

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

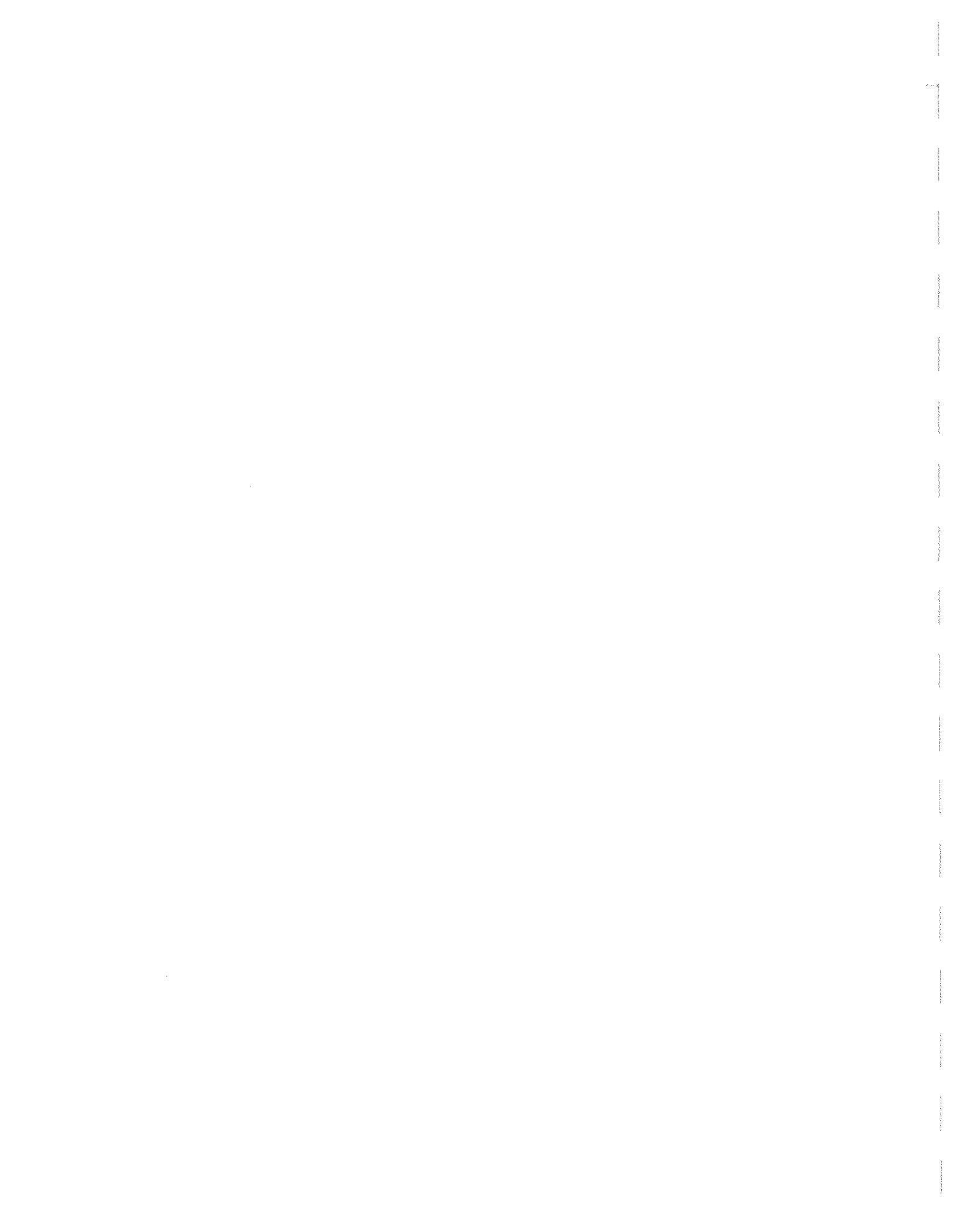
**AUDITED FINANCIAL STATEMENTS**

**For the Fiscal Year Ended December 31, 2010**



**CITY OF BIG LAKE**  
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**CITY OF BIG LAKE**

**ELECTED OFFICIALS AND ADMINISTRATION  
December 31, 2010**

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





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

## INDEPENDENT AUDITOR'S REPORT

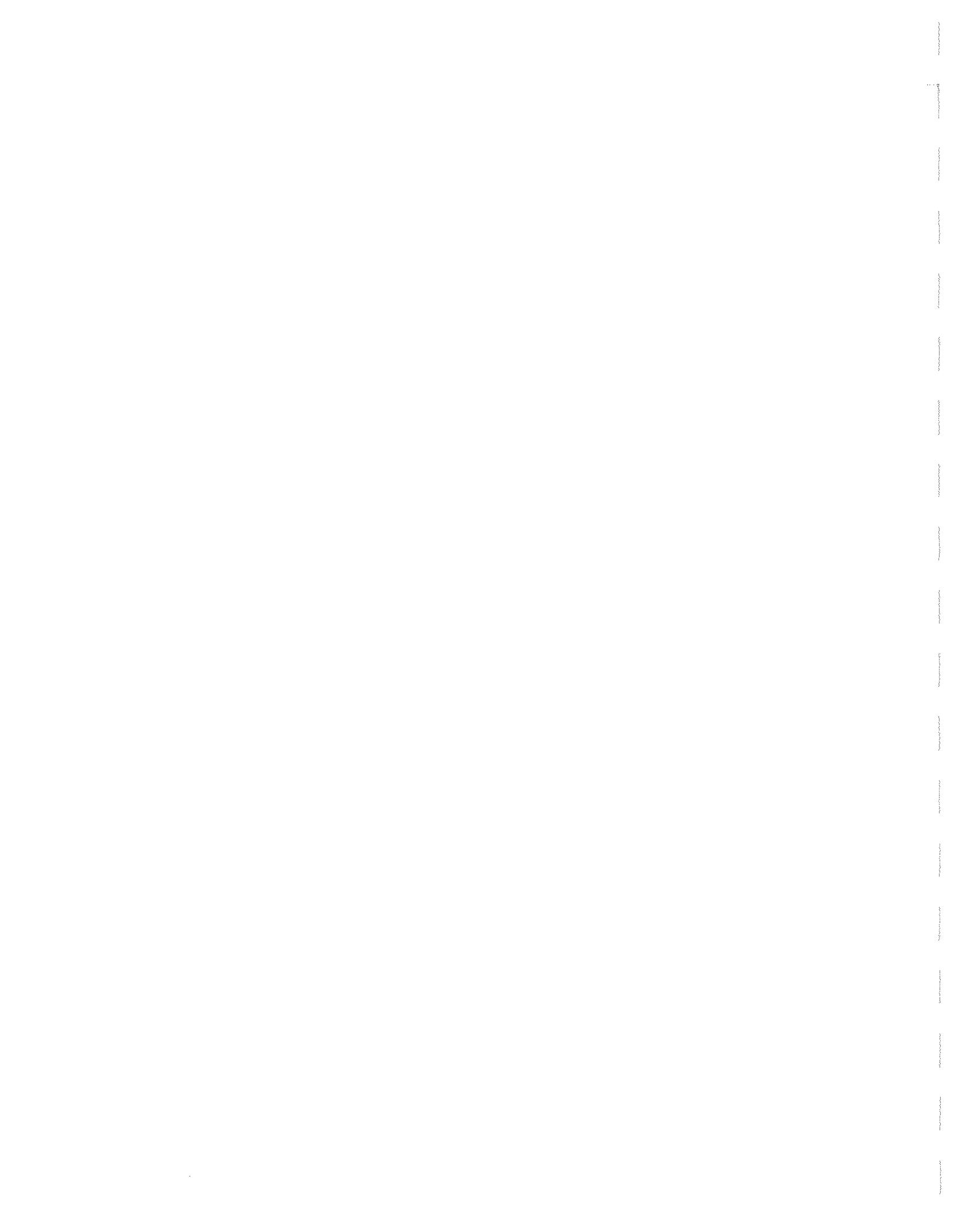
Honorable Mayor and Members  
of the City Council  
City of Big Lake  
Big Lake, Minnesota

