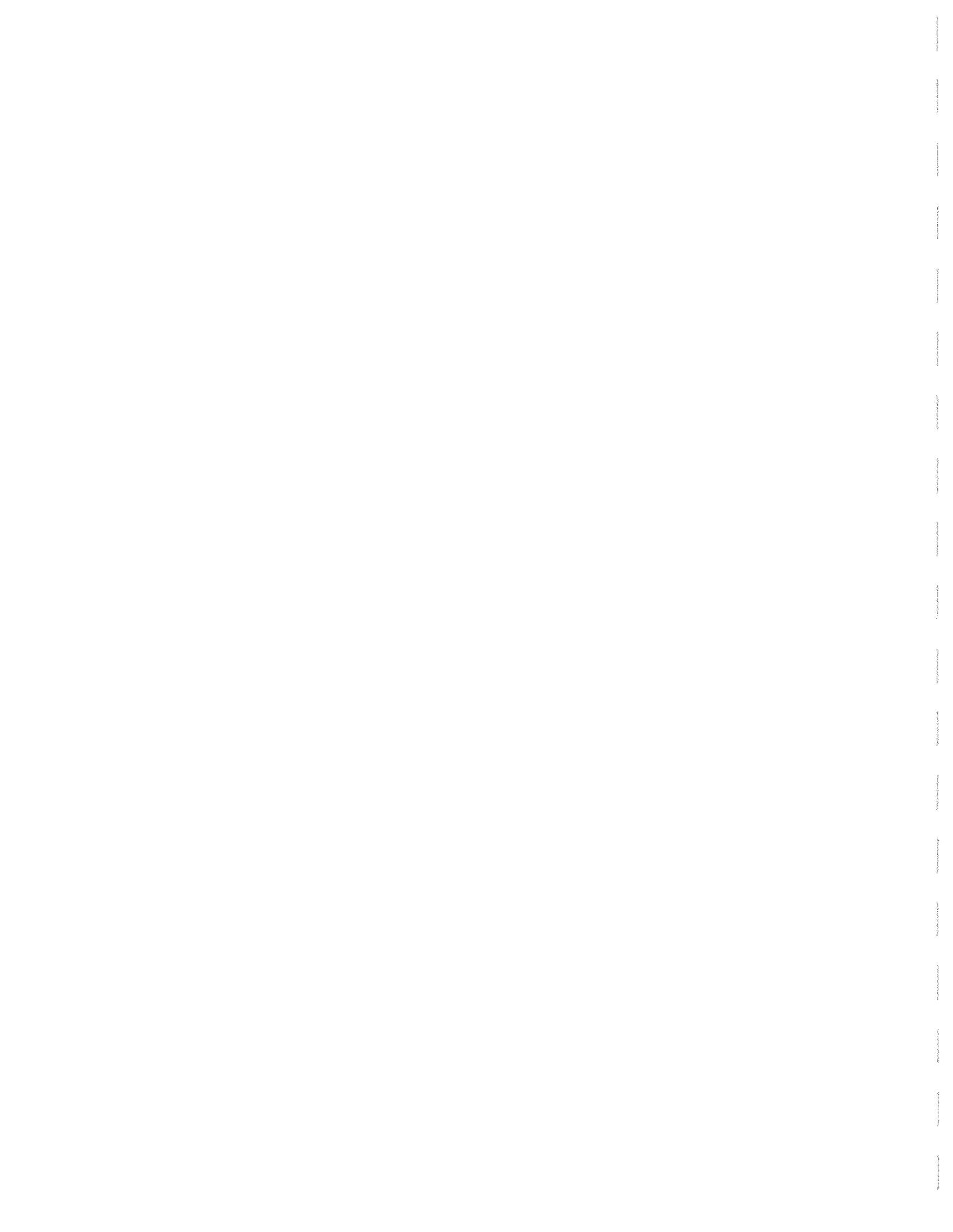


**CITY OF BIG LAKE  
Sherburne County, Minnesota**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2011**



**CITY OF BIG LAKE**  
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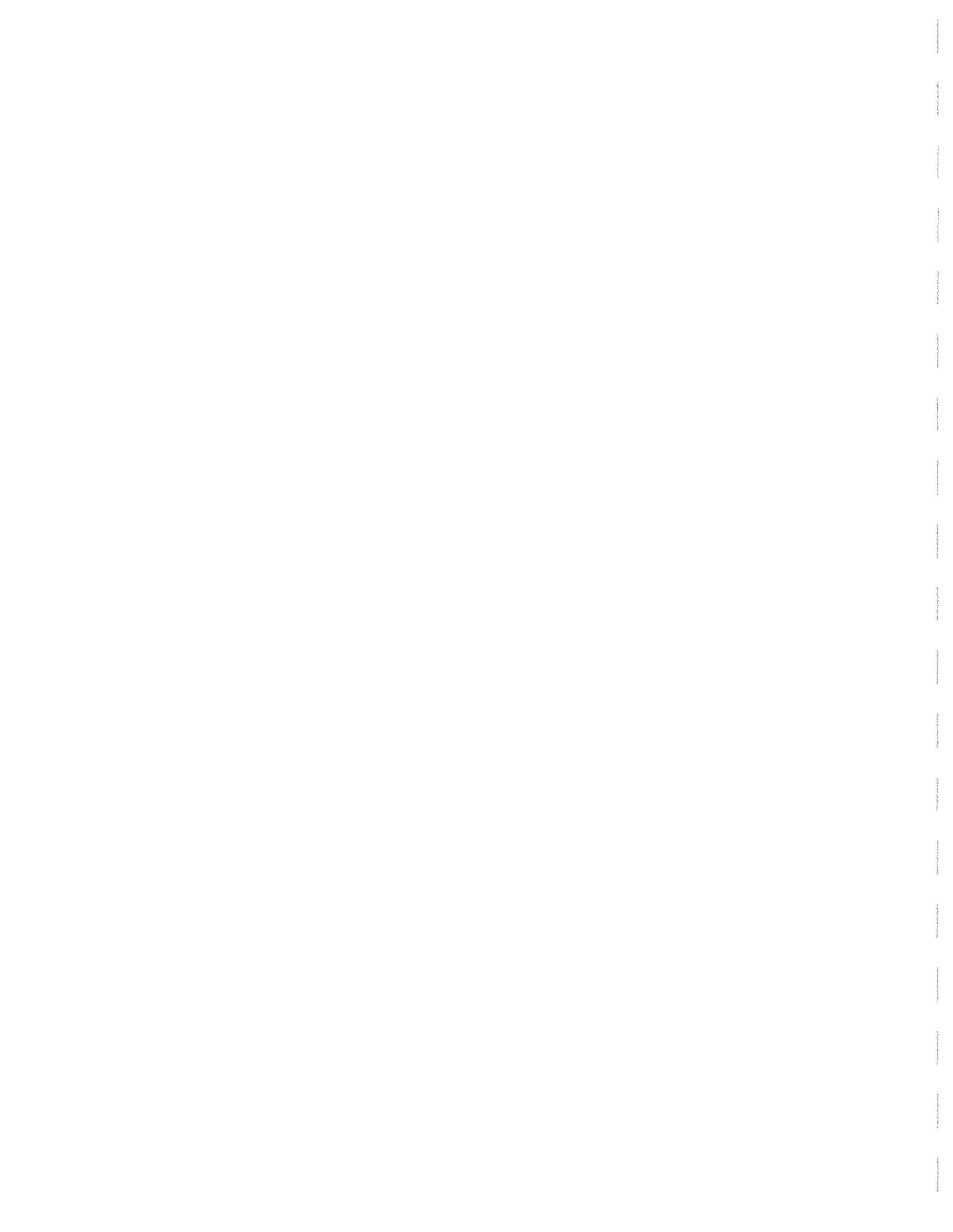
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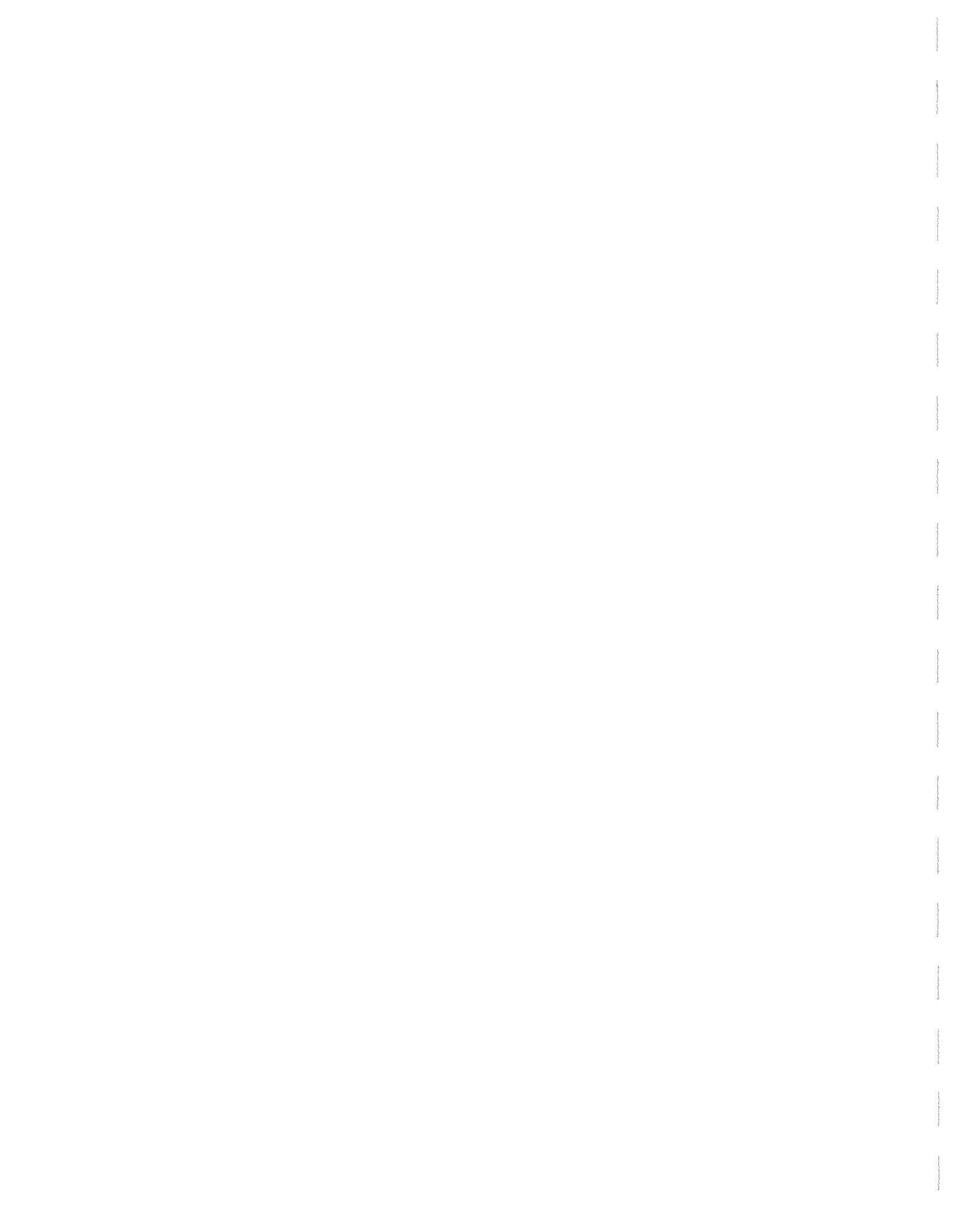
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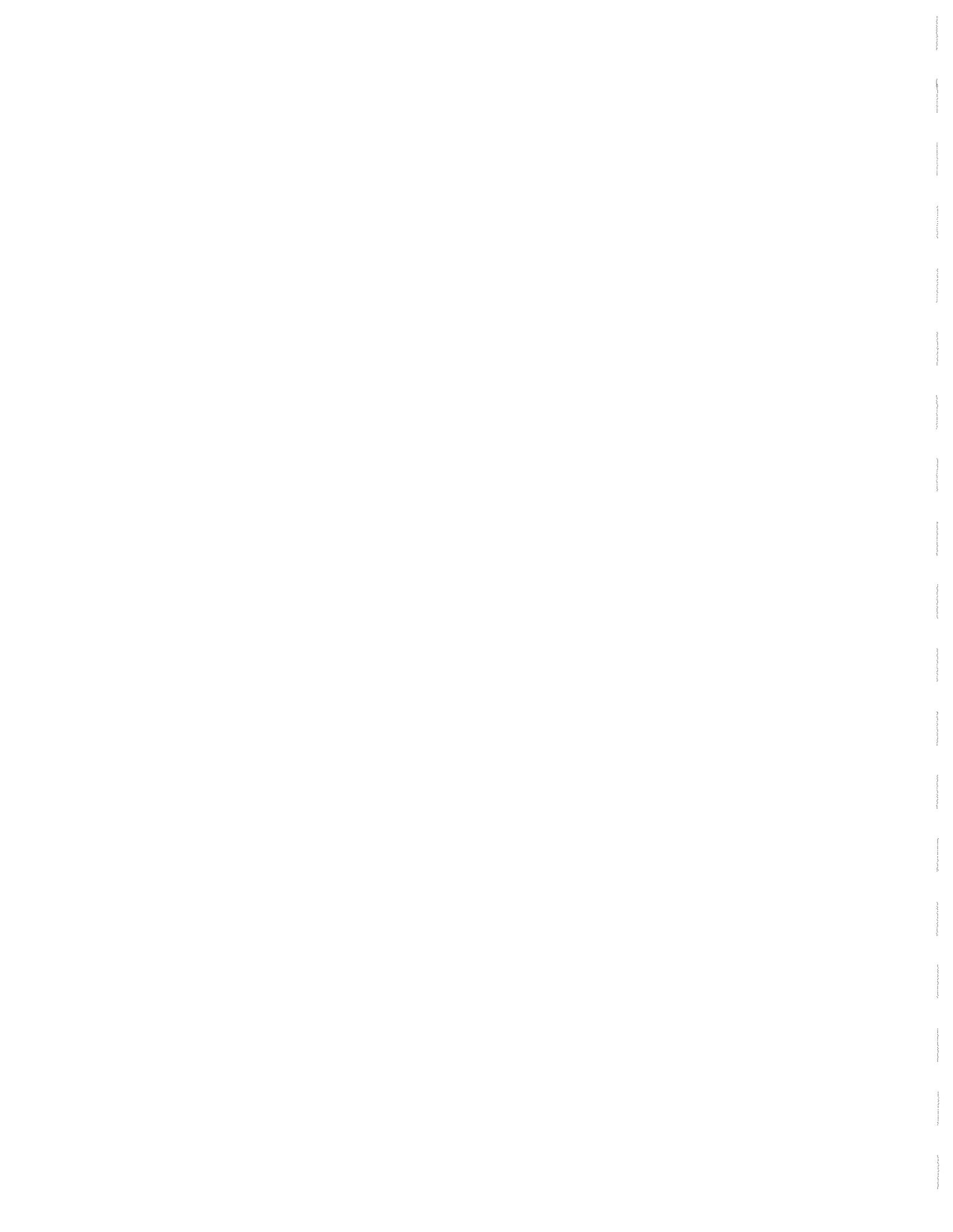
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**CITY OF BIG LAKE**  
**ELECTED OFFICIALS AND ADMINISTRATION**  
**December 31, 2011**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Lori Kampa	Mayor	December 31, 2012
Raeanne Danielowski	Council Member	December 31, 2012
Duane Langsdorf	Council Member	December 31, 2012
Mike Wallen	Council Member	December 31, 2014
Richard Backlund	Council Member	December 31, 2014
<u>Administration</u>		
Todd Bodem	City Administrator	Appointed





*Expert advice. When you need it.<sup>SM</sup>*

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 61, *Financial Reporting Entity: Omnibus* for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.





