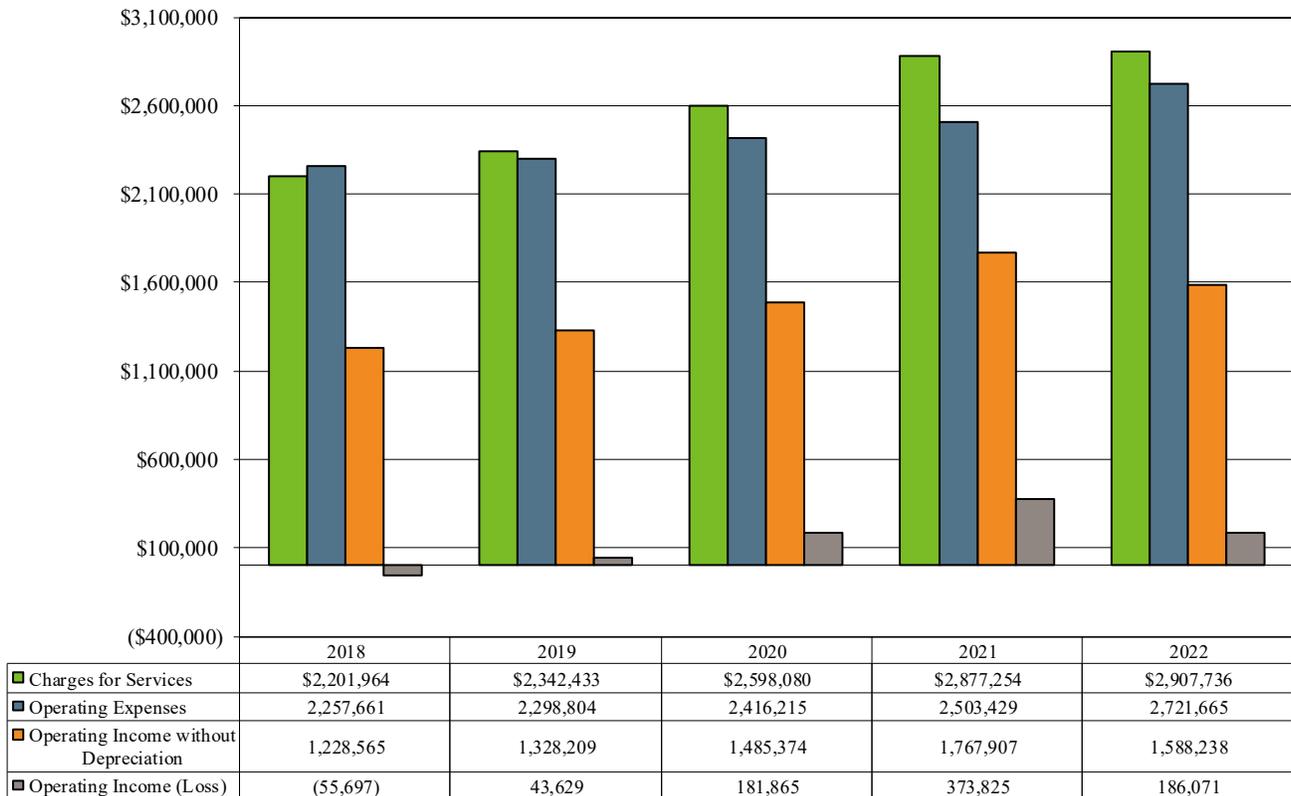
Water and Sewer Funds (Continued)

Sewer Fund

In four of the past five years, the Sewer Fund has shown an operating income. In 2022, the Fund showed operating income of \$186,071. This is a decrease in operating results of \$187,754 from 2021. The Fund experienced an increase in charges for services of \$30,482, due to increased usage, while expenses increased \$218,236.