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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2011, 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  
May 11, 2011

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**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010**

As management of the City of Big Lake (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended in December 31, 2010. We encourage readers to consider the information presented here.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 58,672,167. Of this amount, \$ 7,444,644 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased \$ 852,850 from the prior year. Of that increase, 88% was attributable to the business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 12,736,704, an increase of \$ 3,835,246 from the previous year. Approximately 62% (\$ 7,873,778) of this total amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$ 2,146,211, or 64%, of the total General Fund expenditures and transfers out.
- The City's total bonded debt increased by \$ 12,000,088 (25%) during the current fiscal year. The key factors in this net increase were increases in the City's Public Facilities Authority borrowing for the expansion to the Wastewater Facility (\$ 9,593,558), and issuing \$ 3,590,000 for refunding and improvements.

**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 fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## **CITY OF BIG LAKE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**December 31, 2010**

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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 42 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, Street Improvement Capital Project Fund, and G.O. Improvement Bonds of 2003A Debt Service Fund, all of which are considered to be major funds. Data from the other 39 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010**

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 27-51 of this report.

**Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 54-71 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 \$ 58,672,167 at the close of the most recent fiscal year.

Approximately 69% 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 (18%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 7,444,644) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all 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, 2010**

**City of Big Lake's Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 20,663,668	\$ 16,915,180	\$ 5,758,014	\$ 6,702,147	\$ 26,421,682	\$ 23,617,327
Capital Assets	33,183,808	33,323,927	61,257,503	51,028,697	94,441,311	84,352,624
Total Assets	<u>\$ 53,847,476</u>	<u>\$ 50,239,107</u>	<u>\$ 67,015,517</u>	<u>\$ 57,730,844</u>	<u>\$ 120,862,993</u>	<u>\$ 107,969,951</u>
Noncurrent Liabilities Outstanding	\$ 21,379,733	\$ 23,307,446	\$ 29,183,953	\$ 20,928,064	\$ 50,563,686	\$ 44,235,510
Other Liabilities	8,819,549	3,389,288	2,807,591	2,525,836	11,627,140	5,915,124
Total Liabilities	<u>\$ 30,199,282</u>	<u>\$ 26,696,734</u>	<u>\$ 31,991,544</u>	<u>\$ 23,453,900</u>	<u>\$ 62,190,826</u>	<u>\$ 50,150,634</u>
<b>NET ASSETS:</b>						
Invested in Capital Assets,						
Net of Related Debt	\$ 9,940,952	\$ 10,480,593	\$ 30,734,111	\$ 28,847,987	\$ 40,675,063	\$ 39,328,580
Restricted	10,402,740	10,509,357	149,720	149,720	10,552,460	10,659,077
Unrestricted	3,304,502	2,552,423	4,140,142	5,279,237	7,444,644	7,831,660
Total Net Assets	<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>

The City's net assets increased \$ 852,850 during the current fiscal year. Net assets related to governmental activity increased \$ 105,821. The remaining increase was a result of the business-type activities increasing net assets by \$ 747,029. The business-type increase was a result of capital grants and contributions received.

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010**

**Governmental Activities**

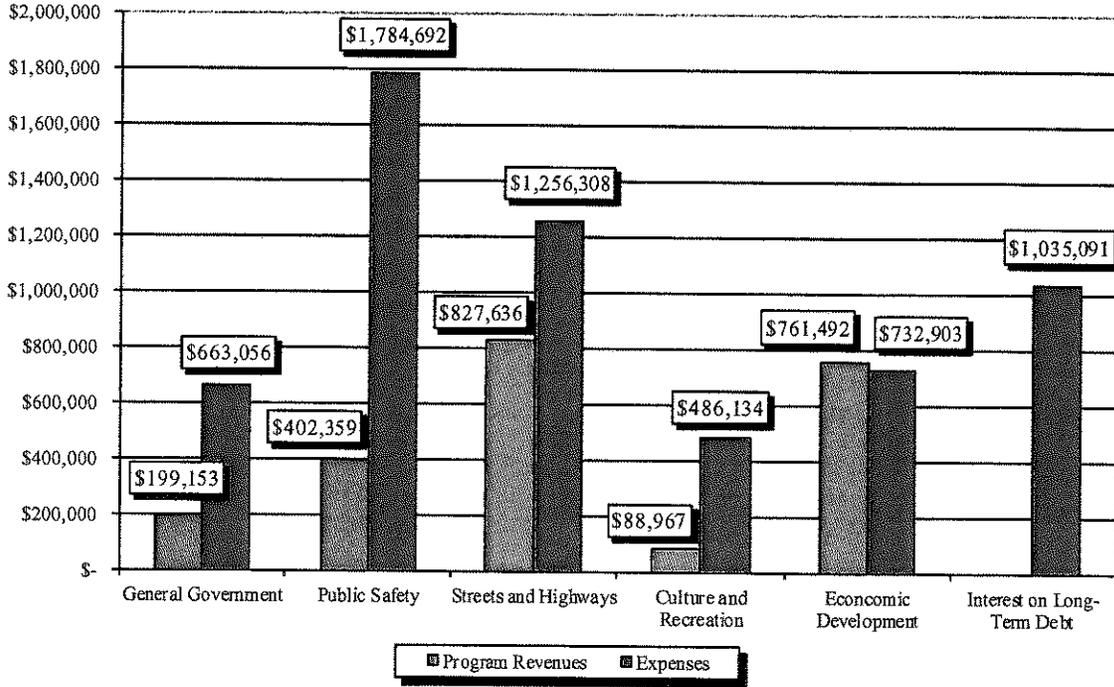
Governmental activities when including interest earnings and transfers increased the City's net assets by \$ 105,821, thereby accounting for a 12% increase in the total growth in the net assets of the City.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUE:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 496,521	\$ 742,516	\$ 5,449,952	\$ 5,239,356	\$ 5,946,473	\$ 5,981,872
Operating Grants and Contributions	182,171	315,559	-	-	182,171	315,559
Capital Grants and Contributions	1,600,915	1,431,405	1,693,964	306,036	3,294,879	1,737,441
<b>General Revenues:</b>						
Property Taxes and Tax Increment	3,416,457	3,913,875	-	-	3,416,457	3,913,875
State Aids	238,466	575,436	-	-	238,466	575,436
Unrestricted Investment Earnings	114,988	226,197	123,979	175,173	238,967	401,370
Other Income	-	855	-	-	-	855
<b>Total Revenues</b>	<b>6,049,518</b>	<b>7,205,843</b>	<b>7,267,895</b>	<b>5,720,565</b>	<b>13,317,413</b>	<b>12,926,408</b>
<b>EXPENSES:</b>						
General Government	663,056	694,743	-	-	663,056	694,743
Public Safety	1,784,692	2,082,479	-	-	1,784,692	2,082,479
Streets and Highways	1,256,308	1,487,766	-	-	1,256,308	1,487,766
Culture and Recreation	486,134	498,995	-	-	486,134	498,995
Economic Development	732,903	943,052	-	-	732,903	943,052
Interest on Long-Term Debt	1,035,091	1,177,961	-	-	1,035,091	1,177,961
Water	-	-	1,772,944	1,518,342	1,772,944	1,518,342
Sewer	-	-	1,523,978	1,450,737	1,523,978	1,450,737
Municipal Liquor	-	-	2,855,423	2,774,645	2,855,423	2,774,645
Storm Sewer	-	-	354,034	342,610	354,034	342,610
<b>Total Expenses</b>	<b>5,958,184</b>	<b>6,884,996</b>	<b>6,506,379</b>	<b>6,086,334</b>	<b>12,464,563</b>	<b>12,971,330</b>
<b>Increase (Decrease) in Net Assets</b>						
before Transfers	91,334	320,847	761,516	(365,769)	852,850	(44,922)
Transfers	14,487	(3,375,613)	(14,487)	3,375,613	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>105,821</b>	<b>(3,054,766)</b>	<b>747,029</b>	<b>3,009,844</b>	<b>852,850</b>	<b>(44,922)</b>
Net Assets - Beginning	23,542,373	26,045,750	34,276,944	31,267,100	57,819,317	57,312,850
Prior Period Adjustment	-	551,389	-	-	-	551,389
Net Assets - Beginning, Restated	23,542,373	26,597,139	34,276,944	31,267,100	57,819,317	57,864,239
<b>Net Assets - Ending</b>	<b>\$ 23,648,194</b>	<b>\$ 23,542,373</b>	<b>\$ 35,023,973</b>	<b>\$ 34,276,944</b>	<b>\$ 58,672,167</b>	<b>\$ 57,819,317</b>