U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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 U.S. generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

*Kern, DeWenter, Viere, Ltd.*

KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota  
April 3, 2012

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**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

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 year ended in December 31, 2011. We encourage readers to consider the information presented here.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent year by \$ 56,938,657. Of this amount, \$ 6,143,374 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased \$ 1,733,510 from the prior year. Of that decrease, 81% was attributable to the business-type activities.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$ 11,458,111, a decrease of \$ 1,278,593 from the previous year. Approximately 3% (\$ 389,342) of this total amount is available for spending at the government's discretion (assigned and unassigned fund balance).
- At the end of the current year, unassigned fund balance for the General Fund was \$ 1,703,270 or 47%, of the total General Fund expenditures and transfers out.
- The City's total bonded debt decreased by \$ 412,068 during the current year. Two bond refundings were done in 2011. 2011A was issued to refund series 2002A for \$ 2,945,000 and 2011B was issued for \$ 3,415,000 to refund 2005A and 2006A. Both refundings were done to take advantage of lower interest rates, and combined, have a present value cash flow savings of \$ 251,784.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

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

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

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

The City maintains 43 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Street Improvement Capital Project Fund, as both are considered to be major funds. Data from the other 41 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

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

**Proprietary Funds**

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

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

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-54 of this report.

**Other Information**

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements and schedules can be found on pages 56-72 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 56,938,657 at the close of the most recent year.

Approximately 73% of the City's net assets reflect its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 6,143,374) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City was able to report positive balances in all three categories of the governmental activities, as well as for its water, sanitary sewer, storm sewer and liquor enterprises separately.

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 19,686,310	\$ 20,663,668	\$ 4,204,662	\$ 5,758,014	\$ 23,890,972	\$ 26,421,682
Capital Assets	33,819,711	33,183,808	61,220,262	61,257,503	95,039,973	94,441,311
Total Assets	<u>\$ 53,506,021</u>	<u>\$ 53,847,476</u>	<u>\$ 65,424,924</u>	<u>\$ 67,015,517</u>	<u>\$ 118,930,945</u>	<u>\$ 120,862,993</u>
Noncurrent Liabilities						
Outstanding	\$ 26,581,247	\$ 23,179,258	\$ 29,519,369	\$ 29,183,953	\$ 56,100,616	\$ 52,363,211
Other Liabilities	3,611,651	7,020,024	2,280,021	2,807,591	5,891,672	9,827,615
Total Liabilities	<u>\$ 30,192,898</u>	<u>\$ 30,199,282</u>	<u>\$ 31,799,390</u>	<u>\$ 31,991,544</u>	<u>\$ 61,992,288</u>	<u>\$ 62,190,826</u>
<b>NET ASSETS</b>						
Invested in Capital Assets,						
Net of Related Debt	\$ 11,330,160	\$ 9,940,952	\$ 30,287,189	\$ 30,734,111	\$ 41,617,349	\$ 40,675,063
Restricted	9,028,214	10,402,740	149,720	149,720	9,177,934	10,552,460
Unrestricted	2,954,749	3,304,502	3,188,625	4,140,142	6,143,374	7,444,644
Total Net Assets	<u>\$ 23,313,123</u>	<u>\$ 23,648,194</u>	<u>\$ 33,625,534</u>	<u>\$ 35,023,973</u>	<u>\$ 56,938,657</u>	<u>\$ 58,672,167</u>

The City's net assets decreased \$ 1,733,510 during the current year. Net assets related to governmental activity decreased \$ 335,071. The remaining decrease was a result of the business-type activities decreasing net assets by \$ 1,398,439.

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**Governmental Activities**

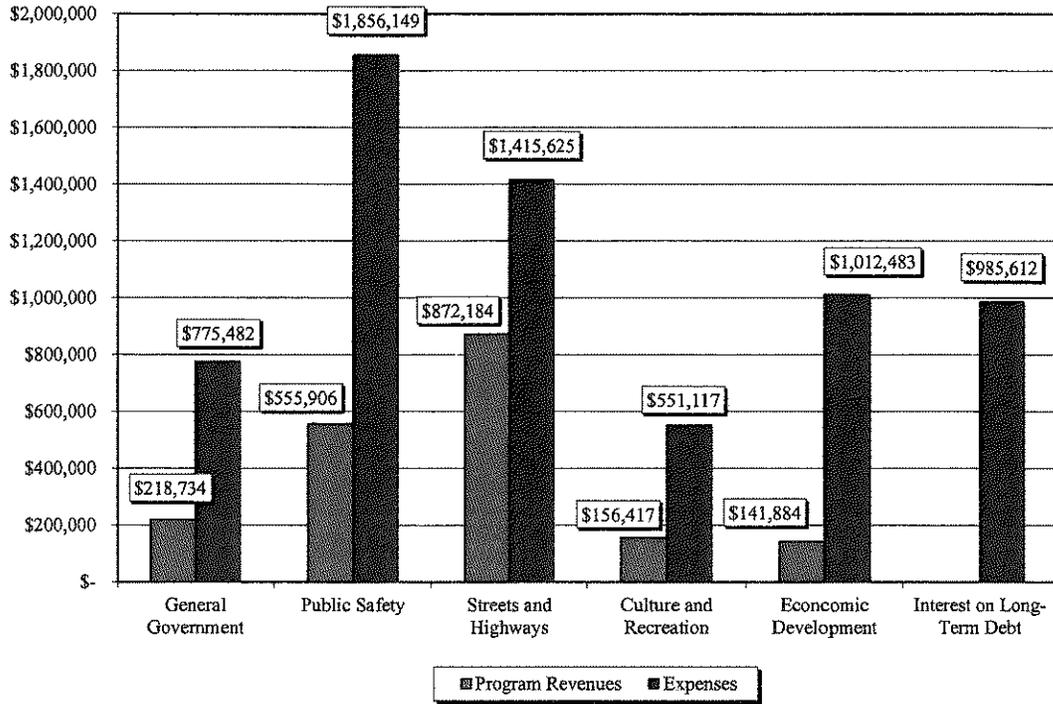
Governmental activities when including interest earnings and transfers decreased the City's net assets by \$ 335,071, thereby accounting for 19% of the overall decrease in the total net assets of the City.

**Change in Net Assets**

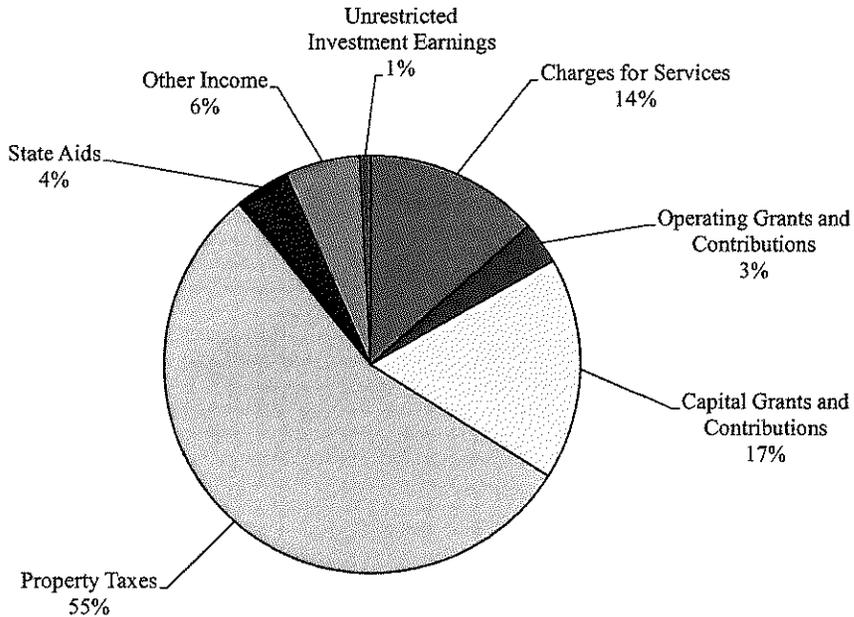
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUE</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 771,869	\$ 496,521	\$ 5,879,684	\$ 5,449,952	\$ 6,651,553	\$ 5,946,473
Operating Grants and Contributions	186,634	182,171	-	-	186,634	182,171
Capital Grants and Contributions	986,622	1,600,915	-	1,693,964	986,622	3,294,879
<b>General Revenues</b>						
Property Taxes and Tax Increment	3,148,608	3,416,457	-	-	3,148,608	3,416,457
State Aids	249,952	238,466	-	-	249,952	238,466
Unrestricted Investment Earnings	49,019	114,988	92,518	123,979	141,537	238,967
Other Income	333,172	-	-	-	333,172	-
Total Revenues	<u>\$5,725,876</u>	<u>6,049,518</u>	<u>\$5,972,202</u>	<u>7,267,895</u>	<u>11,698,078</u>	<u>13,317,413</u>
<b>EXPENSES</b>						
General Government	775,482	663,056	-	-	775,482	663,056
Public Safety	1,856,149	1,784,692	-	-	1,856,149	1,784,692
Streets and Highways	1,415,625	1,256,308	-	-	1,415,625	1,256,308
Culture and Recreation	551,117	486,134	-	-	551,117	486,134
Economic Development	1,012,483	732,903	-	-	1,012,483	732,903
Interest on Long-Term Debt	985,612	1,035,091	-	-	985,612	1,035,091
Water	-	-	1,773,264	1,772,944	1,773,264	1,772,944
Sewer	-	-	1,868,823	1,523,978	1,868,823	1,523,978
Municipal Liquor	-	-	2,862,962	2,855,423	2,862,962	2,855,423
Storm Sewer	-	-	330,071	354,034	330,071	354,034
Total Expenses	<u>6,596,468</u>	<u>5,958,184</u>	<u>6,835,120</u>	<u>6,506,379</u>	<u>13,431,588</u>	<u>12,464,563</u>
<b>Increase (Decrease) in Net Assets before Transfers</b>	<u>(870,592)</u>	<u>91,334</u>	<u>(862,918)</u>	<u>761,516</u>	<u>(1,733,510)</u>	<u>852,850</u>
<b>Transfers</b>	<u>535,521</u>	<u>14,487</u>	<u>(535,521)</u>	<u>(14,487)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>(335,071)</u>	<u>105,821</u>	<u>(1,398,439)</u>	<u>747,029</u>	<u>(1,733,510)</u>	<u>852,850</u>
<b>Net Assets - Beginning</b>	<u>23,648,194</u>	<u>23,542,373</u>	<u>35,023,973</u>	<u>34,276,944</u>	<u>58,672,167</u>	<u>57,819,317</u>
<b>Net Assets - Ending</b>	<u>\$ 23,313,123</u>	<u>\$ 23,648,194</u>	<u>\$ 33,625,534</u>	<u>\$ 35,023,973</u>	<u>\$ 56,938,657</u>	<u>\$ 58,672,167</u>

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**Expenses and Program Revenues - Governmental Activities**

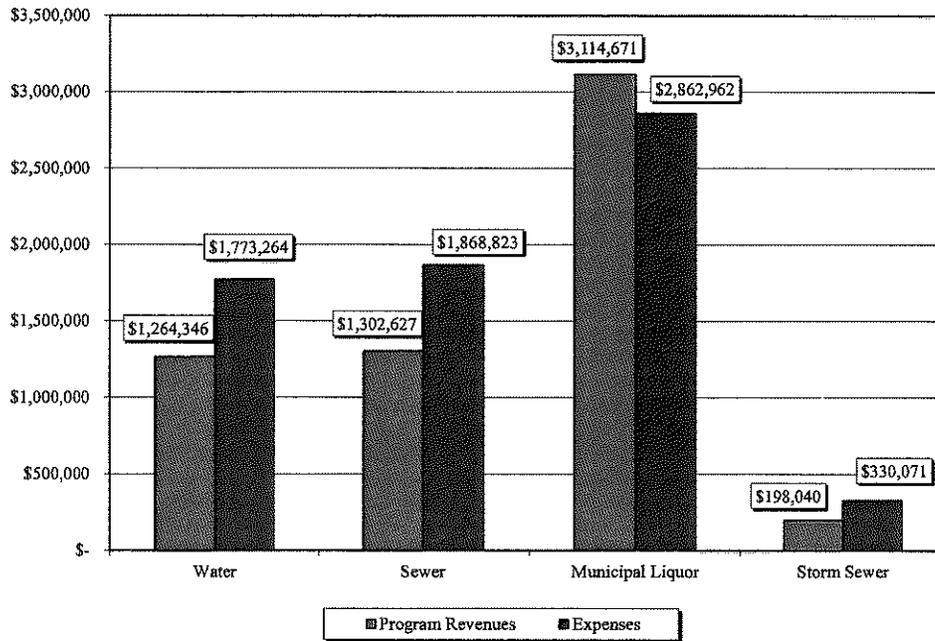


**Revenues by Source - Governmental Activities**

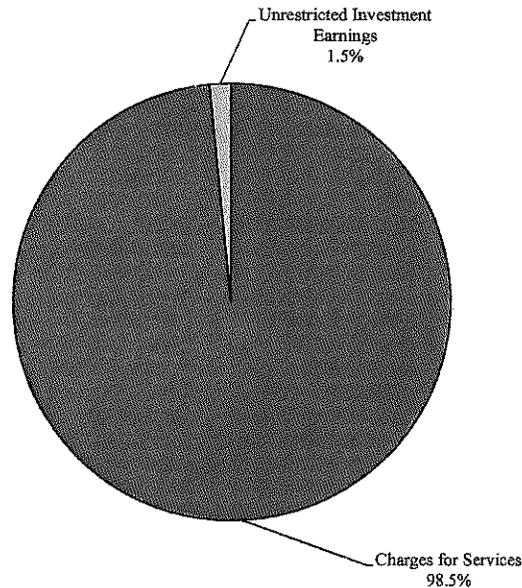


**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**Expenses and Program Revenues - Business-Type Activities**



**Revenue by Source - Business-Type Activities**



**Business-Type Activities**

Business-type activities decreased the City's net assets by \$ 1,398,439, resulting in 81% of the total decrease in the government's net assets.

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**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 year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$ 11,458,111, a decrease of \$ 1,278,593 from the previous year. Approximately 5% of this total amount (\$ 389,342) constitutes assigned and unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or non-spendable to indicate that it is not available for new spending because it has external spending requirements.

The General Fund is the chief operating fund of the City. At the end of the current year, the unrestricted, spendable fund balance of the General Fund was \$ 1,795,984, while total fund balance reached \$ 1,977,318. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 49% of the total General Fund expenditures and transfers out, while total fund balance represents 54% of that same amount.

- The fund balance of the City's General Fund decreased by \$ 292,391 during the current year. Total revenues and transfers in were \$ 240,170 over budget. Expenditures and transfers out ended 2011 over budget by \$ 460,561.

The Street Improvement Capital Projects Fund ended the year in a deficit fund balance of \$ 283,726. Future revenue sources will fund the deficit.