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

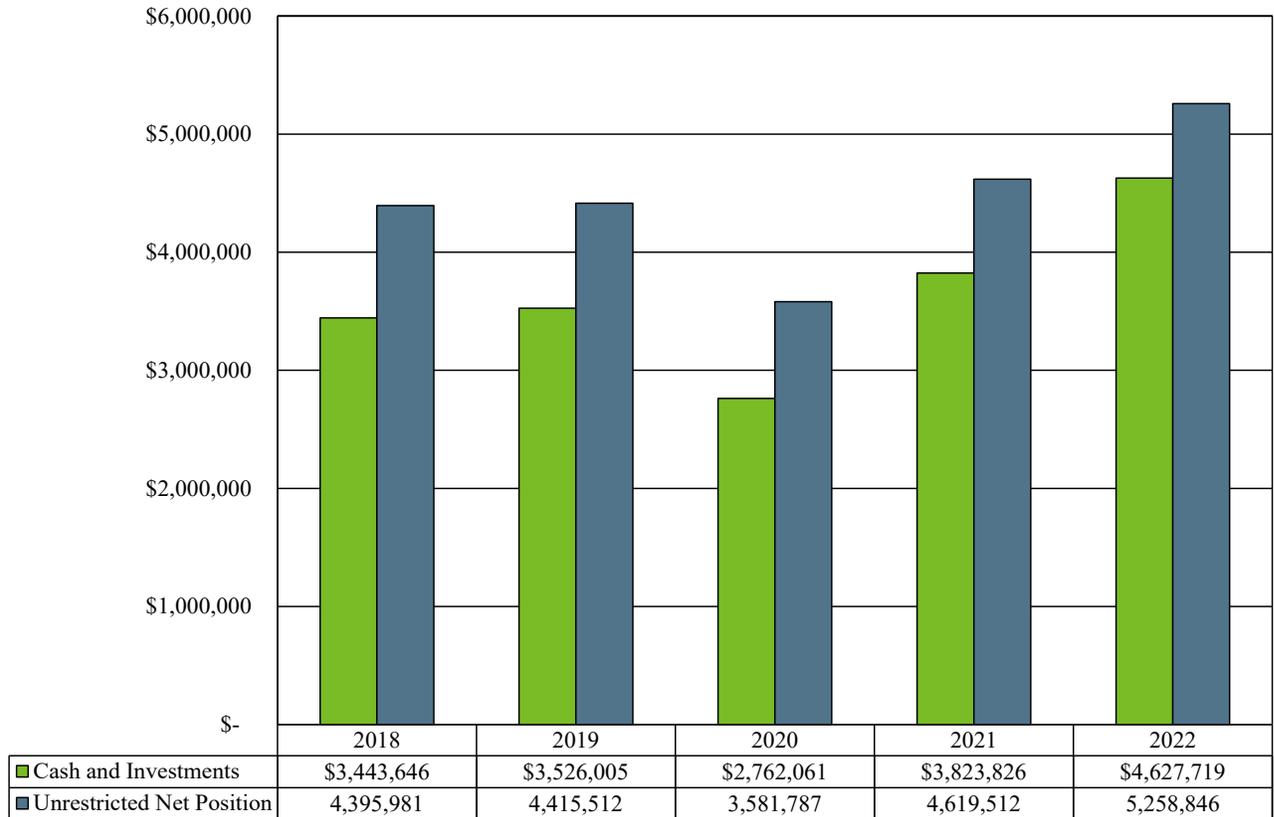


**City of Big Lake
Financial Analysis**

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 \$1,184,073 in 2022. 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 2022, the Fund again used approximately \$779,000 to cover cash deficits in other funds.

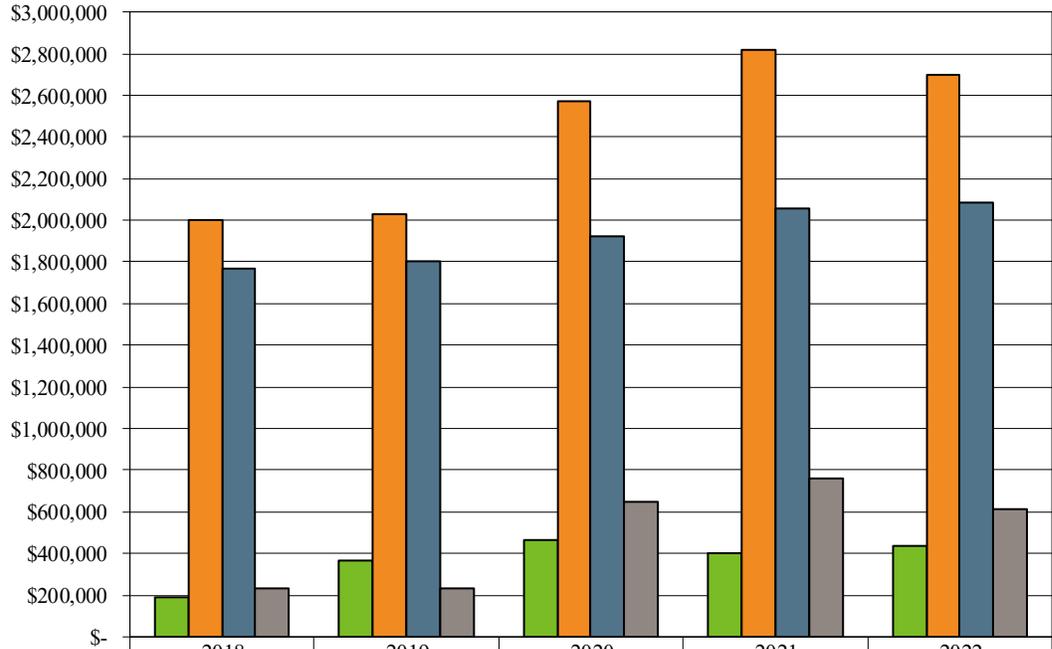
The current year interest and principal payments on the Sewer Fund debt were \$1,649,497. The total amount of debt outstanding at December 31, 2022, was \$9,758,215, including principal and interest. Principal and interest due in 2023 totals \$1,414,733 for the Sewer Fund.