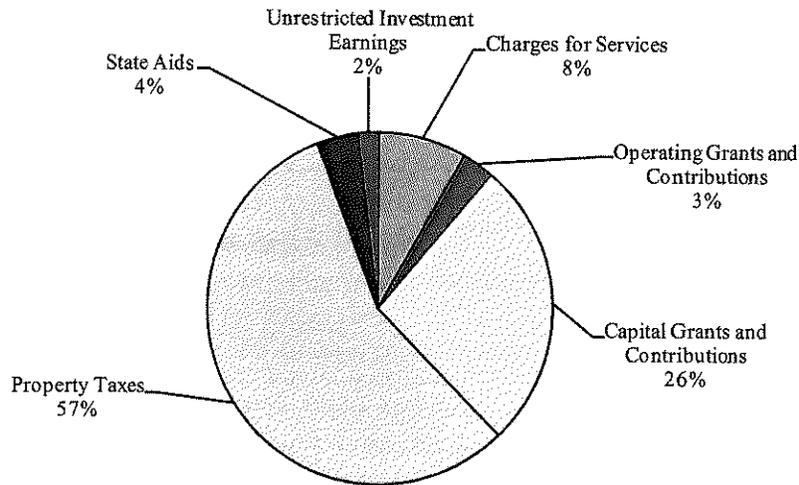
**CITY OF BIG LAKE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010**

**Expenses and Program Revenues - Governmental Activities**

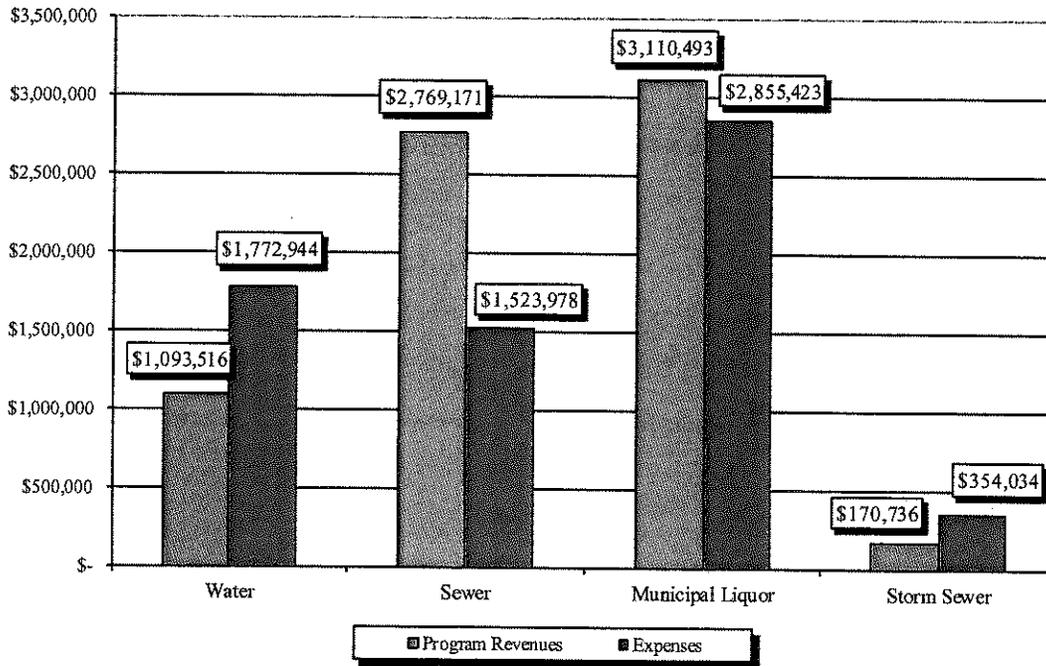


**Revenues by Source - Governmental Activities**

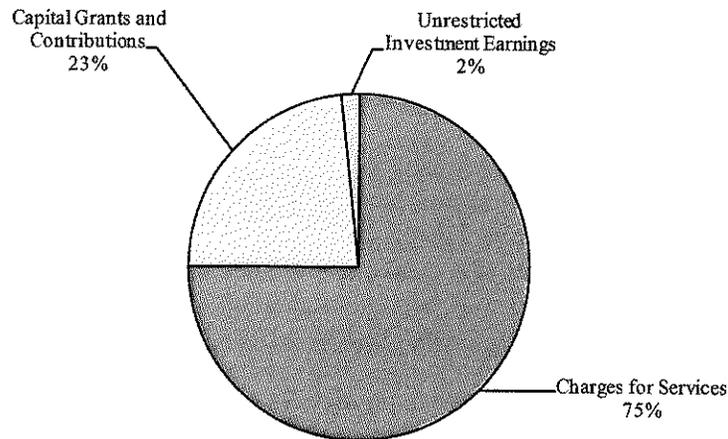


**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010**

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



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



**Business-Type Activities**

Business-type activities increased the City's net assets by \$ 747,029, resulting in an 88% increase in the total growth in the government's net assets.