**Proprietary Funds**

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

Unrestricted net assets of the water operations at the end of the year amounted to (\$ 1,284,840), those for the sewer operations amounted to \$ 4,424,229, those for the storm sewer operations amounted to \$ (179,064), and those for the liquor operations amounted to \$ 228,300. The total decrease in net assets for each fund was \$ (662,814), \$ (501,964), \$ (227,498) and \$ (6,163), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**CITY OF BIG LAKE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011**

The Municipal Liquor Store realized income before transfers of \$ 250,837. With an operating transfer of \$ 257,000 to the General Fund, the change in net assets for the Liquor Fund was \$ (6,163).

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was amended in 2011 to more accurately reflect insurance rates, however the net effect of the amendment on the total General Fund budget was \$ 0.

**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, 2011, amounts to \$ 95,039,973 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, improvements, infrastructure, collection and distribution systems, buildings and machinery and equipment.

**Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 7,832,585	\$ 7,832,585	\$ 1,533,956	\$ 1,533,956	\$ 9,366,541	\$ 9,366,541
Construction in Progress	3,113,806	2,936,390	18,005,605	16,284,244	21,119,411	19,220,634
Leasehold Improvements	56,427	60,004	128,076	134,118	184,503	194,122
Infrastructure	18,362,996	17,520,063	-	-	18,362,996	17,520,063
Collection and Distribution Systems	-	-	30,315,043	31,621,823	30,315,043	31,621,823
Buildings	3,567,443	3,725,337	11,031,266	11,434,681	14,598,709	15,160,018
Machinery and Equipment	886,454	1,109,429	206,316	248,681	1,092,770	1,358,110
<b>Total</b>	<b>\$ 33,819,711</b>	<b>\$ 33,183,808</b>	<b>\$ 61,220,262</b>	<b>\$ 61,257,503</b>	<b>\$ 95,039,973</b>	<b>\$ 94,441,311</b>

Additional information on the City's capital assets can be found in Note 6 on pages 41-43 of this report.

**Long-Term Debt**

At the end of the current year, the City had a total bonded debt outstanding of \$ 59,008,025. Of this amount, \$ 4,971,165 comprises debt backed by the full faith and credit of the government and \$ 19,100,000 was special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., Tax Increment Financing [TIF] bonds, revenue bonds and lease revenue bonds).

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2011**

**Outstanding Bonded Debt**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
G.O. Bonds/Notes	\$ 4,971,165	\$ 3,985,358	\$ -	\$ -	\$ 4,971,165	\$ 3,985,358
G.O. Tax Increment Bonds	1,820,000	1,825,000	-	-	1,820,000	1,825,000
G.O. Special Assessment Bonds	19,100,000	20,835,000	-	-	19,100,000	20,835,000
EDA Lease Revenue Bonds	1,799,525	1,834,714	-	-	1,799,525	1,834,714
PFA Drinking Water Revolving Loan	-	-	6,354,000	6,763,000	6,354,000	6,763,000
PFA Clean Water Revolving Loan	-	-	12,814,500	11,304,982	12,814,500	11,304,982
G.O. Revenue Bonds/Notes	-	-	10,633,835	11,292,038	10,633,835	11,292,038
Public Project Revenue Bonds	405,390	423,155	1,109,610	1,156,846	1,515,000	1,580,001
<b>Total</b>	<b>\$ 28,096,080</b>	<b>\$ 28,903,227</b>	<b>\$ 30,911,945</b>	<b>\$ 30,516,866</b>	<b>\$ 59,008,025</b>	<b>\$ 59,420,093</b>

The City's total bonded debt decreased by \$ 412,068 during the current year.

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

Additional information on the City's long-term debt can be found in Note 7 on pages 43-49 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Budgeted spending for the City's General Fund was increased by \$ 129,853, for an overall expenditure budget of \$ 3,305,409.
- The overall levy for the City in 2012 remained constant with 2011, at \$ 3,294,041.
- In 2011 the City received \$ 157,000 in Local Government Aid (LGA) that had not been budgeted. Because it is anticipated that LGA will be taken away at the state level due to budgetary issues, the 2012 budget, again does not have LGA included as a revenue source.

Water rates were increased in 2011 by 36% while sewer rates were decreased by 20%. The net effect to the average household is an increase of approximately 2%, or \$ 1.81 per utility bill. Current water rates were not covering the operating costs for the enterprise when depreciation expense is factored in. The City Council and staff continue to monitor these rates to determine appropriate times to implement rate increases.

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF BIG LAKE**

**STATEMENT OF NET ASSETS  
December 31, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 6,397,979	\$ 1,090,961	\$ 7,488,940
Cash with Fiscal Agent	3,372,704	-	3,372,704
Restricted Cash	-	149,720	149,720
Receivables:			
Property Tax Receivable	445,273	-	445,273
Accounts Receivable	61,209	285,100	346,309
Interest Receivable	25,516	-	25,516
Notes Receivable	1,591,950	183,988	1,775,938
Special Assessments Receivable:			
Delinquent	409,082	22,098	431,180
Deferred	4,212,844	278,871	4,491,715
Due from Other Governments	99,753	86,885	186,638
Due from Other Funds (Internal Balances)	(899,892)	899,892	-
Advances to Other Funds (Internal Balances)	(647,454)	647,454	-
Inventories	-	472,318	472,318
Land Held for Resale	4,348,974	-	4,348,974
Prepaid Expenses	156,196	87,375	243,571
Deferred Charges	112,176	-	112,176
Capital Assets not being Depreciated:			
Land	7,832,585	1,533,956	9,366,541
Construction In Progress	3,113,806	18,005,605	21,119,411
Capital Assets being Depreciated:			
Infrastructure	32,784,898	-	32,784,898
Buildings	4,736,803	12,102,461	16,839,264
Leasehold Improvements	71,543	223,833	295,376
Machinery and Equipment	3,824,222	987,981	4,812,203
Collection and Distribution Systems	-	42,498,435	42,498,435
Less Accumulated Depreciation	(18,544,146)	(14,132,009)	(32,676,155)
<b>Total Assets</b>	<b>\$ 53,506,021</b>	<b>\$ 65,424,924</b>	<b>\$ 118,930,945</b>

**CITY OF BIG LAKE**

**STATEMENT OF NET ASSETS  
December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 174,627	\$ 281,645	\$ 456,272
Salaries and Benefits Payable	77,230	43,310	120,540
Escrow Payable	1,032,022	-	1,032,022
Contracts Payable	99,354	101,079	200,433
Due to Other Governments	251,002	12,621	263,623
Interest Payable	384,514	378,756	763,270
Bond Principal Payable:			
Payable Within One Year	1,120,000	-	1,120,000
Payable After One Year	22,172,864	-	22,172,864
Revenue Bonds Payable:			
Payable Within One Year	55,661	1,334,869	1,390,530
Payable After One Year	2,149,254	29,323,369	31,472,623
Notes Payable:			
Payable Within One Year	313,165	78,835	392,000
Payable After One Year	2,233,000	-	2,233,000
Other Liabilities:			
Payable After One Year	-	196,000	196,000
Capital Lease Payable:			
Payable Within One Year	5,287	-	5,287
Payable After One Year	924	-	924
Compensated Absences Payable:			
Payable Within One Year	98,789	48,906	147,695
Severance Payable:			
Payable After One Year	25,205	-	25,205
Total Liabilities	<u>30,192,898</u>	<u>31,799,390</u>	<u>61,992,288</u>
<b>Net Assets</b>			
Investment of Capital Assets, Net of Related Debt	11,330,160	30,287,189	41,617,349
Restricted for:			
Debt Service	7,510,346	149,720	7,660,066
Tax Increment	558,087	-	558,087
Neighborhood Stabilization	825,866	-	825,866
Parkland Dedication	133,915	-	133,915
Unrestricted	2,954,749	3,188,625	6,143,374
Total Net Assets	<u>23,313,123</u>	<u>33,625,534</u>	<u>56,938,657</u>
 Total Liabilities and Net Assets	 <u>\$ 53,506,021</u>	 <u>\$ 65,424,924</u>	 <u>\$ 118,930,945</u>

CITY OF BIG LAKE

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011

Functions/Programs Governmental Activities	Program Revenues			Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Government	\$ 775,482	\$ 212,657	\$ 6,077	\$ -	\$ (556,748)	\$ -	\$ (556,748)
Public Safety	1,856,149	370,462	165,385	20,059	(1,300,243)	-	(1,300,243)
Streets and Highways	1,415,625	17,014	-	855,170	(543,441)	-	(543,441)
Culture and Recreation	551,117	144,796	11,621	-	(394,700)	-	(394,700)
Economic Development	1,012,483	26,940	3,551	111,393	(870,599)	-	(870,599)
Interest on Long-Term Debt	985,612	-	-	-	(985,612)	-	(985,612)
Total Governmental Activities	6,596,468	771,869	186,634	986,622	(4,651,343)	-	(4,651,343)
<b>Business-Type Activities</b>							
Water	1,773,264	1,264,346	-	-	-	(508,918)	(508,918)
Sewer	1,868,823	1,302,627	-	-	-	(566,196)	(566,196)
Municipal Liquor	2,862,962	3,114,671	-	-	-	251,709	251,709
Storm Sewer	330,071	198,040	-	-	-	(132,031)	(132,031)
Total Business-Type Activities	6,835,120	5,879,684	-	-	-	(955,436)	(955,436)
Total Governmental and Business-Type Activities	\$ 13,431,588	\$ 6,651,553	\$ 186,634	\$ 986,622	(4,651,343)	(955,436)	(5,606,779)
<b>General Revenues</b>							
Property Taxes					2,933,568	-	2,933,568
Tax Increments					215,040	-	215,040
State Aids					249,952	-	249,952
Insurance Recoveries					3,172	-	3,172
Unrestricted Investment Earnings					49,019	92,518	141,537
Other General Revenue					330,000	-	330,000
<b>Transfers</b>					535,521	(535,521)	-
Total General Revenues					4,316,272	(443,003)	3,873,269
<b>Change in Net Assets</b>					(335,071)	(1,398,439)	(1,733,510)
<b>Net Assets - Beginning</b>					23,648,194	35,023,973	58,672,167
<b>Net Assets - Ending</b>					\$ 23,313,123	\$ 33,625,534	\$ 56,938,657

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

**CITY OF BIG LAKE**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2011**

	General (101)	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,293,323	\$ -	\$ 4,104,656	\$ 6,397,979
Cash with Fiscal Agent	-	-	3,372,704	3,372,704
Taxes Receivable - Delinquent	445,273	-	-	445,273
Accounts Receivable	29,747	-	31,462	61,209
Interest Receivable	25,516	-	-	25,516
Due from Other Governments	40,630	1,414	57,709	99,753
Notes Receivable	-	-	1,591,950	1,591,950
Special Assessment Receivable:				
Delinquent	6,240	85,301	317,541	409,082
Deferred	10,857	67,157	4,134,830	4,212,844
Land Held for Resale	-	-	4,348,974	4,348,974
Prepaid Expenses	142,918	-	13,278	156,196
	<u>\$ 2,994,504</u>	<u>\$ 153,872</u>	<u>\$ 17,973,104</u>	<u>\$ 21,121,480</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	99,867	60,223	14,537	174,627
Salaries and Benefits Payable	77,230	-	-	77,230
Escrow Payable	85,700	10,000	936,322	1,032,022
Contracts Payable	-	99,354	-	99,354
Due to Other Funds	-	115,562	784,330	899,892
Due to Other Governments	114,055	-	136,947	251,002
Advances from Other Funds	177,964	-	469,490	647,454
Deferred Revenue	462,370	152,459	5,866,959	6,481,788
Total Liabilities	<u>1,017,186</u>	<u>437,598</u>	<u>8,208,585</u>	<u>9,663,369</u>
<b>Fund Balances</b>				
Nonspendable	142,918	-	4,539,613	4,682,531
Restricted	38,416	-	6,347,822	6,386,238
Assigned	92,714	-	247,353	340,067
Unassigned	1,703,270	(283,726)	(1,370,269)	49,275
Total Fund Balances	<u>1,977,318</u>	<u>(283,726)</u>	<u>9,764,519</u>	<u>11,458,111</u>
	<u>\$ 2,994,504</u>	<u>\$ 153,872</u>	<u>\$ 17,973,104</u>	<u>\$ 21,121,480</u>
Total Liabilities and Fund Balance	<u>\$ 2,994,504</u>	<u>\$ 153,872</u>	<u>\$ 17,973,104</u>	<u>\$ 21,121,480</u>

**CITY OF BIG LAKE**

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
December 31, 2011**

Total Fund Balances - Governmental Funds \$ 11,458,111

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

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

Cost of Capital Assets	52,363,857
Less Accumulated Depreciation	(18,544,146)

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

Long-term liabilities at year-end consist of:

Bond Principal Payable	(23,345,000)
Revenue Bonds Payable	(2,204,915)
Unamortized Bond Discounts and Premiums	52,136
Notes Payable	(2,546,165)
Capital Lease Payable	(6,211)
Compensated Absences Payable	(98,789)
Severance Payable	(25,205)

Deferred charges for issuance costs. 112,176

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	445,273
Special Assessments	409,082

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

Deferred Special Assessments	4,212,844
Notes Receivable	1,414,589

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

(384,514)

Total Net Assets - Governmental Activities \$ 23,313,123

**CITY OF BIG LAKE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

		<u>Capital Project</u>		
	<u>General (101)</u>	<u>Street Improvement (175)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes	\$ 1,869,424	\$ -	\$ 1,013,799	\$ 2,883,223
Tax Increments	-	-	215,040	215,040
Special Assessments	6,077	117,328	746,426	869,831
Licenses and Permits	392,917	-	-	392,917
Intergovernmental	503,090	382,163	652,004	1,537,257
Charges for Services	265,120	-	74,361	339,481
Fines and Forfeitures	19,392	-	-	19,392
Miscellaneous:				
Investment Income	3,237	(4,576)	50,358	49,019
Contributions and Donations	17,959	-	-	17,959
Other	-	-	28,936	28,936
Total Revenues	<u>3,077,216</u>	<u>494,915</u>	<u>2,780,924</u>	<u>6,353,055</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	782,691	-	-	782,691
Public Safety	1,695,510	-	-	1,695,510
Streets and Highways	407,056	-	-	407,056
Culture and Recreation	426,456	-	-	426,456
Economic Development	164,146	-	409,600	573,746
<b>Debt Service</b>				
Principal	-	-	1,709,750	1,709,750
Interest and Other Charges	-	-	1,070,416	1,070,416
<b>Capital Outlay</b>				
General Government	5,752	-	-	5,752
Public Safety	30,874	-	-	30,874
Streets and Highways	-	1,965,118	-	1,965,118
Culture and Recreation	-	-	19,363	19,363
Economic Development	-	-	376,038	376,038
Total Expenditures	<u>3,512,485</u>	<u>1,965,118</u>	<u>3,585,167</u>	<u>9,062,770</u>
Excess of Revenues Under Expenditures	(435,269)	(1,470,203)	(804,243)	(2,709,715)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	1,457,604	5,510,000	6,967,604
Bond Premium	-	-	35,163	35,163
Bond Discount	-	-	(45,338)	(45,338)
Refunding Bond Payment	-	-	(6,065,000)	(6,065,000)
Insurance Recoveries	3,172	-	-	3,172
Transfers In	263,338	-	989,172	1,252,510
Transfers Out	(123,632)	-	(593,357)	(716,989)
Total Other Financing Sources (Uses)	<u>142,878</u>	<u>1,457,604</u>	<u>(169,360)</u>	<u>1,431,122</u>
Net Change in Fund Balances	(292,391)	(12,599)	(973,603)	(1,278,593)
<b>FUND BALANCES</b>				
Beginning of Year	<u>2,269,709</u>	<u>(271,127)</u>	<u>10,738,122</u>	<u>12,736,704</u>
End of Year	<u>\$ 1,977,318</u>	<u>\$ (283,726)</u>	<u>\$ 9,764,519</u>	<u>\$ 11,458,111</u>