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



	2018	2019	2020	2021	2022
Water Access Charges	\$188,250	\$363,754	\$461,057	\$401,487	\$433,230
Charges for Services (Including WAC)	2,003,563	2,030,528	2,569,363	2,818,102	2,697,443
Operating Expenses	1,771,191	1,799,881	1,923,356	2,056,739	2,082,569
Operating Income with Depreciation	232,372	230,647	646,007	761,363	614,874

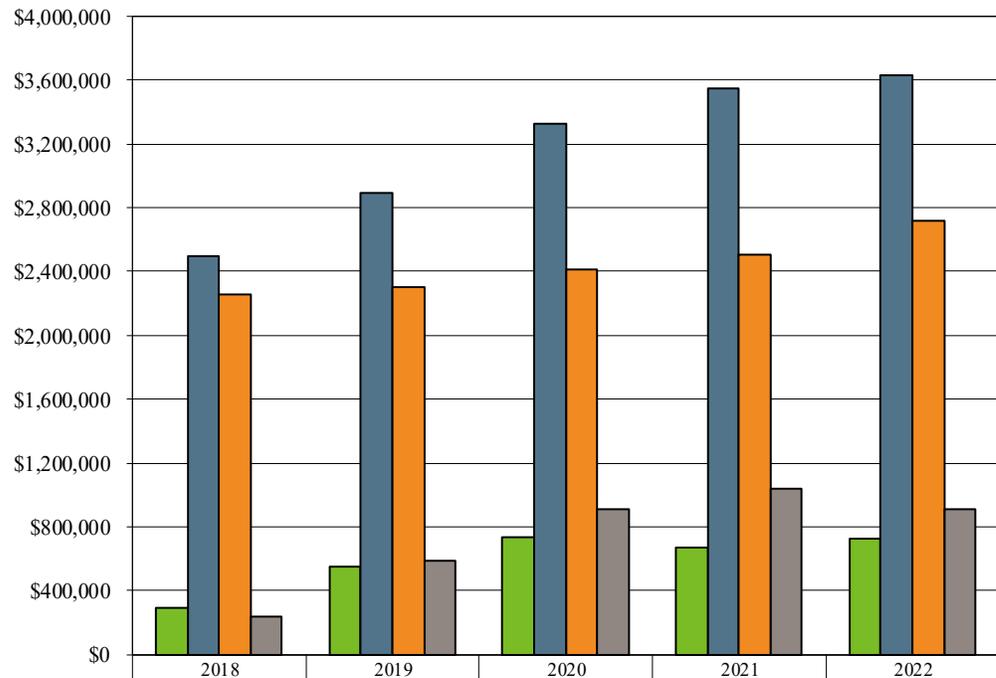
As presented, the Water Fund had been collecting access charges and trunk fees, along with charges for services, sufficient to finance the construction of new lines and to cover the costs of the existing lines through depreciation in each year presented.

City of Big Lake Financial Analysis

Water and Sewer Funds (Continued)

In all five years shown, the Sewer Fund did collect sufficient access charges and trunk fees, in addition to charges for services, to finance construction and depreciation. Sewer access charges increased in 2022 compared to 2021 due to increased development.