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 12,736,704, an increase of \$ 3,835,246 from the previous year. Approximately 62% of this total amount (\$ 7,873,778) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) for future capital purchases (\$ 46,429), 2) for prepaid expenses paid in 2010 (\$ 87,118), 3) to account for land that is being held for resale (\$ 4,544,034) or 4) for receivable balances from other entities (\$ 185,345).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$ 2,146,211, while total fund balance reached \$ 2,269,709. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 64% of the total General Fund expenditures and transfers out, while total fund balance represents 67% of that same amount.

- The fund balance of the City's General Fund increased by \$ 17,838 during the current fiscal year. Total revenues and transfers in were \$ 57,789 over budget in addition to expenditures and transfers out coming in \$ 113,903 under budget.

The Street Improvement Capital Projects Fund ended the year in a deficit fund balance of \$ 271,127. Future revenue sources will fund the deficit.

The G.O. Improvement Bonds of 2003A fund ended the year increasing fund balance by \$ 3,130,371 through issuing refunding bonds that will be used to payoff the 2003A bonds on February 1, 2011.

**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 (\$ 892,250), those for the sewer operations amounted to \$ 4,960,935, those for the storm sewer operations amounted to \$ (130,712), and those for the liquor operations amounted to \$ 202,169. The total growth in net assets for each fund was \$ (751,903), \$ 1,438,080, \$ 7,341 and \$ 53,511, 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, 2010**

The Municipal Liquor Store realized income before transfers of \$ 253,511. With an operating transfer of \$ 200,000 to the General Fund, the change in net assets for the Liquor Fund was \$ 53,511.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was amended in 2010 for a reduction of \$ 79,664 to account for anticipated losses in the City's allotment of Market Value Credits from the State of Minnesota.

**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, 2010, amounts to \$ 94,441,311 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, improvements, infrastructure, collection and distribution systems, buildings and machinery and equipment.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 7,832,585	\$ 7,427,585	\$ 1,533,956	\$ 1,533,956	\$ 9,366,541	\$ 8,961,541
Construction in Progress	2,936,390	5,228,920	16,284,244	10,166,717	19,220,634	15,395,637
Leasehold Improvements	60,004	27,156	134,118	143,665	194,122	170,821
Infrastructure	17,520,063	15,459,471	-	-	17,520,063	15,459,471
Collection and Distribution Systems	-	-	31,621,823	27,041,837	31,621,823	27,041,837
Buildings	3,725,337	3,883,230	11,434,681	11,838,096	15,160,018	15,721,326
Machinery and Equipment	1,109,429	1,297,565	248,681	304,427	1,358,110	1,601,992
<b>Total</b>	<b>\$33,183,808</b>	<b>\$33,323,927</b>	<b>\$61,257,503</b>	<b>\$51,028,698</b>	<b>\$94,441,311</b>	<b>\$84,352,625</b>

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

- Continued construction on the expansion to the City's Wastewater Facility (construction in progress as of year-end totaling \$ 13,557,009 compared to \$ 2,250,342 at the end of the prior year).
- Construction was completed on the County Road 5 and Highway 10 Intersection as well as the 43 Interceptor.
- Ongoing construction projects amounted to \$ 19,220,636 in project costs as of year-end.

Additional information on the City's capital assets can be found in Note 6 on pages 39-41 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$59,420,093. Of this amount, \$3,985,357 comprises debt backed by the full faith and credit of the government and \$20,835,000 was special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., tax increment financing [TIF] bonds, revenue bonds, lease revenue bonds).

**CITY OF BIG LAKE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010**

**City of Big Lake's Outstanding Bonded Debt**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
G.O. Bonds/Notes	\$ 3,985,358	\$ 3,283,835	\$ -	\$ -	\$ 3,985,358	\$ 3,283,835
G.O. Tax Increment Bonds	1,825,000	775,000	-	-	1,825,000	775,000
G.O. Special Assessment Bonds	20,835,000	18,865,000	-	-	20,835,000	18,865,000
EDA Lease Revenue Bonds	1,834,714	1,866,465	-	-	1,834,714	1,866,465
PFA Drinking Water Revolving Loan	-	-	6,763,000	7,161,996	6,763,000	7,161,996
PFA Clean Water Revolving Loan	-	-	11,304,982	1,911,544	11,304,982	1,911,544
G.O. Revenue Bonds/Notes	-	-	11,292,038	11,911,165	11,292,038	11,911,165
Public Project Revenue Bonds	423,155	440,919	1,156,846	1,204,081	1,580,001	1,645,000
<b>Total</b>	<b>\$ 28,903,227</b>	<b>\$ 25,231,219</b>	<b>\$ 30,516,866</b>	<b>\$ 22,188,786</b>	<b>\$ 59,420,093</b>	<b>\$ 47,420,005</b>

The City's total bonded debt increased by \$ 12,000,088 (25%) during the current fiscal year. The key factors in this net increase were increases in the City's Public Facilities Authority (PFA) borrowing for the City's Water Treatment Plant as well as the expansion to the City's Wastewater Facility.

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 41-47 of this report.

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

- Building activity remained slow in 2010 with 28 single family home building permits issued compared to 25 the prior year. It is expected the pace of new home construction will remain slow as the residential sales market continues to struggle.
- Budgeted spending for the City's General Fund was reduced by \$ 314,356 for fiscal year 2011, a 9% decrease from the amended 2010 General Fund budget.
- The overall levy for the City in 2011 decreased \$ 220,659.
- LGA was removed from the 2011 General Fund budget. With the ongoing budget issues at the state, the City's goal is to remove this revenue source from the budget in order to decrease its reliance on this inconsistent source of revenue for the City.

Water rates increased in 2011 from 2010 by 21.7% while sewer rates increased 8.1%. Current water and storm sewer rates do not cover all operating costs for the enterprises when you factor in depreciation expense. The City Council and staff continue to monitor these rates to determine appropriate times to implement rate increases.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City 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, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 5,585,175	\$ 2,617,520	\$ 8,202,695
Restricted Cash	4,019,088	149,720	4,168,808
Receivables:			
Property Tax Receivable	394,928	-	394,928
Accounts Receivable	111,604	335,696	447,300
Interest Receivable	40,816	-	40,816
Notes Receivable	1,659,721	198,011	1,857,732
Special Assessments Receivable:			
Delinquent	511,515	15,786	527,301
Deferred	4,739,645	294,854	5,034,499
Due from Other Governments	270,044	347,363	617,407
Due from Other Funds (Internal Balances)	(880,622)	880,622	-
Advances to Other Funds (Internal Balances)	(468,119)	468,119	-
Inventories	-	394,063	394,063
Land Held for Resale	4,544,034	-	4,544,034
Prepaid Expenses	87,118	56,260	143,378
Deferred Charges	48,721	-	48,721
Capital Assets not being Depreciated:			
Land	7,832,585	1,533,956	9,366,541
Construction In Progress	2,936,390	16,284,244	19,220,634
Capital Assets being Depreciated:			
Infrastructure	31,051,425	-	31,051,425
Buildings	4,736,803	12,102,461	16,839,264
Leasehold Improvements	71,543	223,833	295,376
Machinery and Equipment	3,802,421	987,981	4,790,402
Collection and Distribution Systems	-	42,477,110	42,477,110
Less Accumulated Depreciation	(17,247,359)	(12,352,082)	(29,599,441)
	<b>\$ 53,847,476</b>	<b>\$ 67,015,517</b>	<b>\$ 120,862,993</b>