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

**CITY OF BIG LAKE**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2011**

Total Net Change in Fund Balances - Governmental Funds \$ (1,278,593)

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

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

Capital Outlays	1,932,690
Depreciation Expense	(1,296,787)

Compensated absences and severance are recognized as paid in the governmental funds  
but recognized as the expense is incurred in the Statement of Activities. 30,976

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

Bond Principal Payments	1,709,750
Capital Lease Payments	4,869

Governmental funds report the effects of bond premiums, discounts and issuance costs  
when debt is first issued, whereas these amounts are deferred and amortized in the  
Statement of Activities. 69,041

General obligation (G.O.) bonds were refunded during the year. The amount paid off with  
the new funding is reported in the governmental funds as an other financing use. However,  
the payments are not expenditures in the Statement of Activities, but rather a reduction  
on long-term liabilities in the Statement of Net Assets. 6,065,000

Interest on long-term debt in the Statement of Activities differs from the amount  
reported in the governmental funds because interest is recognized as an expenditure  
in the funds when it is due and thus requires use of current financial resources.  
In the Statement of Activities, however, interest expense is recognized as the  
interest accrues, regardless of when it is due. 25,938

Proceeds from long-term debt are recognized as an other financing source in  
the governmental funds but have no impact on net assets in the Statement of Activities. (6,967,604)

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

Deferred and Delinquent Special Assessments	(620,908)
Long-Term Notes Receivable	(59,788)

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. 50,345

Change in Net Assets - Governmental Activities \$ (335,071)

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

**CITY OF BIG LAKE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,978,000	\$ 1,978,000	\$ 1,869,424	\$ (108,576)
Special Assessments	7,500	7,500	6,077	(1,423)
Licenses and Permits	213,700	213,700	392,917	179,217
Intergovernmental	296,656	296,656	503,090	206,434
Charges for Services	241,950	241,950	265,120	23,170
Fines and Forfeitures	36,750	36,750	19,392	(17,358)
Miscellaneous Revenues:				
Investment Income	50,000	50,000	3,237	(46,763)
Contributions and Donations	7,000	7,000	17,959	10,959
Total Revenues	2,831,556	2,831,556	3,077,216	245,660
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	585,434	577,434	782,691	205,257
Public Safety	1,607,295	1,611,295	1,695,510	84,215
Streets and Highways	446,435	447,435	407,056	(40,379)
Culture and Recreation	362,390	363,390	426,456	63,066
Economic Development	150,800	152,800	164,146	11,346
<b>Capital Outlay</b>				
General Government	5,602	5,602	5,752	150
Public Safety	8,000	8,000	30,874	22,874
Total Expenditures	3,165,956	3,165,956	3,512,485	346,529
Excess of Revenues Under Expenditures	(334,400)	(334,400)	(435,269)	(100,869)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Recoveries	-	-	3,172	3,172
Transfers In	272,000	272,000	263,338	(8,662)
Transfers Out	(9,600)	(9,600)	(123,632)	(114,032)
Total Other Financing Sources (Uses)	262,400	262,400	142,878	(119,522)
Net Change in Fund Balances	\$ (72,000)	\$ (72,000)	(292,391)	\$ (220,391)
<b>FUND BALANCES</b>				
Beginning of Year			2,269,709	
End of Year			\$ 1,977,318	

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

**CITY OF BIG LAKE**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
December 31, 2011

	<u>Water (301)</u>	<u>Sewer (401)</u>	<u>Liquor (501)</u>	<u>Storm Sewer (601)</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ -	\$ 1,090,961	\$ -	\$ -	\$ 1,090,961
Accounts Receivable	102,684	161,501	-	20,915	285,100
Due from Other Funds	-	2,713,677	-	-	2,713,677
Due from Other Governments	-	86,885	-	-	86,885
Advances to Other Funds	-	22,532	-	-	22,532
Notes Receivable	183,988	-	-	-	183,988
Special Assessment Receivable:					
Delinquent	11,069	9,217	-	1,812	22,098
Deferred	115,212	144,809	-	18,850	278,871
Inventories	-	-	472,318	-	472,318
Prepaid Expenses	38,291	28,402	18,528	2,154	87,375
<b>Total Current Assets</b>	<u>451,244</u>	<u>4,257,984</u>	<u>490,846</u>	<u>43,731</u>	<u>5,243,805</u>
<b>Noncurrent Assets</b>					
Restricted Cash	-	-	149,720	-	149,720
Advances to Other Funds	-	624,922	-	-	624,922
Capital Assets:					
Land	277,006	1,256,950	-	-	1,533,956
Buildings	9,651,417	450,526	1,915,613	84,905	12,102,461
Collection and Distribution Systems	15,009,613	20,769,831	-	6,718,991	42,498,435
Leasehold Improvements	166,068	-	57,765	-	223,833
Machinery and Equipment	308,677	184,913	194,175	300,216	987,981
Construction In Progress	1,771,808	16,233,797	-	-	18,005,605
<b>Total Capital Assets</b>	<u>27,184,589</u>	<u>38,896,017</u>	<u>2,167,553</u>	<u>7,104,112</u>	<u>75,352,271</u>
Less Accumulated Depreciation	(4,850,815)	(6,940,426)	(446,888)	(1,893,880)	(14,132,009)
Net Capital Assets	<u>22,333,774</u>	<u>31,955,591</u>	<u>1,720,665</u>	<u>5,210,232</u>	<u>61,220,262</u>
<b>Total Noncurrent Assets</b>	<u>22,333,774</u>	<u>32,580,513</u>	<u>1,870,385</u>	<u>5,210,232</u>	<u>61,994,904</u>
<b>Total Assets</b>	<u>\$ 22,785,018</u>	<u>\$ 36,838,497</u>	<u>\$ 2,361,231</u>	<u>\$ 5,253,963</u>	<u>\$ 67,238,709</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 31,895	\$ 109,112	\$ 133,302	\$ 7,336	\$ 281,645
Contracts Payable	28,782	72,297	-	-	101,079
Salaries and Benefits Payable	11,288	11,755	18,524	1,743	43,310
Interest Payable	107,733	246,833	23,010	1,180	378,756
Due to Other Funds	1,537,371	-	66,988	209,426	1,813,785
Due to Other Governments	335	-	12,286	-	12,621
Current Compensated Absences	18,680	18,680	8,436	3,110	48,906
Amount Due Within One Year	549,500	734,500	50,869	78,835	1,413,704
<b>Total Current Liabilities</b>	<u>2,285,584</u>	<u>1,193,177</u>	<u>313,415</u>	<u>301,630</u>	<u>4,093,806</u>
<b>Noncurrent Liabilities</b>					
Notes Payable	-	-	-	78,835	78,835
Revenue Bonds, Net of Unamortized Discount	2,797,643	7,618,322	1,073,773	-	11,489,738
PFA G.O. Revenue Note	6,354,000	12,814,500	-	-	19,168,500
Other Liabilities	196,000	-	-	-	196,000
Less Amount Due Within One Year	(549,500)	(734,500)	(50,869)	(78,835)	(1,413,704)
<b>Total Noncurrent Liabilities</b>	<u>8,798,143</u>	<u>19,698,322</u>	<u>1,022,904</u>	<u>-</u>	<u>29,519,369</u>
<b>Total Liabilities</b>	<u>11,083,727</u>	<u>20,891,499</u>	<u>1,336,319</u>	<u>301,630</u>	<u>33,613,175</u>
<b>Net Assets</b>					
Investment in Capital Assets, Net of Related Debt	12,986,131	11,522,769	646,892	5,131,397	30,287,189
Restricted for Debt Service	-	-	149,720	-	149,720
Unrestricted	(1,284,840)	4,424,229	228,300	(179,064)	3,188,625
<b>Total Net Assets</b>	<u>11,701,291</u>	<u>15,946,998</u>	<u>1,024,912</u>	<u>4,952,333</u>	<u>33,625,534</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 22,785,018</u>	<u>\$ 36,838,497</u>	<u>\$ 2,361,231</u>	<u>\$ 5,253,963</u>	<u>\$ 67,238,709</u>

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

**CITY OF BIG LAKE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS - PROPRIETARY FUNDS  
For the Year Ended December 31, 2011**

	<u>Water (301)</u>	<u>Sewer (401)</u>	<u>Liquor (501)</u>	<u>Storm Sewer (601)</u>	<u>Totals</u>
<b>SALES AND COST OF SALES</b>					
Sales	\$ -	\$ -	\$ 3,115,859	\$ -	\$ 3,115,859
Cost of Sales	-	-	2,304,378	-	2,304,378
Gross Profit	<u>-</u>	<u>-</u>	<u>811,481</u>	<u>-</u>	<u>811,481</u>
<b>OPERATING REVENUES</b>					
Charges for Services	<u>1,157,584</u>	<u>1,131,328</u>	<u>-</u>	<u>198,040</u>	<u>2,486,952</u>
<b>OPERATING EXPENSES</b>					
Wages and Salaries	256,811	257,468	227,211	39,247	780,737
Employee Benefits	66,338	66,338	40,900	12,069	185,645
Materials and Supplies	35,255	12,367	9,789	3,697	61,108
Repairs and Maintenance	16,440	17,488	19,852	1,658	55,438
Professional Services	90,065	60,461	59,055	12,261	221,842
Insurance	44,082	29,983	18,175	2,034	94,274
Utilities and Refuse	142,119	132,653	28,947	-	303,719
Depreciation	803,486	647,104	76,986	252,351	1,779,927
Travel	11,985	11,959	270	2,201	26,415
Bad Debt Expense	-	-	52	-	52
Advertising	-	-	7,021	-	7,021
Dues, Memberships and Training	8,263	3,863	5,155	400	17,681
Telephone	1,905	1,905	6,183	930	10,923
Postage	340	261	274	8	883
Water Meters	4,864	-	-	-	4,864
Uniforms	1,774	1,887	-	-	3,661
Total Operating Expenses	<u>1,483,727</u>	<u>1,243,737</u>	<u>499,870</u>	<u>326,856</u>	<u>3,554,190</u>
Operating Income (Loss)	(326,143)	(112,409)	311,611	(128,816)	(255,757)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income (Expense)	(14,495)	111,396	(872)	(3,511)	92,518
Trunk and Access Charges	103,924	166,482	-	-	270,406
Interest Expense	(288,054)	(614,509)	(56,172)	(3,215)	(961,950)
Amortization Expense	(1,483)	(10,577)	(2,542)	-	(14,602)
Other Income (Expense)	2,838	4,817	(1,188)	-	6,467
Total Nonoperating Revenues (Expenses)	<u>(197,270)</u>	<u>(342,391)</u>	<u>(60,774)</u>	<u>(6,726)</u>	<u>(607,161)</u>
Income (Loss) before Capital Contributions and Transfers	(523,413)	(454,800)	250,837	(135,542)	(862,918)
Transfers In	-	11,244	-	-	11,244
Transfers Out	<u>(139,401)</u>	<u>(58,408)</u>	<u>(257,000)</u>	<u>(91,956)</u>	<u>(546,765)</u>
Change in Net Assets	(662,814)	(501,964)	(6,163)	(227,498)	(1,398,439)
<b>NET ASSETS</b>					
Beginning of Year	<u>12,364,105</u>	<u>16,448,962</u>	<u>1,031,075</u>	<u>5,179,831</u>	<u>35,023,973</u>
End of Year	<u>\$ 11,701,291</u>	<u>\$ 15,946,998</u>	<u>\$ 1,024,912</u>	<u>\$ 4,952,333</u>	<u>\$ 33,625,534</u>

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

**CITY OF BIG LAKE**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2011**

	<u>Water (301)</u>	<u>Sewer (401)</u>	<u>Liquor (501)</u>	<u>Storm Sewer (601)</u>	<u>Total</u>
<b>CASH FLOWS - OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 1,198,410	\$ 1,414,303	\$ 3,114,671	\$ 202,639	\$ 5,930,023
Payments to Suppliers	(351,155)	(298,813)	(2,470,202)	(18,537)	(3,138,707)
Payments to Employees	(325,944)	(326,134)	(267,676)	(52,177)	(971,931)
Net Cash Flows - Operating Activities	<u>521,311</u>	<u>789,356</u>	<u>376,793</u>	<u>131,925</u>	<u>1,819,385</u>
<b>CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES</b>					
Receipt (Payment) of Due from/to Other Funds	343,233	(387,995)	(15,549)	41,041	(19,270)
Repayment of Note Receivable	14,023	-	-	-	14,023
Transfer from Other Funds	-	11,244	-	-	11,244
Transfer to Other Funds	(139,401)	(58,408)	(257,000)	(91,956)	(546,765)
Net Cash Flows - Noncapital Financing Activities	<u>217,855</u>	<u>(435,159)</u>	<u>(272,549)</u>	<u>(50,915)</u>	<u>(540,768)</u>
<b>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Advances to/from Other Funds	-	(179,335)	-	-	(179,335)
Trunk and Access Charges	103,924	166,482	-	-	270,406
Principal Paid on Debt	(533,917)	(685,083)	(47,235)	(73,204)	(1,339,439)
Interest Paid on Debt	(293,851)	(592,926)	(57,037)	(4,295)	(948,109)
Bond Proceeds	-	1,734,518	-	-	1,734,518
Acquisition of Capital Assets	(827)	(2,434,908)	-	-	(2,435,735)
Net Cash Flows - Capital and Related Financing Activities	<u>(724,671)</u>	<u>(1,991,252)</u>	<u>(104,272)</u>	<u>(77,499)</u>	<u>(2,897,694)</u>
<b>CASH FLOWS - INVESTING ACTIVITIES</b>					
Interest and Dividends Received	(14,495)	111,396	(872)	(3,511)	92,518
Net Change in Cash and Cash Equivalents	-	(1,525,659)	(900)	-	(1,526,559)
Cash and Cash Equivalents, January 1	-	2,616,620	150,620	-	2,767,240
Cash and Cash Equivalents, December 31	<u>\$ -</u>	<u>\$ 1,090,961</u>	<u>\$ 149,720</u>	<u>\$ -</u>	<u>\$ 1,240,681</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES</b>					
Operating Income (Loss)	<u>\$ (326,143)</u>	<u>\$ (112,409)</u>	<u>\$ 311,611</u>	<u>\$ (128,816)</u>	<u>\$ (255,757)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Other Revenues	2,838	4,817	(1,188)	-	6,467
Depreciation and Amortization Expense	803,486	647,104	76,986	252,351	1,779,927
Accounts Receivable	35,973	8,623	-	6,000	50,596
Special Assessments Receivable	(1,065)	12,664	-	(1,928)	9,671
Due from Other Governments	3,080	256,871	-	527	260,478
Prepaid Items	(11,507)	(11,091)	(8,429)	(88)	(31,115)
Inventory	-	-	(78,255)	-	(78,255)
Accounts Payable	17,454	(14,895)	76,037	4,740	83,336
Due to Other Governmental Units	(10)	-	(404)	-	(414)
Salaries Payable	582	1,049	3,840	(520)	4,951
Compensated Absences Payable	(3,377)	(3,377)	(3,405)	(341)	(10,500)
Total Adjustments	<u>847,454</u>	<u>901,765</u>	<u>65,182</u>	<u>260,741</u>	<u>2,075,142</u>
Net Cash Flows - Operating Activities	<u>\$ 521,311</u>	<u>\$ 789,356</u>	<u>\$ 376,793</u>	<u>\$ 131,925</u>	<u>\$ 1,819,385</u>

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

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

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

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

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

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

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

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

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

##### 1. Blended Component Unit

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity (Continued)

###### 2. Related Organization

###### Big Lake Volunteer Fire Relief Association

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

###### 3. Joint Ventures and Jointly Governed Organization

###### Big Lake Volunteer Fire Department

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

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

##### B. Government-Wide and Fund Financial Statements

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

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

##### **Description of Funds:**

###### Major Governmental Funds:

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

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### Description of Funds: (Continued)

###### Proprietary Funds:

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

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

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

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

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

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

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

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

##### D. Assets, Liabilities and Net Assets or Equity

###### 1. Cash and Investments

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### 1. Cash and Investments (Continued)

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

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

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

Cash and investments at December 31, 2011 were comprised of deposits, brokered certificates of deposit, money market accounts, U.S. Treasury State and Local Government Series Time Deposits and investments in the 4M Fund.