Sewer Operations



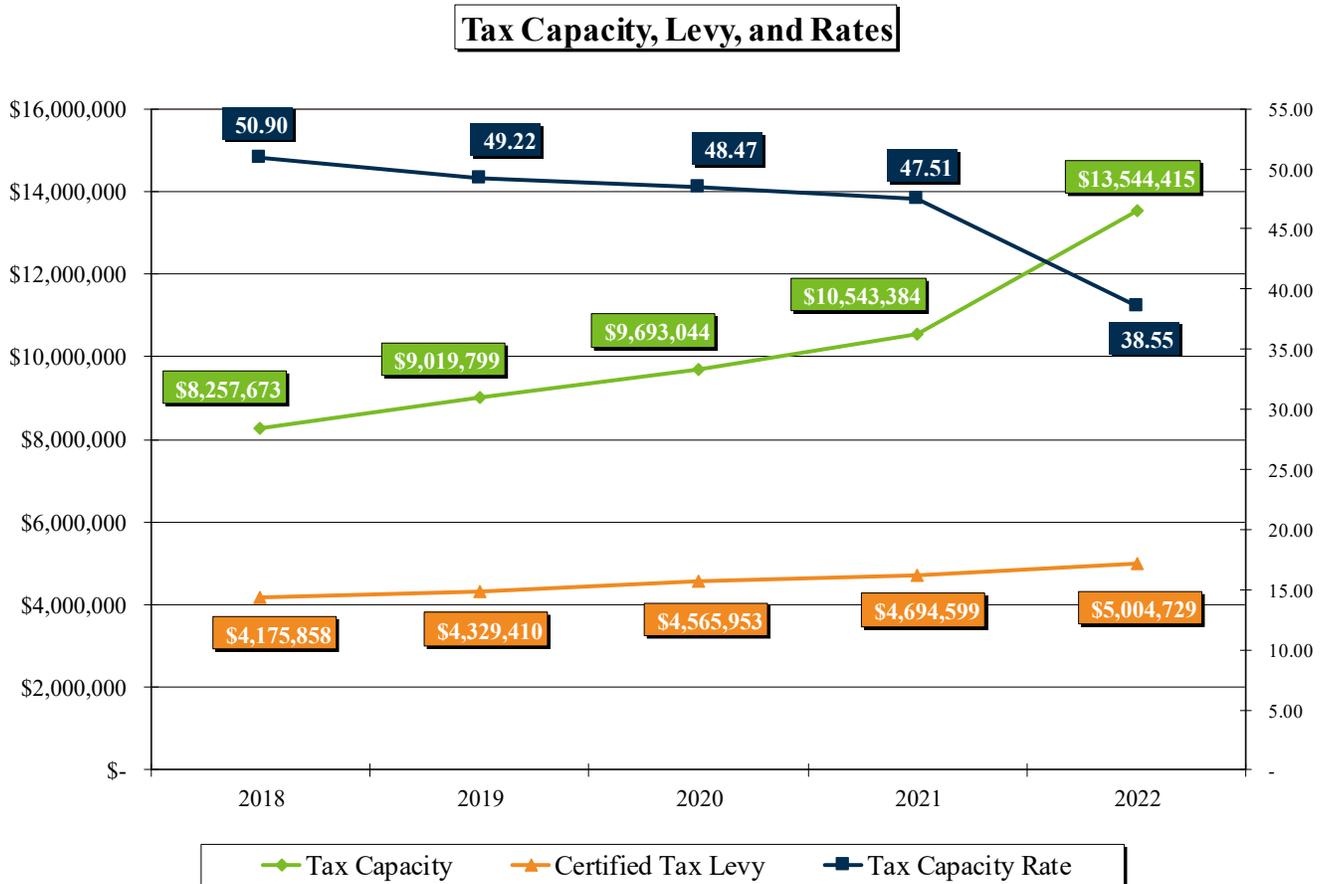
	2018	2019	2020	2021	2022
■ Sewer Access and Trunk Charges	\$291,000	\$546,227	\$730,958	\$668,767	\$723,014
■ Charges for Services (Including SAC and Trunk)	2,492,964	2,888,660	3,329,038	3,546,021	3,630,750
■ Operating Expenses	2,257,661	2,298,804	2,416,215	2,503,429	2,721,665
■ Operating Income (Loss) with Depreciation	235,303	589,856	912,823	1,042,592	909,085

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 2018 through 2022. The tax capacity is based on total tax capacity, prior to adjustments for captured TIF and fiscal 2020. The certified tax levy amount is also prior to fiscal disparity adjustments.

Comparing 2018 through 2022, the City's tax capacity has increased from \$8,257,673 to \$13,544,415 or \$5,286,742. This is a 64.0% increase in tax capacity. The City's certified levy over this same time frame has increased \$828,871, or 19.9%. As a result of the City's certified tax levy increase and the increase in the tax capacity for 2018 through 2022, the City's tax capacity rate decreased from 50.9% in 2018 to 38.55% in 2022.