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 103,575	\$ 198,308	\$ 301,883
Salaries and Benefits Payable	67,832	38,359	106,191
Escrow Payable	364,137	-	364,137
Contracts Payable	41,245	794,129	835,374
Short-Term Notes Payable	20,608	-	20,608
Due to Other Governments	168,707	13,035	181,742
Interest Payable	410,452	364,915	775,367
Bond Principal Payable:			
Payable Within One Year	5,370,000	-	5,370,000
Payable After One Year	19,833,450	-	19,833,450
Revenue Bonds Payable:			
Payable Within One Year	52,954	1,266,235	1,319,189
Payable After One Year	2,204,914	28,909,118	31,114,032
Notes Payable:			
Payable Within One Year	306,796	73,204	380,000
Payable After One Year	1,088,562	78,835	1,167,397
Other Liabilities:			
Payable After One Year	-	196,000	196,000
Capital Lease Payable:			
Payable Within One Year	4,869	-	4,869
Payable After One Year	6,211	-	6,211
Compensated Absences Payable:			
Payable Within One Year	108,849	59,406	168,255
Severance Payable:			
Payable After One Year	46,121	-	46,121
Total Liabilities	<u>30,199,282</u>	<u>31,991,544</u>	<u>62,190,826</u>
<b>Net Assets</b>			
Investment of Capital Assets, Net of Related Debt	9,940,952	30,734,111	40,675,063
Restricted for:			
Debt Service	8,868,500	149,720	9,018,220
Tax Increment	520,604	-	520,604
Neighborhood Stabilization	940,973	-	940,973
Parkland Dedication	72,663	-	72,663
Unrestricted	3,304,502	4,140,142	7,444,644
Total Net Assets	<u>23,648,194</u>	<u>35,023,973</u>	<u>58,672,167</u>
Total Liabilities and Net Assets	<u>\$ 53,847,476</u>	<u>\$ 67,015,517</u>	<u>\$ 120,862,993</u>

**CITY OF BIG LAKE**

**STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 663,056	\$ 177,459	\$ 21,694	\$ -	\$ (463,903)	\$ -	\$ (463,903)
Public Safety	1,784,692	213,871	145,313	43,175	(1,382,333)	-	(1,382,333)
Streets and Highways	1,256,308	15,445	-	812,191	(428,672)	-	(428,672)
Culture and Recreation	486,134	74,227	14,740	-	(397,167)	-	(397,167)
Economic Development	732,903	15,519	424	745,549	28,589	-	28,589
Interest on Long-Term Debt	1,035,091	-	-	-	(1,035,091)	-	(1,035,091)
Total Governmental Activities	5,958,184	496,521	182,171	1,600,915	(3,678,577)	-	(3,678,577)
<b>Business-Type Activities</b>							
Water	1,772,944	1,093,516	-	-	-	(679,428)	(679,428)
Sewer	1,523,978	1,075,207	-	1,693,964	-	1,245,193	1,245,193
Municipal Liquor	2,855,423	3,110,493	-	-	-	255,070	255,070
Storm Sewer	354,034	170,736	-	-	-	(183,298)	(183,298)
Total Business-Type Activities	6,506,379	5,449,952	-	1,693,964	-	637,537	637,537
Total Governmental and Business-Type Activities	\$ 12,464,563	\$ 5,946,473	\$ 182,171	\$ 3,294,879	(3,678,577)	637,537	(3,041,040)
<b>General Revenues</b>							
Property Taxes					3,195,798	-	3,195,798
Tax Increments					220,659	-	220,659
State Aids					238,466	-	238,466
Unrestricted Investment Earnings					114,988	123,979	238,967
Transfers					14,487	(14,487)	-
Total General Revenues					3,784,398	109,492	3,893,890
Change in Net Assets					105,821	747,029	852,850
Net Assets - Beginning					23,542,373	34,276,944	57,819,317
Net Assets - Ending					\$ 23,648,194	\$ 35,023,973	\$ 58,672,167

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

**CITY OF BIG LAKE**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

December 31, 2010

	General (101)	Capital Project Street Improvement (175)	Debt Service G.O. Improvement Bonds of 2003A (225)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 2,447,602	\$ -	\$ 235,466	\$ 2,902,107	\$ 5,585,175
Restricted Cash	-	-	4,019,088	-	4,019,088
Taxes Receivable - Delinquent	282,539	-	23,374	89,015	394,928
Accounts Receivable	30,493	-	-	81,111	111,604
Interest Receivable	40,816	-	-	-	40,816
Due from Other Governments	114,388	52,388	16,749	86,519	270,044
Notes Receivable	-	-	-	1,659,721	1,659,721
Special Assessment Receivable:					
Delinquent	6,314	145,186	879	359,136	511,515
Deferred	8,623	118,069	715,877	3,897,076	4,739,645
Land Held for Resale	-	-	-	4,544,034	4,544,034
Prepaid Expenses	77,069	-	-	10,049	87,118
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 3,007,844</u>	<u>\$ 315,643</u>	<u>\$ 5,011,433</u>	<u>\$ 13,628,768</u>	<u>\$ 21,963,688</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	45,559	53,857	-	4,159	103,575
Salaries and Benefits Payable	67,832	-	-	-	67,832
Escrow Payable	93,300	10,682	-	260,155	364,137
Contracts Payable	-	35,603	-	5,642	41,245
Short-Term Notes Payable	-	-	-	20,608	20,608
Due to Other Funds	-	223,373	-	657,249	880,622
Due to Other Governments	34,338	-	-	134,369	168,707
Advances from Other Funds	199,630	-	-	268,489	468,119
Deferred Revenue	297,476	263,255	740,130	5,811,278	7,112,139
Total Liabilities	<u>738,135</u>	<u>586,770</u>	<u>740,130</u>	<u>7,161,949</u>	<u>9,226,984</u>
<b>Fund Balances</b>					
→ Reserved for:					
Notes Receivable	-	-	-	185,345	185,345
Capital Projects	46,429	-	-	-	46,429
Prepaid Expense	77,069	-	-	10,049	87,118
Land Held for Resale	-	-	-	4,544,034	4,544,034
Unreserved, Reported in:					
General Fund	2,146,211	-	-	-	2,146,211
Special Revenue	-	-	-	(162,883)	(162,883)
Debt Service Funds	-	-	4,271,303	1,571,620	5,842,923
Capital Projects Funds	-	(271,127)	-	318,654	47,527
Total Fund Balances	<u>2,269,709</u>	<u>(271,127)</u>	<u>4,271,303</u>	<u>6,466,819</u>	<u>12,736,704</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balance	<u>\$ 3,007,844</u>	<u>\$ 315,643</u>	<u>\$ 5,011,433</u>	<u>\$ 13,628,768</u>	<u>\$ 21,963,688</u>