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

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

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

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### 1. Cash and Investments (Continued)

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

###### 2. Restricted Assets

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

###### 3. Receivables

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

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

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

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

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**4. Inventory and Prepaid Items**

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

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

**5. Capital Assets**

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

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

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

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

**6. Compensated Absences**

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

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

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**7. 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.

**8. Long-Term Obligations**

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

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

**9. Fund Equity**

**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).

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

###### 9. Fund Equity (Continued)

###### a. Classification (Continued)

- Assigned Fund Balance – These are amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. Assignments may be made by the City’s Finance Director based on the City Council’s delegation.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

###### b. Minimum Fund Balance

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

###### 10. Other Long-Term Liabilities

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

###### 11. Net Assets

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

###### 12. Use of Estimates

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

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2011, expenditures exceeded appropriations in the following Funds:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 3,512,485	\$ 3,165,956
Nonmajor Fund:		
Economic Development Authority	129,440	65,269

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**C. Deficit Fund Balance**

The following Funds had deficit fund balances at December 31, 2011:

Major Governmental Fund:

Capital Projects:

Street Improvement \$ 283,726

Nonmajor Governmental Funds:

Debt Service:

G.O. Tax Increment Bonds of 2004C 89,605  
G.O. Improvement Bonds of 2003A 189,890  
G.O. Improvement Bonds of 2004B 121,350  
G.O. Improvement Bonds of 2007E 106  
2008 Tax Lease Revenue Bonds 214,750

Capital Projects:

Lakeside Park Improvements 12,777  
Lake Street Redevelopment TIF 1-3 18,825  
Commercial Redevelopment TIF 1-5 7,417

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

At December 31, 2011, the City's bank balance of \$ 0 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. At December 31, 2011, the City's deposits had a book balance of \$ 12,929.

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**B. Investments**

At December 31, 2011, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity
Brokered Certificates of Deposit U.S. Treasury State and Local Government Series Time Deposit	\$ 2,511,876	2.50%
Cash and Brokered Money Market Accounts	3,372,704	N/A
4M Fund	928,263	N/A
	<u>4,183,592</u>	N/A
Total	<u>\$ 10,996,435</u>	

Credit Risk: As of December 31, 2011, none of the City's investments were rated.

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

Summary of cash, deposits and investments as of December 31, 2011:

Petty Cash	\$ 2,000
Deposits (Note 3.A.)	12,929
Investments (Note 3.B.)	<u>10,996,435</u>
Total Deposits and Investments	<u>\$ 11,011,364</u>

Cash, deposits and investments are presented in the December 31, 2011 basic financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 7,488,940
Cash with Fiscal Agent	3,372,704
Restricted Cash	<u>149,720</u>
Total	<u>\$ 11,011,364</u>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 4 – NOTES RECEIVABLE**

Governmental funds notes receivable includes receivables from the Big Lake Township for their portion of debt payments on the Industrial Park Lease Revenue Bonds for \$ 904,449 and the G.O. Capital Improvement Bonds of 2006B for fire hall funding amounting to \$ 377,500. Other receivables due to the Big Lake EDA from local businesses include amounts issued through a grant from the Department of Employment and Economic Development (DEED) and totaled \$ 310,001, for a grand total of notes receivable of \$ 1,591,950. One of the local businesses did not meet the qualifications for the DEED program as they failed to create the required jobs that were initially approved. The City is required to remit all payments received from this business to the state as they are received; the total outstanding from this business is \$ 121,468.

Proprietary funds note receivable includes amounts due from local businesses totaling \$ 183,988.

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

**A. Due to/from Other Funds**

The composition of interfund balances as of December 31, 2011 was as follows:

	<u>Due From Other Funds</u>
	<u>Sewer Fund</u>
Due to Other Funds:	
Street Improvements	\$ 115,562
Other Governmental Funds	784,330
Water Fund	1,537,371
Liquor Fund	66,988
Storm Sewer Fund	<u>209,426</u>
Total	<u>\$ 2,713,677</u>

The amounts due to the Sewer Fund represent accruals to absorb temporary negative cash balances.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

**B. Interfund Transfers**

The composition of interfund transfers as of December 31, 2011 was as follows:

	Transfers In			Total
	General Fund	Other Governmental Funds	Sewer Fund	
Transfers Out:				
General Fund	\$ -	\$ 112,388	\$ 11,244	\$ 123,632
Other Governmental Funds	6,338	587,019	-	593,357
Water Fund	-	139,401	-	139,401
Sewer Fund	-	58,408	-	58,408
Liquor Fund	257,000	-	-	257,000
Storm Sewer Fund	-	91,956	-	91,956
Total Transfers	<u>\$ 263,338</u>	<u>\$ 989,172</u>	<u>\$ 11,244</u>	<u>\$ 1,263,754</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, to close funds and other administrative items.

**C. Advances to/from Other Funds**

	Advances to Other Funds Sewer
Advances from Other Funds:	
General	\$ 177,964
Other Governmental Funds	469,490
Total	<u>\$ 647,454</u>

The amounts advanced to other funds from the Sewer Fund represent interfund loans to temporarily fund capital projects.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 7,832,585	\$ -	\$ -	\$ 7,832,585
Construction in Progress	2,936,390	1,910,889	1,733,473	3,113,806
Total Capital Assets not being Depreciated	<u>10,768,975</u>	<u>1,910,889</u>	<u>1,733,473</u>	<u>10,946,391</u>
Capital Assets being Depreciated:				
Infrastructure	31,051,425	1,733,473	-	32,784,898
Buildings	4,736,803	-	-	4,736,803
Leasehold Improvements	71,543	-	-	71,543
Machinery and Equipment	3,802,421	21,801	-	3,824,222
Total Capital Assets being Depreciated	<u>39,662,192</u>	<u>1,755,274</u>	<u>-</u>	<u>41,417,466</u>
Less Accumulated Depreciation for:				
Infrastructure	13,531,362	890,540	-	14,421,902
Buildings	1,011,466	157,894	-	1,169,360
Leasehold Improvements	11,539	3,577	-	15,116
Machinery and Equipment	2,692,992	244,776	-	2,937,768
Total Accumulated Depreciation	<u>17,247,359</u>	<u>1,296,787</u>	<u>-</u>	<u>18,544,146</u>
Total Capital Assets being Depreciated, Net	<u>22,414,833</u>	<u>458,487</u>	<u>-</u>	<u>22,873,320</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,183,808</u>	<u>\$ 2,369,376</u>	<u>\$ 1,733,473</u>	<u>\$ 33,819,711</u>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 6 – CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$ 1,533,956	\$ -	\$ -	\$ 1,533,956
Construction in Progress	<u>16,284,244</u>	<u>1,742,686</u>	<u>21,325</u>	<u>18,005,605</u>
Total Capital Assets not being Depreciated	<u>17,818,200</u>	<u>1,742,686</u>	<u>21,325</u>	<u>19,539,561</u>
<b>Capital Assets being Depreciated:</b>				
Buildings	12,102,461	-	-	12,102,461
Collection and Distribution Systems	42,477,110	21,325	-	42,498,435
Leasehold Improvements	223,833	-	-	223,833
Machinery and Equipment	<u>987,981</u>	<u>-</u>	<u>-</u>	<u>987,981</u>
Total Capital Assets being Depreciated	<u>55,791,385</u>	<u>21,325</u>	<u>-</u>	<u>55,812,710</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	667,780	403,415	-	1,071,195
Collection and Distribution Systems	10,855,287	1,328,105	-	12,183,392
Leasehold Improvements	89,715	6,042	-	95,757
Machinery and Equipment	<u>739,300</u>	<u>42,365</u>	<u>-</u>	<u>781,665</u>
Total Accumulated Depreciation	<u>12,352,082</u>	<u>1,779,927</u>	<u>-</u>	<u>14,132,009</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>43,439,303</u>	<u>(1,758,602)</u>	<u>-</u>	<u>41,680,701</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 61,257,503</u>	<u>\$ (15,916)</u>	<u>\$ 21,325</u>	<u>\$ 61,220,262</u>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 6 – CAPITAL ASSETS**

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

Governmental Activities:	
General Government	\$ 22,387
Public Safety	154,263
Streets and Highways	941,641
Culture and Recreation	116,535
Economic Development	<u>61,961</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,296,787</u></u>
 Business-Type Activities:	
Water	\$ 803,486
Sewer	647,104
Liquor	76,986
Storm Sewer	<u>252,351</u>
 Total Depreciation Expense - Business-Type Activities	 <u><u>\$ 1,779,927</u></u>

**NOTE 7 – LONG-TERM DEBT**

**A. G.O. Bonds**

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

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

On July 7, 2011, the City issued the \$ 2,095,000 G.O. Improvement Refunding Bonds, Series 2011A for a current refunding of \$ 2,045,000 of the G.O. Improvement Bonds, Series 2002A. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$ 77,692. The net present value cash flow savings from the transaction was \$ 132,324.

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 7 – LONG-TERM DEBT**

**A. G.O. Bonds (Continued)**

On August 29, 2011, the City issued \$ 3,415,000 G.O. Improvement Refunding Bonds, Series 2011B for the crossover refunding of \$ 2,585,000 of the G.O. Improvement Bonds, Series 2005A, and \$ 2,425,000 of the G.O. Improvement Bonds, Series 2006A. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$ 134,439. The net present value cash flow savings from the transaction was \$ 119,460.

On February 1, 2011, the City amended the 2008 EDA Lease Revenue Bonds to extend the payment terms. This lease modification will result in the City paying an additional \$ 347,876 in interest. A balloon payment will be due on the loan in February 2014.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 7 – LONG-TERM DEBT**

**B. Components of Long-Term Liabilities**

	<u>Issue Year</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
<b>Long-Term Liabilities:</b>						
<b>Governmental Activities:</b>						
<b>G.O. Bonds, Including Refunding</b>						
<b>Bonds:</b>						
G.O. Improvement Bonds of 2005	2005	3.50%-4.15%	\$ 2,585,000	2021	\$ 1,910,000	\$ 160,000
G.O. Improvement Bonds of 2006A	2006	4.00%- 4.125%	2,425,000	2022	1,980,000	145,000
G.O. Capital Improvement Bonds of 2006B	2006	3.70%-4.25%	1,135,000	2023	855,000	75,000
G.O. Improvement Bonds of 2007A	2007	4.00%-4.10%	2,105,000	2023	1,870,000	125,000
G.O. Capital Improvement Plan Bonds of 2007C	2007	4.00%-4.35%	1,130,000	2028	1,050,000	45,000
G.O. Improvement Bonds of 2007E	2007	4.00%-4.10%	900,000	2018	665,000	85,000
G.O. Improvement Bonds of 2008A	2008	3.25%-4.50%	3,655,000	2024	3,575,000	185,000
G.O. Capital Improvement Bonds of 2009A	2009	1.10%-2.90%	620,000	2017	520,000	70,000
G.O. Improvement Bonds of 2010A	2010	2.00% - 3.80%	3,590,000	2026	3,590,000	85,000
G.O. Refunding Improvement Bonds of 2011A	2011	.40% - 2.45%	2,095,000	2020	2,095,000	135,000
G.O. Refunding Improvement Bonds of 2011B	2011	2.00% - 2.80%	3,415,000	2022	3,415,000	-
<b>Revenue Bonds:</b>						
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	484,647	2026	405,390	19,131
EDA Lease Revenue Bonds of 2008	2008	2.36%-3.26%	1,889,000	2014	1,799,525	36,530
<b>G.O. Tax Increment Bonds:</b>						
G.O. Tax Increment Bonds of 2004	2004	5.00%-5.90%	795,000	2030	765,000	10,000
G.O. Temporary Taxable TIF Bonds 2010B	2010	1.30%	1,055,000	2013	1,055,000	-
<b>Other Financing:</b>						
G.O. Capital Note of 2005	2005	3.25%-3.60%	740,000	2012	201,165	201,165
G.O. Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	2,345,000	112,000
					<u>28,096,080</u>	<u>1,488,826</u>
Capital Lease	2008		21,224	2012	6,211	5,287
Discount on Bonds Payable					(95,779)	-
Premium on Bonds Payable					43,643	-
Compensated Absences					98,789	98,789
Severance					25,205	-
<b>Total Governmental Activities</b>					<u>28,174,149</u>	<u>1,592,902</u>
<b>Business-Type Activities:</b>						
<b>G.O. Revenue Bonds, Including</b>						
<b>Refunding Bonds:</b>						
G.O. Wastewater Revenue Refunding Bonds of 2004	2004	1.45%-4.00%	1,255,000	2017	670,000	100,000
Public Facility Authority Drinking Water G.O. Revenue Loan	2004	2.53%	9,787,000	2024	6,354,000	419,000
G.O. Utility Revenue Bonds 2005	2005	4.00%-4.375%	2,625,000	2026	2,175,000	105,000
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	1,320,353	2026	1,109,610	50,869
G.O. Utility System Revenue Bonds of 2007B	2007	4.00%-4.35%	2,060,000	2027	1,750,000	80,000
G.O. Public Utility Revenue Refunding Bonds of 2007D	2007	3.60%-4.00%	2,670,000	2020	2,015,000	190,000
G.O. Utility Revenue Bonds of 2007F	2007	4.00%-4.50%	1,325,000	2027	1,110,000	50,000
G.O. Utility Revenue Bonds of 2008B	2008	3.5%-4.75%	3,000,000	2029	2,835,000	90,000
Public Facility Authority Drinking Sewer Revenue Note of 2009	2009	2.41%	13,470,120	2024	12,814,500	250,000
<b>Other Financing:</b>						
G.O. Capital Note of 2005	2005	3.25%-3.60%	290,000	2012	78,835	78,835
					<u>30,911,945</u>	<u>1,413,704</u>
Discount on Bonds Payable					(174,872)	-
Other Liabilities					196,000	-
Compensated Absences					48,906	48,906
<b>Total Business-Type Activities</b>					<u>30,981,979</u>	<u>1,462,610</u>
<b>Total all Long-Term Liabilities</b>					<u>\$ 59,156,128</u>	<u>\$ 3,055,512</u>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 7 – LONG-TERM DEBT**