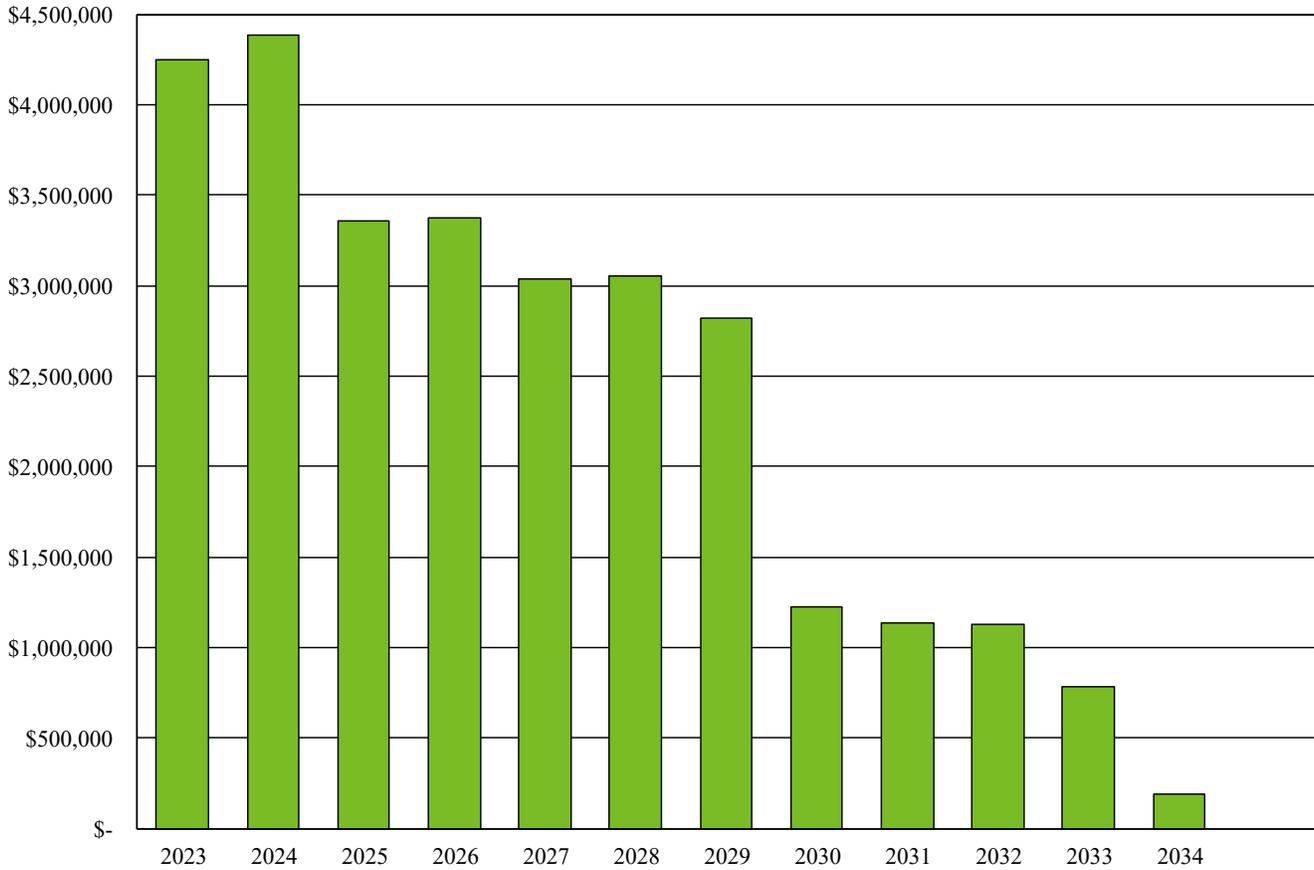


City of Big Lake Financial Analysis

Debt Service

The bar graph below shows the City's annual debt service obligations for all outstanding bonds. The total debt payments outstanding at December 31, 2022, are \$28,733,384, including interest totaling \$3,005,384.

Annual Debt Service Principal and Interest Payments



City of Big Lake Emerging Issues

Executive Summary

The following is an executive summary of financial 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. 96 – Subscription-Based Information Technology Arrangements**
GASB has issued GASB Statement No. 96 relating to accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.
- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**
GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.
- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

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

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

City of Big Lake Emerging Issues

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, – which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

**City of Big Lake
Emerging Issues**

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

GASB Statement No. 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

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

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

City of Big Lake Emerging Issues

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 (Continued)*

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

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

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

**City of Big Lake
Emerging Issues**

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences* (Continued)

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

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