**CITY OF BIG LAKE**

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
December 31, 2010**

Total Fund Balances - Governmental Funds \$ 12,736,704

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	50,431,167
Less Accumulated Depreciation	(17,247,359)

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	(25,250,000)
Revenue Bonds Payable	(2,257,868)
Unamortized Bond Discounts and Premiums	46,550
Notes Payable	(1,395,358)
Capital Lease Payable	(11,080)
Compensated Absences Payable	(108,849)
Severance Payable	(46,121)

Deferred charges for issuance costs.	48,721
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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	394,928
Special Assessments	511,515

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

Deferred Special Assessments	4,731,319
Notes Receivable	1,474,377

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

(410,452)

Total Net Assets - Governmental Activities	<u>\$ 23,648,194</u>
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**CITY OF BIG LAKE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010**

	General (101)	Capital Project Street Improvement (175)	Debt Service G.O. Improvement Bonds of 2003A (225)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 2,080,899	\$ -	\$ 235,726	\$ 833,413	\$ 3,150,038
Tax Increments	-	-	-	220,659	220,659
Special Assessments	20,694	16,318	139,956	585,919	762,887
Licenses and Permits	181,376	-	-	-	181,376
Intergovernmental	473,903	-	4,333	837,091	1,315,327
Charges for Services	255,556	-	-	1,000	256,556
Fines and Forfeitures	44,076	-	-	-	44,076
Miscellaneous:					
Investment Income	66,292	(9,745)	24,171	34,270	114,988
Contributions and Donations	15,913	-	-	-	15,913
Other	-	-	-	16,937	16,937
<b>Total Revenues</b>	<b>3,138,709</b>	<b>6,573</b>	<b>404,186</b>	<b>2,529,289</b>	<b>6,078,757</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	645,324	-	-	-	645,324
Public Safety	1,633,101	-	-	-	1,633,101
Streets and Highways	419,741	-	-	-	419,741
Culture and Recreation	368,640	-	-	-	368,640
Economic Development	157,861	-	-	75,322	233,183
<b>Debt Service</b>					
Principal	-	-	375,000	1,605,389	1,980,389
Interest and Other Charges	-	-	142,903	952,242	1,095,145
<b>Capital Outlay</b>					
General Government	4,470	-	-	-	4,470
Public Safety	71,732	-	-	-	71,732
Streets and Highways	-	1,333,163	-	3,236	1,336,399
Culture and Recreation	-	-	-	43,891	43,891
Economic Development	-	-	-	436,022	436,022
<b>Total Expenditures</b>	<b>3,300,869</b>	<b>1,333,163</b>	<b>517,903</b>	<b>3,116,102</b>	<b>8,268,037</b>
Excess of Revenues Over (Under) Expenditures	(162,160)	(1,326,590)	(113,717)	(586,813)	(2,189,280)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	1,260,847	3,244,088	1,147,462	5,652,397
Bond Premium	-	-	-	10,440	10,440
Bond Discount	-	-	-	(58,269)	(58,269)
Insurance Recovery Proceeds	-	-	-	12,481	12,481
Transfers In	244,138	-	-	527,115	771,253
Transfers Out	(64,140)	(255,498)	-	(44,138)	(363,776)
<b>Total Other Financing Sources (Uses)</b>	<b>179,998</b>	<b>1,005,349</b>	<b>3,244,088</b>	<b>1,595,091</b>	<b>6,024,526</b>
Net Change in Fund Balances	17,838	(321,241)	3,130,371	1,008,278	3,835,246
<b>FUND BALANCES</b>					
<b>Beginning of Year</b>	<b>2,251,871</b>	<b>50,114</b>	<b>1,140,932</b>	<b>5,458,541</b>	<b>8,901,458</b>
<b>End of Year</b>	<b>\$ 2,269,709</b>	<b>\$ (271,127)</b>	<b>\$ 4,271,303</b>	<b>\$ 6,466,819</b>	<b>\$ 12,736,704</b>

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, 2010

Total Net Change in Fund Balances - Governmental Funds \$ 3,835,246

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	1,447,267
Depreciation Expense	(1,191,098)
Disposal of Capital Assets	(3,298)
Completed CIP Transferred to Enterprise Funds	(392,990)

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (427)

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	1,980,389
Capital Lease Payments	4,485

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. 95,271

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. 12,612

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. (5,652,397)

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	(18,480)
Long-Term Notes Receivable	(56,519)

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. 45,760

Change in Net Assets - Governmental Activities \$ 105,821

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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 1,998,000	\$ 1,998,000	\$ 2,080,899	\$ 82,899
Special Assessments	7,500	7,500	20,694	13,194
Licenses and Permits	287,800	287,800	181,376	(106,424)
Intergovernmental	600,022	448,558	473,903	25,345
Charges for Services	242,450	242,450	255,556	13,106
Fines and Forfeitures	43,750	43,750	44,076	326
Miscellaneous Revenues:				
Investment Income	70,000	70,000	66,292	(3,708)
Contributions and Donations	7,000	7,000	15,913	8,913
Total Revenues	<u>3,256,522</u>	<u>3,105,058</u>	<u>3,138,709</u>	<u>33,651</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	657,220	639,295	645,324	6,029
Public Safety	1,833,065	1,779,690	1,633,101	(146,589)
Streets and Highways	448,760	448,760	419,741	(29,019)
Culture and Recreation	378,665	378,665	368,640	(10,025)
Economic Development	157,800	157,300	157,861	561
<b>Capital Outlay</b>				
General Government	5,602	5,602	4,470	(1,132)
Public Safety	69,600	69,600	71,732	2,132
Total Expenditures	<u>3,550,712</u>	<u>3,478,912</u>	<u>3,300,869</u>	<u>(178,043)</u>
Excess of Revenues Over (Under) Expenditures	(294,190)	(373,854)	(162,160)	211,694
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	220,000	220,000	244,138	24,138
Transfers Out	-	-	(64,140)	(64,140)
Total Other Financing Sources (Uses)	<u>220,000</u>	<u>220,000</u>	<u>179,998</u>	<u>(40,002)</u>
Net Change in Fund Balances	<u>\$ (74,190)</u>	<u>\$ (153,854)</u>	17,838	<u>\$ 171,692</u>
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>			<u>2,251,871</u>	
<b>End of Year</b>			<u>\$ 2,269,709</u>	