**C. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds Payable:</b>					
G.O. Improvement Bonds	\$ 23,425,000	\$ 5,510,000	\$ 7,410,000	\$ 21,525,000	\$ 1,110,000
Revenue Bonds	2,257,869	-	52,954	2,204,915	55,661
G.O. Tax Increment Bonds	1,825,000	-	5,000	1,820,000	10,000
Other Financing	1,395,358	1,457,604	306,797	2,546,165	313,165
Discount on Bonds	(56,921)	(45,338)	(6,480)	(95,779)	-
Premium on Bonds	10,371	35,163	1,891	43,643	-
<b>Total Bonds Payable</b>	<u>28,856,677</u>	<u>6,957,429</u>	<u>7,770,162</u>	<u>28,043,944</u>	<u>1,488,826</u>
Capital Lease	11,080	-	4,869	6,211	5,287
Compensated Absences	108,849	116,699	126,759	98,789	98,789
Severance	46,121	25,205	46,121	25,205	-
<b>Total Governmental     Activities</b>	<u>29,022,727</u>	<u>7,099,333</u>	<u>7,947,911</u>	<u>28,174,149</u>	<u>1,592,902</u>
<b>Business-Type Activities:</b>					
<b>Bonds Payable:</b>					
G.O. Revenue Bonds	12,296,845	-	632,235	11,664,610	665,869
PFA G.O. Revenue Notes	18,067,982	1,734,518	634,000	19,168,500	669,000
Other Financing	152,039	-	73,204	78,835	78,835
Discount on Bonds	(189,474)	-	(14,602)	(174,872)	-
<b>Total Bonds Payable</b>	<u>30,327,392</u>	<u>1,734,518</u>	<u>1,324,837</u>	<u>30,737,073</u>	<u>1,413,704</u>
Other Liabilities	196,000	-	-	196,000	-
Compensated Absences	59,406	65,695	76,195	48,906	48,906
<b>Total Business-Type     Activities</b>	<u>30,582,798</u>	<u>1,800,213</u>	<u>1,401,032</u>	<u>30,981,979</u>	<u>1,462,610</u>
<b>Total Long-Term   Liabilities</b>	<u>\$ 59,605,525</u>	<u>\$ 8,899,546</u>	<u>\$ 9,348,943</u>	<u>\$ 59,156,128</u>	<u>\$ 3,055,512</u>

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

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 7 – LONG-TERM DEBT**

**D. Minimum Debt Payments**

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

Year Ending December 31,	Governmental Activities					
	G.O.Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,110,000	\$ 683,511	\$ 1,793,511	\$ 55,661	\$ 137,822	\$ 193,483
2013	1,375,000	650,797	2,025,797	59,775	134,203	193,978
2014	1,795,000	605,867	2,400,867	1,744,216	75,424	1,819,640
2015	1,860,000	553,491	2,413,491	21,864	17,625	39,489
2016	1,915,000	497,327	2,412,327	23,230	16,588	39,818
2017-2021	9,560,000	1,560,086	11,120,086	135,284	64,056	199,340
2022-2026	3,745,000	316,649	4,061,649	164,885	23,921	188,806
2027-2031	165,000	7,287	172,287	-	-	-
<b>Total</b>	<b>\$ 21,525,000</b>	<b>\$ 4,875,015</b>	<b>\$ 26,400,015</b>	<b>\$ 2,204,915</b>	<b>\$ 469,639</b>	<b>\$ 2,674,554</b>

Year Ending December 31,	Governmental Activities					
	Tax Increment Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 10,000	\$ 57,533	\$ 67,533	\$ 313,165	\$ 44,095	\$ 357,260
2013	1,065,000	57,020	1,122,020	114,000	38,542	152,542
2014	10,000	42,780	52,780	116,000	36,574	152,574
2015	10,000	42,255	52,255	118,000	34,572	152,572
2016	15,000	41,580	56,580	120,000	32,536	152,536
2017-2021	130,000	190,714	320,714	633,000	130,866	763,866
2022-2026	255,000	136,711	391,711	689,000	74,336	763,336
2027-2031	325,000	40,859	365,859	443,000	15,380	458,380
<b>Total</b>	<b>\$ 1,820,000</b>	<b>\$ 609,452</b>	<b>\$ 2,429,452</b>	<b>\$ 2,546,165</b>	<b>\$ 406,901</b>	<b>\$ 2,953,066</b>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 7 – LONG-TERM DEBT**

**D. Minimum Debt Payments (Continued)**

Year Ending December 31,	Total Governmental Activities		
	Principal	Interest	Total
2012	\$ 1,488,826	\$ 922,961	\$ 2,411,787
2013	2,613,775	880,562	3,494,337
2014	3,665,216	760,645	4,425,861
2015	2,009,864	647,943	2,657,807
2016	2,073,230	588,031	2,661,261
2017-2021	10,458,284	1,945,722	12,404,006
2022-2026	4,853,885	551,617	5,405,502
2027-2031	933,000	63,526	996,526
<b>Total</b>	<b>\$ 28,096,080</b>	<b>\$ 6,361,007</b>	<b>\$ 34,457,087</b>

Year Ending December 31,	Business-Type Activities					
	G.O. Business Revenue Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 665,869	\$ 482,089	\$ 1,147,958	\$ 78,835	\$ 1,419	\$ 80,254
2013	694,503	456,145	1,150,648	-	-	-
2014	719,502	428,774	1,148,276	-	-	-
2015	748,136	399,864	1,148,000	-	-	-
2016	781,769	369,205	1,150,974	-	-	-
2017-2021	3,624,717	1,372,889	4,997,606	-	-	-
2022-2026	3,150,114	666,337	3,816,451	-	-	-
2027-2031	1,280,000	92,242	1,372,242	-	-	-
<b>Total</b>	<b>\$ 11,664,610</b>	<b>\$ 4,267,545</b>	<b>\$ 15,932,155</b>	<b>\$ 78,835</b>	<b>\$ 1,419</b>	<b>\$ 80,254</b>

Year Ending December 31,	Business-Type Activities					
	Public Facility G.O. Revenue Note			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 669,000	\$ 486,749	\$ 1,155,749	\$ 1,413,704	\$ 970,257	\$ 2,383,961
2013	704,000	459,028	1,163,028	1,398,503	915,173	2,313,676
2014	740,000	441,534	1,181,534	1,459,502	870,308	2,329,810
2015	1,137,000	423,160	1,560,160	1,885,136	823,024	2,708,160
2016	1,165,000	395,190	1,560,190	1,946,769	764,395	2,711,164
2017-2021	6,272,000	1,531,550	7,803,550	9,896,717	2,904,439	12,801,156
2022-2026	5,906,000	735,912	6,641,912	9,056,114	1,402,249	10,458,363
2027-2031	2,806,000	136,560	2,942,560	4,086,000	228,802	4,314,802
<b>Total</b>	<b>\$ 19,399,000</b>	<b>\$ 4,609,683</b>	<b>\$ 24,008,683</b>	<b>\$ 31,142,445</b>	<b>\$ 8,878,647</b>	<b>\$ 40,021,092</b>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 7 – LONG-TERM DEBT**

**D. Minimum Debt Payments (Continued)**

At December 31, 2011, the City had expended \$ 9,111,996 of the total 2004 G.O. PFA Revenue Note and \$ 13,239,620 of the total 2009 G.O. PFA Revenue Note. As of December 31, 2011, the City had made principal payments of \$ 2,757,996 on the 2004 Note, and \$ 425,120 on the 2009 Note. The amortization schedule for the 2009 Note includes the entire remaining Note liability of \$ 13,045,000, including \$ 230,500 that has not yet been drawn. The remaining balance on this Note is expected to be drawn in 2012. There will be no further draws on the 2004 Note; therefore the amortization schedule includes the entire remaining Note liability of \$ 6,354,000.

**E. Capital Lease Obligations**

The City is obligated under a capital lease for a computer server. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. At December 31, 2011, this asset was valued at \$ 21,224 with accumulated depreciation of \$ 16,625.

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

<u>Year Ending December 31,</u>	
2012	\$ 5,602
2013	934
Net Minimum Lease Payments	<u>6,536</u>
Less Amount Representing Interest	<u>(325)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 6,211</u></u>

**F. Conduit Debt**

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

As of December 31, 2011, the City's outstanding conduit debt balances consisted of the following:

\$ 1,950,000 Commercial Facility Revenue Note (Options, Inc. Project), Series 2005	<u><u>\$ 1,333,362</u></u>
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**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**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.

	<u>General</u>	<u>Street Improvement</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Nonspendable:				
Land Held for Resale	\$ -	\$ -	\$ 4,348,974	\$ 4,348,974
Prepaid Expenses	142,918	-	13,278	156,196
Notes Receivable	-	-	177,361	177,361
Restricted:				
Debt Service	-	-	5,596,057	5,596,057
Park Development	-	-	133,915	133,915
Neighborhood Stabilization Program	-	-	59,763	59,763
TIF	-	-	558,087	558,087
Police Forfeiture Fund	38,416	-	-	38,416
Assigned:				
Crime Reward Fund	-	-	2,493	2,493
Local Development	-	-	81,180	81,180
Food Shelf/Senior Center Project	-	-	153	153
Industrial Park Street Assessment	-	-	159,809	159,809
Public Works Facility	-	-	3,718	3,718
Fire Capital Purchases	12,282	-	-	12,282
Police Capital Purchases	28,111	-	-	28,111
Streets Capital Purchases	15,321	-	-	15,321
Parks Capital Purchases	31,000	-	-	31,000
Emergency Management Capital Purchases	6,000	-	-	6,000
Unassigned	<u>1,703,270</u>	<u>(283,726)</u>	<u>(1,370,269)</u>	<u>49,275</u>
 Total	 <u>\$ 1,977,318</u>	 <u>\$ (283,726)</u>	 <u>\$ 9,764,519</u>	 <u>\$ 11,458,111</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.

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 9 – RISK MANAGEMENT

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 2011 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2011, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

#### NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

##### Public Employees' Retirement Association

##### A. Plan Description

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

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

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

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2011

#### NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

##### Public Employees' Retirement Association (Continued)

##### A. Plan Description (Continued)

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

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

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

##### B. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.4% for PEPFF members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$ 103,064, \$ 112,266 and \$ 123,270, respectively. The City's contributions to the PEPFF for the years ending December 31, 2011, 2010 and 2009 were \$ 97,183, \$ 90,757 and \$ 95,772 respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

##### C. Defined Contribution Plan

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

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees’ Retirement Association (Continued)**

**C. Defined Contribution Plan (Continued)**

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official’s employer. For ambulance service personnel, employer contributions are determined by the employer and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% of the assets in each member’s account annually.

The City and the elected government official made the required 5% contribution, amounting to \$ 275 for the employee and \$ 275 for the City.

**NOTE 11 – COMMITMENTS**

	<u>Project Authorization</u>	<u>Expended Through 12/13/2011</u>	<u>Remaining Commitment</u>
Wastewater Treatment Plant	\$ 13,151,187	\$ 13,057,371	\$ 93,816
Well No. 7	441,659	406,839	34,820

**NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2011, the City has elected to implement GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This action resulted in a reclassification of fund balances on the governmental fund statements to correspond with the new fund naming structure required by this Statement.

For the year ended December 31, 2011, the City implemented GASB Statement No. 61, *Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. The implementation is for the inclusion of the EDA and related capital project and debt funds. These funds qualify for blending in the City’s financial statements under GASB Statement No. 61 since “the component unit’s total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government”. Since the City is currently funding the debt of the EDA, these funds have been included as City funds.

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2011**

**NOTE 13 – SUBSEQUENT EVENT**

The City has evaluated subsequent events through April 3, 2012, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**CITY OF BIG LAKE**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Special Revenue			Debt Service	
	Economic Development Authority (275)	Crime Reward Fund (130)	Total	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 1998B (255)
<b>ASSETS</b>					
Cash and Investments	\$ -	\$ 2,493	\$ 2,493	\$ 21,006	\$ 200
Cash with Fiscal Agent	-	-	-	-	-
Accounts Receivable	26,547	-	26,547	-	-
Due from Other Governments	-	-	-	1,294	-
Notes Receivable	310,001	-	310,001	-	-
Special Assessment Receivable:					
Delinquent	-	-	-	986	-
Deferred	-	-	-	2,187	-
Land Held for Resale	491,190	-	491,190	-	-
Prepaid Expenses	522	-	522	-	-
<b>Total Assets</b>	<b>\$ 828,260</b>	<b>\$ 2,493</b>	<b>\$ 830,753</b>	<b>\$ 25,473</b>	<b>\$ 200</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 10,001	\$ -	\$ 10,001	\$ -	\$ -
Escrow Payable	-	-	-	-	-
Due to Other Funds	248,373	-	248,373	-	-
Due to Other Governments	4,179	-	4,179	-	-
Advances from Other Funds	33,000	-	33,000	-	-
Deferred Revenue	132,640	-	132,640	3,173	-
<b>Total Liabilities</b>	<b>428,193</b>	<b>-</b>	<b>428,193</b>	<b>3,173</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable	669,073	-	669,073	-	-
Restricted	-	-	-	22,300	200
Assigned	-	2,493	2,493	-	-
Unassigned	(269,006)	-	(269,006)	-	-
<b>Total Fund Balances</b>	<b>400,067</b>	<b>2,493</b>	<b>402,560</b>	<b>22,300</b>	<b>200</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 828,260</b>	<b>\$ 2,493</b>	<b>\$ 830,753</b>	<b>\$ 25,473</b>	<b>\$ 200</b>

Debt Service

G.O. Refunding Bonds of 1995 (230)	G.O. Improvement Bonds of 2002A (220)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Improvement Bonds of 2005A (210)	G.O. Capital Equipment Note 2005 (240)	G.O. Improvement Bonds of 2003A (225)	G.O. Improvement Bonds of 2006A (265)
\$ 8,427	\$ 1,045	\$ -	\$ 235,070	\$ 204,709	\$ -	\$ 342,657
-	-	-	1,633,783	-	-	1,738,921
-	-	2,407	1,044	-	-	671
-	-	-	-	-	-	-
-	-	-	10,451	-	-	1,597
-	-	-	524,846	-	-	346,783
-	-	-	-	-	-	-
<u>\$ 8,427</u>	<u>\$ 1,045</u>	<u>\$ 2,407</u>	<u>\$ 2,405,194</u>	<u>\$ 204,709</u>	<u>\$ -</u>	<u>\$ 2,430,629</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	92,012	-	-	189,890	-
-	-	-	-	-	-	-
-	-	-	535,297	-	-	348,380
-	-	92,012	535,297	-	189,890	348,380
-	-	-	-	-	-	-
8,427	1,045	-	1,869,897	204,709	-	2,082,249
-	-	-	-	-	-	-
-	-	(89,605)	-	-	(189,890)	-
<u>8,427</u>	<u>1,045</u>	<u>(89,605)</u>	<u>1,869,897</u>	<u>204,709</u>	<u>(189,890)</u>	<u>2,082,249</u>
<u>\$ 8,427</u>	<u>\$ 1,045</u>	<u>\$ 2,407</u>	<u>\$ 2,405,194</u>	<u>\$ 204,709</u>	<u>\$ -</u>	<u>\$ 2,430,629</u>