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, 2010

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ -	\$ 2,616,620	\$ 900	\$ -	\$ 2,617,520
Accounts Receivable	138,657	170,124	-	26,915	335,696
Due from Other Funds	-	2,325,682	-	-	2,325,682
Due from Other Governments	3,080	343,756	-	527	347,363
Advances to Other Funds	-	468,119	-	-	468,119
Notes Receivable	198,011	-	-	-	198,011
Special Assessment Receivable:					
Delinquent	7,046	7,538	-	1,202	15,786
Deferred	118,170	159,152	-	17,532	294,854
Inventories	-	-	394,063	-	394,063
Prepaid Expenses	26,784	17,311	10,099	2,066	56,260
Total Current Assets	<u>491,748</u>	<u>6,108,302</u>	<u>405,062</u>	<u>48,242</u>	<u>7,053,354</u>
<b>Noncurrent Assets</b>					
Restricted Cash	-	-	149,720	-	149,720
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	15,001,693	20,756,426	-	6,718,991	42,477,110
Leasehold Improvements	166,068	-	57,765	-	223,833
Machinery and Equipment	308,677	184,913	194,175	300,216	987,981
Construction In Progress	1,778,900	14,505,344	-	-	16,284,244
Total Capital Assets	<u>27,183,761</u>	<u>37,154,159</u>	<u>2,167,553</u>	<u>7,104,112</u>	<u>73,609,585</u>
Less Accumulated Depreciation	<u>(4,047,329)</u>	<u>(6,293,322)</u>	<u>(369,901)</u>	<u>(1,641,530)</u>	<u>(12,352,082)</u>
Net Capital Assets	<u>23,136,432</u>	<u>30,860,837</u>	<u>1,797,652</u>	<u>5,462,582</u>	<u>61,257,503</u>
Total Noncurrent Assets	<u>23,136,432</u>	<u>30,860,837</u>	<u>1,947,372</u>	<u>5,462,582</u>	<u>61,407,223</u>
Total Assets	<u>\$ 23,628,180</u>	<u>\$ 36,969,139</u>	<u>\$ 2,352,434</u>	<u>\$ 5,510,824</u>	<u>\$ 68,460,577</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 14,440	\$ 124,007	\$ 57,266	\$ 2,595	\$ 198,308
Contracts Payable	28,782	765,347	-	-	794,129
Salaries and Benefits Payable	10,706	10,706	14,684	2,263	38,359
Interest Payable	113,530	225,250	23,875	2,260	364,915
Due To Other Funds	1,194,138	-	82,537	168,385	1,445,060
Due to Other Governments	345	-	12,690	-	13,035
Current Compensated Absences	22,057	22,057	11,841	3,451	59,406
Amount Due Within One Year	<u>533,917</u>	<u>685,083</u>	<u>47,235</u>	<u>73,204</u>	<u>1,339,439</u>
Total Current Liabilities	<u>1,917,915</u>	<u>1,832,450</u>	<u>250,128</u>	<u>252,158</u>	<u>4,252,651</u>
<b>Noncurrent Liabilities</b>					
Notes Payable	-	-	-	152,039	152,039
Revenue Bonds, Net of Unamortized Discount	2,921,077	8,067,828	1,118,466	-	12,107,371
PFA G.O. Revenue Note	6,763,000	11,304,982	-	-	18,067,982
Other Liabilities	196,000	-	-	-	196,000
Less Amount Due Within One Year	<u>(533,917)</u>	<u>(685,083)</u>	<u>(47,235)</u>	<u>(73,204)</u>	<u>(1,339,439)</u>
Total Noncurrent Liabilities	<u>9,346,160</u>	<u>18,687,727</u>	<u>1,071,231</u>	<u>78,835</u>	<u>29,183,953</u>
Total Liabilities	<u>11,264,075</u>	<u>20,520,177</u>	<u>1,321,359</u>	<u>330,993</u>	<u>33,436,604</u>
<b>Net Assets</b>					
Investment in Capital Assets, Net of Related Debt	13,256,355	11,488,027	679,186	5,310,543	30,734,111
Restricted for Debt Service	-	-	149,720	-	149,720
Unrestricted	<u>(892,250)</u>	<u>4,960,935</u>	<u>202,169</u>	<u>(130,712)</u>	<u>4,140,142</u>
Total Net Assets	<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>
Total Liabilities and Net Assets	<u>\$ 23,628,180</u>	<u>\$ 36,969,139</u>	<u>\$ 2,352,434</u>	<u>\$ 5,510,824</u>	<u>\$ 68,460,577</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, 2010**

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Totals
<b>SALES AND COST OF SALES</b>					
Sales	\$ -	\$ -	\$ 3,107,592	\$ -	\$ 3,107,592
Cost of Sales	-	-	2,264,871	-	2,264,871
Gross Profit	-	-	842,721	-	842,721
<b>OPERATING REVENUES</b>					
Charges for Services	998,923	993,772	-	170,736	2,163,431
<b>OPERATING EXPENSES</b>					
Wages and Salaries	264,086	264,100	256,618	41,426	826,230
Employee Benefits	62,491	62,491	54,462	11,303	190,747
Materials and Supplies	46,449	10,337	11,830	3,424	72,040
Repairs and Maintenance	14,509	11,161	9,988	3,575	39,233
Professional Services	73,482	74,215	53,686	5,256	206,639
Insurance	46,559	31,587	20,466	3,252	101,864
Utilities and Refuse	123,243	99,935	24,077	29	247,284
Depreciation	805,696	474,218	80,491	278,309	1,638,714
Travel	9,561	9,459	405	1,475	20,900
Equipment	83	-	-	-	83
Advertising	941	62	7,087	-	8,090
Dues, Memberships and Training	8,996	855	4,526	-	14,377
Telephone	2,468	2,468	6,030	149	11,115
Postage	318	259	528	-	1,105
Water Meters	7,903	-	-	-	7,903
Uniforms	1,764	2,151	-	-	3,915
Total Operating Expenses	1,468,549	1,043,298	530,194	348,198	3,390,239
Operating Income (Loss)	(469,626)	(49,526)	312,527	(177,462)	(384,087)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income	(11,206)	139,115	(1,559)	(2,371)	123,979
Grants and Contributions	-	1,693,964	-	-	1,693,964
Trunk and Access Charges	93,000	78,942	-	-	171,942
Interest Expense	(302,913)	(470,102)	(57,816)	(5,836)	(836,667)
Amortization Expense	(1,482)	(10,578)	(2,542)	-	(14,602)
Other Income	1,593	2,493	2,901	-	6,987
Total Nonoperating Revenue (Expenses)	(221,008)	1,433,834	(59,016)	(8,207)	1,145,603
Income before Capital Contributions and Transfers	(690,634)	1,384,308	253,511	(185,669)	761,516
Capital Contributions	72,478	41,267	-	279,245	392,990
Transfers In	-	62,938	-	-	62,938
Transfers Out	(133,747)	(50,433)	(200,000)	(86,235)	(470,415)
Change in Net Assets	(751,903)	1,438,080	53,511	7,341	747,029
<b>NET ASSETS</b>					
Beginning of Year	13,116,008	15,010,882	977,564	5,172,490	34,276,944
End of Year	\$ 12,364,105	\$ 16,448,962	\$ 1,031,075	\$ 5,179,831	\$ 35,023,973