**CITY OF BIG LAKE**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Debt Service				
	G.O. Improvement Bonds of 2006B (270)	G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007E (207)	G.O. Improvement Bonds of 2007A (215)	G.O. Capital Improvement Bonds 2007C (235)
<b>ASSETS</b>					
Cash and Investments	\$ 37,254	\$ -	\$ -	\$ 236,143	\$ 79,299
Cash with Fiscal Agent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	-	-	3,898	-
Notes Receivable	377,500	-	-	-	-
Special Assessment Receivable:					
Delinquent	-	89,824	175,103	4,219	-
Deferred	-	8,656	825,481	192,422	-
Land Held for Resale	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 414,754</b>	<b>\$ 98,480</b>	<b>\$ 1,000,584</b>	<b>\$ 436,682</b>	<b>\$ 79,299</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-	-
Due to Other Funds	-	121,350	105	-	-
Due to Other Governments	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenue	377,500	98,480	1,000,585	196,641	-
<b>Total Liabilities</b>	<b>377,500</b>	<b>219,830</b>	<b>1,000,690</b>	<b>196,641</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted	37,254	-	-	240,041	79,299
Assigned	-	-	-	-	-
Unassigned	-	(121,350)	(106)	-	-
<b>Total Fund Balances</b>	<b>37,254</b>	<b>(121,350)</b>	<b>(106)</b>	<b>240,041</b>	<b>79,299</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 414,754</b>	<b>\$ 98,480</b>	<b>\$ 1,000,584</b>	<b>\$ 436,682</b>	<b>\$ 79,299</b>

Debt Service

G.O. Improvement Bonds of 2008A (208)	2008 Tax Lease Revenue Bond (241)	G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)	G.O. Improvement Bond 2010A (212)	G.O. Temporary Taxable Tax Increment Bond 2010B (213)	G.O. Refunding Bond of 2011A (214)
\$ 75,104	\$ 740	\$ 24,130	\$ 3	\$ 190,126	\$ 20,925	\$ 733,714
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	904,449	-	-	2,179	-	645
-	-	-	-	2,457	-	19,065
1,177,819	-	-	-	672,455	-	335,207
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,252,923</u>	<u>\$ 905,189</u>	<u>\$ 24,130</u>	<u>\$ 3</u>	<u>\$ 867,217</u>	<u>\$ 20,925</u>	<u>\$ 1,088,631</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	215,490	-	-	-	-	-
1,177,819	904,449	-	-	674,911	-	354,272
<u>1,177,819</u>	<u>1,119,939</u>	<u>-</u>	<u>-</u>	<u>674,911</u>	<u>-</u>	<u>354,272</u>
-	-	-	-	-	-	-
75,104	-	24,130	3	192,306	20,925	734,359
-	-	-	-	-	-	-
-	(214,750)	-	-	-	-	-
<u>75,104</u>	<u>(214,750)</u>	<u>24,130</u>	<u>3</u>	<u>192,306</u>	<u>20,925</u>	<u>734,359</u>
<u>\$ 1,252,923</u>	<u>\$ 905,189</u>	<u>\$ 24,130</u>	<u>\$ 3</u>	<u>\$ 867,217</u>	<u>\$ 20,925</u>	<u>\$ 1,088,631</u>

**CITY OF BIG LAKE**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Debt Service		Capital Projects		
	G.O. Improvement Refunding Bond of 2011B (216)	Total	Park Development (120)	Lakeside Park Improvements (125)	Local Development (150)
<b>ASSETS</b>					
Cash and Investments	\$ 3,809	\$ 2,214,361	\$ 134,185	\$ -	\$ 1,016,247
Cash with Fiscal Agent	-	3,372,704	-	-	-
Accounts Receivable	-	-	-	-	4,915
Due from Other Governments	-	12,138	-	-	-
Notes Receivable	-	1,281,949	-	-	-
Special Assessment Receivable:					
Delinquent	-	303,702	-	-	-
Deferred	-	4,085,856	-	-	1,885
Land Held for Resale	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 3,809</b>	<b>\$ 11,270,710</b>	<b>\$ 134,185</b>	<b>\$ -</b>	<b>\$ 1,023,047</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ 270	\$ -	\$ 3,660
Escrow Payable	-	-	-	-	936,322
Due to Other Funds	-	403,357	-	12,777	-
Due to Other Governments	-	-	-	-	-
Advances from Other Funds	-	215,490	-	-	-
Deferred Revenue	-	5,671,507	-	-	1,885
<b>Total Liabilities</b>	<b>-</b>	<b>6,290,354</b>	<b>270</b>	<b>12,777</b>	<b>941,867</b>
<b>Fund Balances</b>					
Nonspendable	-	-	-	-	-
Restricted	3,809	5,596,057	133,915	-	-
Assigned	-	-	-	-	81,180
Unassigned	-	(615,701)	-	(12,777)	-
<b>Total Fund Balances</b>	<b>3,809</b>	<b>4,980,356</b>	<b>133,915</b>	<b>(12,777)</b>	<b>81,180</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,809</b>	<b>\$ 11,270,710</b>	<b>\$ 134,185</b>	<b>\$ -</b>	<b>\$ 1,023,047</b>

Capital Projects

Food Shelf/ Senior Center Project (195)	Industrial Park TIF 2-1 (155)	Industrial Park TIF 2-2 (160)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)	Lake Street Redevelopment TIF 1-3 (165)
\$ 153	\$ 507	\$ 186,700	\$ 182,592	\$ 111,409	\$ 48,899	\$ 27,980	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 153</u>	<u>\$ 507</u>	<u>\$ 186,700</u>	<u>\$ 182,592</u>	<u>\$ 111,409</u>	<u>\$ 48,899</u>	<u>\$ 27,980</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18,825
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,825</u>
-	-	-	-	-	-	-	-
-	507	186,700	182,592	111,409	48,899	27,980	-
153	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(18,825)
<u>153</u>	<u>507</u>	<u>186,700</u>	<u>182,592</u>	<u>111,409</u>	<u>48,899</u>	<u>27,980</u>	<u>(18,825)</u>
<u>\$ 153</u>	<u>\$ 507</u>	<u>\$ 186,700</u>	<u>\$ 182,592</u>	<u>\$ 111,409</u>	<u>\$ 48,899</u>	<u>\$ 27,980</u>	<u>\$ -</u>

**CITY OF BIG LAKE**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

Capital Projects

	<u>Commercial Redevelopment TIF 1-4 (170)</u>	<u>Industrial Park Street Assessments (168)</u>	<u>Public Works Facility (180)</u>	<u>Industrial Park Expansion Land Purchase (141)</u>	<u>Neighborhood Stabilization Program (116)</u>
<b>ASSETS</b>					
Cash and Investments	\$ -	\$ 158,323	\$ 3,718	\$ 806	\$ 16,283
Cash with Fiscal Agent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Governments	-	1,485	-	-	44,086
Notes Receivable	-	-	-	-	-
Special Assessment Receivable:					
Delinquent	-	13,839	-	-	-
Deferred	-	47,089	-	-	-
Land Held for Resale	1,372,338	-	-	1,732,099	753,347
Prepaid Expenses	-	-	-	-	12,756
	<u>1,372,338</u>	<u>220,736</u>	<u>3,718</u>	<u>1,732,905</u>	<u>826,472</u>
Total Assets	<u>\$ 1,372,338</u>	<u>\$ 220,736</u>	<u>\$ 3,718</u>	<u>\$ 1,732,905</u>	<u>\$ 826,472</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 606
Escrow Payable	-	-	-	-	-
Due to Other Funds	93,581	-	-	-	-
Due to Other Governments	-	-	-	132,768	-
Advances from Other Funds	-	-	-	221,000	-
Deferred Revenue	-	60,927	-	-	-
Total Liabilities	<u>93,581</u>	<u>60,927</u>	<u>-</u>	<u>353,768</u>	<u>606</u>
<b>Fund Balances</b>					
Nonspendable	1,372,338	-	-	1,732,099	766,103
Restricted	-	-	-	-	59,763
Assigned	-	159,809	3,718	-	-
Unassigned	(93,581)	-	-	(352,962)	-
Total Fund Balances	<u>1,278,757</u>	<u>159,809</u>	<u>3,718</u>	<u>1,379,137</u>	<u>825,866</u>
Total Liabilities and Fund Balances	<u>\$ 1,372,338</u>	<u>\$ 220,736</u>	<u>\$ 3,718</u>	<u>\$ 1,732,905</u>	<u>\$ 826,472</u>

Capital Projects

Commercial Redevelopment TIF 1-5 (171)	Total	Total Other Governmental Funds
\$ -	\$ 1,887,802	\$ 4,104,656
-	-	3,372,704
-	4,915	31,462
-	45,571	57,709
-	-	1,591,950
-	13,839	317,541
-	48,974	4,134,830
-	3,857,784	4,348,974
-	12,756	13,278
<u>\$ -</u>	<u>\$ 5,871,641</u>	<u>\$ 17,973,104</u>
\$ -	\$ 4,536	\$ 14,537
-	936,322	936,322
7,417	132,600	784,330
-	132,768	136,947
-	221,000	469,490
-	62,812	5,866,959
<u>7,417</u>	<u>1,490,038</u>	<u>8,208,585</u>
-	3,870,540	4,539,613
-	751,765	6,347,822
-	244,860	247,353
<u>(7,417)</u>	<u>(485,562)</u>	<u>(1,370,269)</u>
<u>(7,417)</u>	<u>4,381,603</u>	<u>9,764,519</u>
<u>\$ -</u>	<u>\$ 5,871,641</u>	<u>\$ 17,973,104</u>

**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	Special Revenue			Debt Service		
	Economic Development Authority (275)	Crime Reward Fund (130)	Total	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 1998B (255)	G.O. Refunding Bonds of 1995 (230)
<b>REVENUES</b>						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	-	2,868	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	6,861	-	6,861	-	-	-
Miscellaneous:						
Investment Income	11,307	55	11,362	(446)	-	228
Other	-	-	-	-	-	-
Total Revenues	<u>18,168</u>	<u>55</u>	<u>18,223</u>	<u>2,422</u>	<u>-</u>	<u>228</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Economic Development	82,278	-	82,278	-	-	-
<b>Debt Service</b>						
Principal	17,765	-	17,765	-	-	-
Interest and Other Charges	21,968	-	21,968	-	-	59
<b>Capital Outlay</b>						
Culture and Recreation	-	-	-	-	-	-
Economic Development	7,429	-	7,429	-	-	-
Total Expenditures	<u>129,440</u>	<u>-</u>	<u>129,440</u>	<u>-</u>	<u>-</u>	<u>59</u>
Excess of Revenues Over (Under) Expenditures	(111,272)	55	(111,217)	2,422	-	169
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Debt	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Bond Discount	-	-	-	-	-	-
Refunding Bond Payment	-	-	-	-	-	-
Transfers In	-	-	-	56,000	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(111,272)	55	(111,217)	58,422	-	169
<b>FUND BALANCES</b>						
<b>Beginning Balance</b>	<u>511,339</u>	<u>2,438</u>	<u>513,777</u>	<u>(36,122)</u>	<u>200</u>	<u>8,258</u>
<b>End of Year</b>	<u>\$ 400,067</u>	<u>\$ 2,493</u>	<u>\$ 402,560</u>	<u>\$ 22,300</u>	<u>\$ 200</u>	<u>\$ 8,427</u>

Debt Service

G.O. Improvement Bonds of 2002A (220)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Improvement Bonds of 2005A (210)	G.O. Capital Equipment Note 2005 (240)	G.O. Improvement Bonds of 2003A (225)	G.O. Improvement Bonds of 2006A (265)	G.O. Improvement Bonds of 2006B (270)	G.O. Improvement Bonds of 2004B (245)
\$ 90,300	\$ -	\$ 130,100	\$ 125,000	\$ -	\$ 103,565	\$ 55,600	\$ -
-	34,951	-	-	-	-	-	-
11,431	-	95,659	-	-	46,070	-	13,259
-	-	-	-	-	-	55,389	-
-	-	-	-	-	-	-	-
12,196	(2,381)	1,991	2,452	(5,916)	5,214	(139)	(2,849)
-	-	-	-	-	-	-	-
<u>113,927</u>	<u>32,570</u>	<u>227,750</u>	<u>127,452</u>	<u>(5,916)</u>	<u>154,849</u>	<u>110,850</u>	<u>10,410</u>
-	-	-	-	-	-	-	-
215,000	5,000	155,000	186,796	390,000	140,000	70,000	-
89,207	44,743	98,865	10,851	68,651	104,509	37,413	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>304,207</u>	<u>49,743</u>	<u>253,865</u>	<u>197,647</u>	<u>458,651</u>	<u>244,509</u>	<u>107,413</u>	<u>-</u>
(190,280)	(17,173)	(26,115)	(70,195)	(464,567)	(89,660)	3,437	10,410
2,045,000	-	1,651,571	-	-	1,759,642	-	-
-	-	18,308	-	-	16,855	-	-
-	-	(15,474)	-	-	(16,456)	-	-
(2,045,000)	-	-	-	(4,020,000)	-	-	-
15,221	-	14,991	20,983	23,374	70,528	5,925	-
<u>(587,017)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(571,796)</u>	<u>-</u>	<u>1,669,396</u>	<u>20,983</u>	<u>(3,996,626)</u>	<u>1,830,569</u>	<u>5,925</u>	<u>-</u>
(762,076)	(17,173)	1,643,281	(49,212)	(4,461,193)	1,740,909	9,362	10,410
763,121	(72,432)	226,616	253,921	4,271,303	341,340	27,892	(131,760)
<u>\$ 1,045</u>	<u>\$ (89,605)</u>	<u>\$ 1,869,897</u>	<u>\$ 204,709</u>	<u>\$ (189,890)</u>	<u>\$ 2,082,249</u>	<u>\$ 37,254</u>	<u>\$ (121,350)</u>

**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	Debt Service				
	G.O. Improvement Bonds of 2007E (207)	G.O. Improvement Bonds of 2007A (215)	G.O. Capital Improvement Bonds 2007C (235)	G.O. Improvement Bonds of 2008A (208)	2008 Tax Lease Revenue Bond (241)
<b>REVENUES</b>					
Property Taxes	\$ -	\$ 82,750	\$ 93,200	\$ 100,000	\$ -
Tax Increments	-	-	-	-	-
Special Assessments	199,654	35,629	-	92,728	-
Intergovernmental	-	-	-	-	82,789
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	(4,190)	2,087	339	(1,782)	(1,793)
Other	-	-	-	-	-
Total Revenues	<u>195,464</u>	<u>120,466</u>	<u>93,539</u>	<u>190,946</u>	<u>80,996</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Economic Development	-	-	-	-	-
<b>Debt Service</b>					
Principal	80,000	120,000	40,000	80,000	35,189
Interest and Other Charges	28,955	78,203	45,020	147,499	141,286
<b>Capital Outlay</b>					
Culture and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>108,955</u>	<u>198,203</u>	<u>85,020</u>	<u>227,499</u>	<u>176,475</u>
Excess of Revenues Over (Under) Expenditures	86,509	(77,737)	8,519	(36,553)	(95,479)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Refunding Bond Payment	-	-	-	-	-
Transfers In	-	114,213	8,624	43,644	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>114,213</u>	<u>8,624</u>	<u>43,644</u>	<u>-</u>
Net Change in Fund Balances	86,509	36,476	17,143	7,091	(95,479)
<b>FUND BALANCES</b>					
<b>Beginning Balance</b>	<u>(86,615)</u>	<u>203,565</u>	<u>62,156</u>	<u>68,013</u>	<u>(119,271)</u>
<b>End of Year</b>	<u>\$ (106)</u>	<u>\$ 240,041</u>	<u>\$ 79,299</u>	<u>\$ 75,104</u>	<u>\$ (214,750)</u>

Debt Service

G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)	G.O. Improvement Bond 2010A (212)	G.O. Temporary Taxable Tax Increment Bond 2010B (213)	G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)	Total
\$ 55,000	\$ -	\$ 87,984	\$ -	\$ 90,300	\$ -	\$ 1,013,799
-	-	-	-	-	-	34,951
-	-	150,087	-	51,132	-	698,517
-	136,713	-	-	-	-	274,891
-	-	-	-	-	-	-
(1,021)	34	1,625	764	2,743	22	9,178
-	-	-	-	-	-	-
<u>53,979</u>	<u>136,747</u>	<u>239,696</u>	<u>764</u>	<u>144,175</u>	<u>22</u>	<u>2,031,336</u>
-	-	-	-	-	-	-
55,000	120,000	-	-	-	-	1,691,985
12,768	16,713	70,459	13,822	33,425	-	1,042,448
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>67,768</u>	<u>136,713</u>	<u>70,459</u>	<u>13,822</u>	<u>33,425</u>	<u>-</u>	<u>2,734,433</u>
(13,789)	34	169,237	(13,058)	110,750	22	(703,097)
-	-	-	-	50,000	3,787	5,510,000
-	-	-	-	-	-	35,163
-	-	-	-	(13,408)	-	(45,338)
-	-	-	-	-	-	(6,065,000)
28,652	-	-	-	587,017	-	989,172
-	-	-	-	-	-	(587,017)
<u>28,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,609</u>	<u>3,787</u>	<u>(163,020)</u>
14,863	34	169,237	(13,058)	734,359	3,809	(866,117)
9,267	(31)	23,069	33,983	-	-	5,846,473
<u>\$ 24,130</u>	<u>\$ 3</u>	<u>\$ 192,306</u>	<u>\$ 20,925</u>	<u>\$ 734,359</u>	<u>\$ 3,809</u>	<u>\$ 4,980,356</u>

**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	Capital Projects					
	Park Development (120)	Lakeside Park Improvements (125)	Local Development (150)	Food Shelf/ Senior Center Project (195)	Industrial Park TIF 2-1 (155)	Industrial Park TIF 2-2 (160)
<b>REVENUES</b>						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-	-
Special Assessments	-	-	708	-	-	-
Intergovernmental	-	-	330,000	-	-	-
Charges for Services	67,500	-	-	-	-	-
Miscellaneous:						
Investment Income	2,786	1	14,623	-	-	5,279
Other	-	-	25,384	-	-	-
Total Revenues	<u>70,286</u>	<u>1</u>	<u>370,715</u>	<u>-</u>	<u>-</u>	<u>5,279</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Economic Development	-	-	327,322	-	-	-
<b>Debt Service</b>						
Principal	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-
<b>Capital Outlay</b>						
Culture and Recreation	9,034	10,329	-	-	-	-
Economic Development	-	-	-	-	59	50,654
Total Expenditures	<u>9,034</u>	<u>10,329</u>	<u>327,322</u>	<u>-</u>	<u>59</u>	<u>50,654</u>
Excess of Revenues Over (Under) Expenditures	61,252	(10,328)	43,393	-	(59)	(45,375)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Debt	-	-	-	-	-	-
Bond Premium	-	-	-	-	-	-
Bond Discount	-	-	-	-	-	-
Refunding Bond Payment	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	61,252	(10,328)	43,393	-	(59)	(45,375)
<b>FUND BALANCES</b>						
Beginning Balance	<u>72,663</u>	<u>(2,449)</u>	<u>37,787</u>	<u>153</u>	<u>566</u>	<u>232,075</u>
End of Year	<u>\$ 133,915</u>	<u>\$ (12,777)</u>	<u>\$ 81,180</u>	<u>\$ 153</u>	<u>\$ 507</u>	<u>\$ 186,700</u>

Capital Projects

Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Industrial Park Street Assessments (168)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
86,902	39,198	21,997	15,937	-	16,055	-
-	-	-	-	-	-	47,201
-	-	-	-	3,027	-	-
-	-	-	-	-	-	-
3,655	1,998	1,011	534	(455)	(2,213)	3,216
-	-	-	-	-	-	-
<u>90,557</u>	<u>41,196</u>	<u>23,008</u>	<u>16,471</u>	<u>2,572</u>	<u>13,842</u>	<u>50,417</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
46,900	10,352	13,670	14,402	59	68	-
<u>46,900</u>	<u>10,352</u>	<u>13,670</u>	<u>14,402</u>	<u>59</u>	<u>68</u>	<u>-</u>
43,657	30,844	9,338	2,069	2,513	13,774	50,417
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(1,463)	(618)	(910)	-	(553)	(1,918)	-
<u>(1,463)</u>	<u>(618)</u>	<u>(910)</u>	<u>-</u>	<u>(553)</u>	<u>(1,918)</u>	<u>-</u>
42,194	30,226	8,428	2,069	1,960	11,856	50,417
140,398	81,183	40,471	25,911	(20,785)	1,266,901	109,392
<u>\$ 182,592</u>	<u>\$ 111,409</u>	<u>\$ 48,899</u>	<u>\$ 27,980</u>	<u>\$ (18,825)</u>	<u>\$ 1,278,757</u>	<u>\$ 159,809</u>

**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011**

	Capital Projects					
	Public Works Facility (180)	Industrial Park Expansion Land Purchase (141)	Neighborhood Stabilization Program (116)	Commercial Redevelopment TIF 1-5 (171)	Total	Total Other Governmental Funds
<b>REVENUES</b>						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,013,799
Tax Increments	-	-	-	-	180,089	215,040
Special Assessments	-	-	-	-	47,909	746,426
Intergovernmental	-	-	44,086	-	377,113	652,004
Charges for Services	-	-	-	-	67,500	74,361
Miscellaneous:						
Investment Income	100	(579)	-	(138)	29,818	50,358
Other	-	-	3,552	-	28,936	28,936
Total Revenues	<u>100</u>	<u>(579)</u>	<u>47,638</u>	<u>(138)</u>	<u>731,365</u>	<u>2,780,924</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Economic Development	-	-	-	-	327,322	409,600
<b>Debt Service</b>						
Principal	-	-	-	-	-	1,709,750
Interest and Other Charges	-	6,000	-	-	6,000	1,070,416
<b>Capital Outlay</b>						
Culture and Recreation	-	-	-	-	19,363	19,363
Economic Development	-	69,546	162,745	154	368,609	376,038
Total Expenditures	<u>-</u>	<u>75,546</u>	<u>162,745</u>	<u>154</u>	<u>721,294</u>	<u>3,585,167</u>
Excess of Revenues Over (Under) Expenditures	100	(76,125)	(115,107)	(292)	10,071	(804,243)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Debt	-	-	-	-	-	5,510,000
Bond Premium	-	-	-	-	-	35,163
Bond Discount	-	-	-	-	-	(45,338)
Refunding Bond Payment	-	-	-	-	-	(6,065,000)
Transfers In	-	-	-	-	-	989,172
Transfers Out	-	-	-	(878)	(6,340)	(593,357)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(878)</u>	<u>(6,340)</u>	<u>(169,360)</u>
Net Change in Fund Balances	100	(76,125)	(115,107)	(1,170)	3,731	(973,603)
<b>FUND BALANCES</b>						
<b>Beginning Balance</b>	<u>3,618</u>	<u>1,455,262</u>	<u>940,973</u>	<u>(6,247)</u>	<u>4,377,872</u>	<u>10,738,122</u>
<b>End of Year</b>	<u>\$ 3,718</u>	<u>\$ 1,379,137</u>	<u>\$ 825,866</u>	<u>\$ (7,417)</u>	<u>\$ 4,381,603</u>	<u>\$ 9,764,519</u>

**CITY OF BIG LAKE**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,978,000	\$ 1,978,000	\$ 1,869,424	\$ (108,576)
Special Assessments	7,500	7,500	6,077	(1,423)
Licenses and Permits	213,700	213,700	392,917	179,217
Intergovernmental Revenue:				
Local Government Aid	-	-	157,179	157,179
Market Value Credit	-	-	57,591	57,591
PERA Aid	3,106	3,106	3,106	-
Fire Aid	55,000	55,000	70,528	15,528
Police Aid	96,550	96,550	79,673	(16,877)
Other Grants and Aids	82,000	82,000	114,954	32,954
Total Intergovernmental Revenue	<u>296,656</u>	<u>296,656</u>	<u>503,090</u>	<u>206,434</u>
Charges for Services:				
General Government	82,950	82,950	130,587	47,637
Public Safety	147,500	147,500	112,648	(34,852)
Public Works	8,000	8,000	14,088	6,088
Culture and Recreation	3,500	3,500	7,797	4,297
Total Charges for Services	<u>241,950</u>	<u>241,950</u>	<u>265,120</u>	<u>23,170</u>
Fines and Forfeitures	36,750	36,750	19,392	(17,358)
Miscellaneous Revenues:				
Investment Income	50,000	50,000	3,237	(46,763)
Contributions and Donations	7,000	7,000	17,959	10,959
Total Miscellaneous Revenues	<u>57,000</u>	<u>57,000</u>	<u>21,196</u>	<u>(35,804)</u>
Total Revenues	<u>2,831,556</u>	<u>2,831,556</u>	<u>3,077,216</u>	<u>245,660</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council	38,170	38,170	35,193	(2,977)
Administrative and Finance	410,289	411,539	506,431	94,892
Other General Government	136,975	127,725	241,067	113,342
Capital Outlay	5,602	5,602	5,752	150
Total General Government	<u>591,036</u>	<u>583,036</u>	<u>788,443</u>	<u>205,407</u>
<b>Public Safety</b>				
Police:	4,013,628	3,997,628	4,654,102	656,474
Current	1,202,575	1,208,075	1,187,183	(20,892)
Capital Outlay	8,000	8,000	30,874	22,874
Total Police	<u>1,210,575</u>	<u>1,216,075</u>	<u>1,218,057</u>	<u>1,982</u>

**CITY OF BIG LAKE**

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2011**

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Over (Under)
<b>EXPENDITURES (CONTINUED)</b>				
<b>Public Safety (Continued)</b>				
Fire:				
Current	\$ 283,400	\$ 281,900	\$ 285,853	\$ 3,953
Other:				
Current	121,320	121,320	222,474	101,154
Total Public Safety	1,615,295	1,619,295	1,726,384	107,089
<b>Public Works</b>				
Streets and Highways:				
Street Maintenance and Storm Sewers	345,935	346,935	317,841	(29,094)
Street Engineering	4,500	4,500	2,145	(2,355)
Street Lighting	95,000	95,000	85,667	(9,333)
Total Streets and Highways	445,435	446,435	405,653	(40,782)
Sanitation:				
Collection and Disposal	1,000	1,000	1,403	403
Total Public Works	446,435	447,435	407,056	(40,379)
<b>Culture and Recreation</b>				
Parks and Recreation:				
Current Expenditures	362,390	363,390	426,456	63,066
<b>Economic Development</b>				
Current Expenditures	150,800	152,800	164,146	11,346
Total Expenditures	3,165,956	3,165,956	3,512,485	346,529
Excess of Revenues Under Expenditures	(334,400)	(334,400)	(435,269)	(100,869)
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Recoveries	-	-	3,172	3,172
Transfers In	272,000	272,000	263,338	(8,662)
Transfers Out	(9,600)	(9,600)	(123,632)	(114,032)
Total Other Financing Sources (Uses)	262,400	262,400	142,878	(119,522)
Net Change in Fund Balances	\$ (72,000)	\$ (72,000)	(292,391)	\$ (220,391)
<b>FUND BALANCES</b>				
Beginning of Year			2,269,709	
End of Year			\$ 1,977,318	

**CITY OF BIG LAKE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2011**

<u>Federal Agency/Pass Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>2011 Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
Through Minnesota Housing Finance Agency:		
ARRA Neighborhood Stabilization Program	14.256	\$ 116,999
<b>U.S. Department of Employment and Economic Development</b>		
Through Minnesota PFA:		
Clean Water Revolving Fund	66.458	1,734,518
<b>U.S. Department of Transportation</b>		
Through the City of Elk River:		
State and Community Highway Safety	20.600	3,495
<b>U.S. Department of Justice</b>		
Direct from Federal Government:		
Public Safety Partnership and Community Policing Grants	16.710	<u>21,240</u>
Total Federal Expenditures		<u><u>\$ 1,876,252</u></u>

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**CITY OF BIG LAKE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2011**

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – PUBLIC FACILITIES AUTHORITY**

On September 24, 2009, the City entered into an agreement with the Minnesota PFA for a project loan for \$ 13,470,120. As of December 31, 2011, the City had expended \$ 13,239,620 of the loan proceeds.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 3, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133* as Audit Finding 09-02 to be a material weakness and Audit Findings 04-01 and 11-01 to be significant deficiencies.



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

## COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the City in a separate letter dated April 3, 2012.

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

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

*Kern, DeWenter, Viere, Ltd.*

KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota  
April 3, 2012



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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

**COMPLIANCE**

We have audited the compliance of the City of Big Lake, Minnesota, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, City of Big Lake, Minnesota, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.



## INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

*Kern, DeWenter, Viere, Ltd.*

KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota  
April 3, 2012

**CITY OF BIG LAKE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
December 31, 2011**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes, Audit Finding 09-02
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Findings 04-01 and 11-01
Noncompliance material to financial statements noted?	No

**Federal Awards**

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

**Identification of Major Programs**

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

**CITY OF BIG LAKE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
December 31, 2011**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

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

*Criteria or Specific Requirement:*

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

*Condition:*

During the year ended December 31, 2011, 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.

*Questioned Costs:*

None

*Context:*

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

*Effect:*

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

*Cause:*

There are a limited number of office employees.

*Recommendation:*

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

*Management's Response:*

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

**CITY OF BIG LAKE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**  
**December 31, 2011**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 09-02 – Material Audit Adjustments**

*Criteria or Specific Requirement:*

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

*Condition:*

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

*Questioned Costs:*

None

*Context:*

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

*Effect:*

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

*Cause:*

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

*Recommendation:*

Implement additional reconciling and reporting processes.

*Management's Response:*

City staff will work to ensure all adjusting journal entries are made prior to the audit.

**CITY OF BIG LAKE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
December 31, 2011**

**Audit Finding 11-01 – Preparation of Financial Statements**

*Criteria or Specific Requirement:*

Statement on Auditing Standards (SAS) No. 112 states entities should be able to adequately prepare and/or understand their financial statements.

*Condition:*

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

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

Even though all management decisions related to financial reporting are made by the City's management and approval of the financial statements lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Questioned Costs:*

None

*Context:*

This finding impacts the City's ability to internally prepare the financial statements.

*Effect:*

This could result in a misstatement of the financial statements and incomplete financial disclosures in the financial statements that would not be prevented or detected as a result of the City's current internal controls.

*Cause:*

There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements by the City.

*Recommendation:*

Obtain additional training on U.S. generally accepted accounting principles to adequately apply them internally.

*Management's Response:*

The City will prepare the financial statements for 2012.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None



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## REPORT ON LEGAL COMPLIANCE

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota, for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 3, 2012.

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and Tax Increment Financing. Our study included all of the listed categories.

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

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

*Kern, Dewenter, Viere, Ltd.*

KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota  
April 3, 2012

**CITY OF BIG LAKE**  
**SCHEDULE OF FINDING AND RESPONSE ON**  
**LEGAL COMPLIANCE**  
**December 31, 2011**

**PRIOR YEAR LEGAL COMPLIANCE FINDING:**

**Timely Submission of Public Indebtedness Report**

*Minnesota Statutes 471.70* states the principal accounting officer of the municipality report, on or before February 1 of each year, to the county auditors, the total amount of outstanding obligations and the purpose of which issued, as of December 31 of the preceding year.

During 2010, the District did not submit the Public Indebtedness Report by the deadline.

**CORRECTIVE ACTION TAKEN:**

During 2011, the Public Indebtedness Report was filed by the deadline.