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, 2010**

	<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	\$ 990,303	\$ 990,340	\$ 3,110,493	\$ 157,422	\$ 5,248,558
Payments to Suppliers	(342,219)	(217,956)	(2,454,840)	(14,748)	(3,029,763)
Payments to Employees	(324,725)	(324,739)	(307,287)	(51,635)	(1,008,386)
Net Cash Flows - Operating Activities	<u>323,359</u>	<u>447,645</u>	<u>348,366</u>	<u>91,039</u>	<u>1,210,409</u>
<b>CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES</b>					
Receipt (Payment) of Due from/to Other Funds	639,009	595,029	(40,031)	63,390	1,257,397
Repayment of Note Receivable	13,642	-	-	-	13,642
Transfer from Other Funds	-	62,938	-	-	62,938
Transfer to Other Funds	(133,747)	(50,433)	(200,000)	(86,235)	(470,415)
Net Cash Flows - Noncapital Financing Activities	<u>518,904</u>	<u>607,534</u>	<u>(240,031)</u>	<u>(22,845)</u>	<u>863,562</u>
<b>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Advances to/from Other Funds	-	(468,119)	-	-	(468,119)
Trunk and Access Charges	93,000	78,942	-	-	171,942
Principal Paid on Debt	(513,330)	(645,786)	(47,236)	(59,126)	(1,265,478)
Interest Paid on Debt	(308,247)	(398,394)	(58,640)	(6,697)	(771,978)
Bond Proceeds	-	9,593,558	-	-	9,593,558
Federal Grant Proceeds	-	2,000,000	-	-	2,000,000
Acquisition of Capital Assets	(102,480)	(11,255,977)	-	-	(11,358,457)
Net Cash Flows - Capital and Related Financing Activities	<u>(831,057)</u>	<u>(1,095,776)</u>	<u>(105,876)</u>	<u>(65,823)</u>	<u>(2,098,532)</u>
<b>CASH FLOWS - INVESTING ACTIVITIES</b>					
Interest and Dividends Received	(11,206)	139,115	(1,559)	(2,371)	123,979
<b>Net Change in Cash and Cash Equivalents</b>	-	98,518	900	-	99,418
<b>Cash and Cash Equivalents, January 1</b>	-	2,518,102	149,720	-	2,667,822
<b>Cash and Cash Equivalents, December 31</b>	<u>\$ -</u>	<u>\$ 2,616,620</u>	<u>\$ 150,620</u>	<u>\$ -</u>	<u>\$ 2,767,240</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (469,626)	\$ (49,526)	\$ 312,527	\$ (177,462)	\$ (384,087)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Other Revenues	1,593	2,493	2,901	-	6,987
Depreciation and Amortization Expense	805,696	474,218	80,491	278,309	1,638,714
Accounts Receivable	(15,530)	(39,275)	-	(6,187)	(60,992)
Special Assessments Receivable	4,936	16,761	-	(7,259)	14,438
Due from Other Governments	381	16,589	-	132	17,102
Prepaid Items	2,432	1,896	1,728	917	6,973
Inventory	-	-	(42,926)	-	(42,926)
Accounts Payable	(8,367)	22,637	4,779	1,495	20,544
Due to Other Governmental Units	(8)	-	(14,927)	-	(14,935)
Salaries Payable	397	397	4,915	712	6,421
Compensated Absences Payable	1,455	1,455	(1,122)	382	2,170
Total Adjustments	<u>792,985</u>	<u>497,171</u>	<u>35,839</u>	<u>268,501</u>	<u>1,594,496</u>
Net Cash Flows - Operating Activities	<u>\$ 323,359</u>	<u>\$ 447,645</u>	<u>\$ 348,366</u>	<u>\$ 91,039</u>	<u>\$ 1,210,409</u>
<b>NONCASH CAPITAL ACTIVITIES</b>					
Contributions of Capital Assets from Government Capital Funds and Developers	<u>\$ 72,478</u>	<u>\$ 41,267</u>	<u>\$ -</u>	<u>\$ 279,245</u>	<u>\$ 392,990</u>

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

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

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

**A. Reporting Entity**

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

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

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

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

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

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

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

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

**1. Blended Component Unit**

The Big Lake Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Big Lake EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the Big Lake EDA.

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

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

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

###### 2. Related Organization

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

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

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

###### Big Lake Volunteer Fire Department

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

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

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

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

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

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

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

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

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

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

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

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

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

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

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

**Description of Funds:**

Major Governmental Funds:

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

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

G.O. Improvement Bonds of 2003A Debt Service Fund – This Fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

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.

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

###### 1. Cash and Investments

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

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

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

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

Cash and investments December 31, 2010 were comprised of deposits, brokered certificates of deposit, money market accounts 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.

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

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

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

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

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

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

**2. Restricted Assets**

Certain resources from the 2005 Public Project Revenue Bonds are set aside for their repayment and are classified as restricted assets in the Balance Sheet because their use is limited by the Bonds' documents. In addition, certain resources from the 2010A G.O. Improvement Bonds are set aside for the repayment of the 2003A 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.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

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

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

**3. Receivables (Continued)**

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

**4. Inventory and Prepaid Items**

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

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

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

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

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

**6. Compensated Absences**

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

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

**7. Severance**

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

**8. Long-Term Obligations**

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

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

**9. Fund Equity**

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

**10. Other Long-Term Liabilities**

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

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

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

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

###### 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.

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

##### A. Budgetary Information

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

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

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

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

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2010, expenditures exceeded appropriations in the following Fund:

	<u>Appropriations</u>	<u>Expenditures</u>
EDA Special Revenue Fund	\$ 57,533	\$ 88,971

**C. Deficit Fund Balance**

The following Funds had deficit fund balances at December 31, 2010:

Major Governmental Fund:		
Capital Projects:		
Street Improvement		\$ 271,127
Nonmajor Governmental Funds:		
Debt Service:		
G.O. Refunding Bonds of 1996		36,122
G.O. Tax Increment Bonds of 2004C		72,432
G.O. Improvement Bonds of 2004B		131,760
G.O. Improvement Bonds of 2007E		86,615
2008 Tax Lease Revenue Bond		119,271
G.O. State Aid Loan		31
Capital Projects:		
Lakeside Park Improvements		2,449
Lake Street Redevelopment TIF 1-3		20,785
Commercial Redevelopment TIF District 1-5		6,247

**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, 2010, the City's bank balance of \$ 500,000 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. At December 31, 2010, the City's deposits had a book balance of \$ 412,373.

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**B. Investments**

At December 31, 2010, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Brokered Certificates of Deposit	\$ 3,276,885	3.022
Cash and Brokered Money Market Accounts	297,439	N/A
4M Fund	<u>8,382,806</u>	N/A
Total	<u>\$ 11,957,130</u>	

Credit Risk: As of December 31, 2010, none of the City's investments were rated.

Summary of cash, deposits and investments as of December 31, 2010:

Petty Cash	\$ 2,000
Deposits (Note 3.A.)	412,373
Investments (Note 3.B.)	<u>11,957,130</u>
Total	<u>\$ 12,371,503</u>

Cash, deposits and investments are presented in the December 31, 2010 basic financial statements as follows:

Statement of Net Assets:

Cash and Investments	\$ 8,202,695
Restricted Cash	<u>4,168,808</u>
Total Deposits and Investments	<u>\$ 12,371,503</u>

**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 \$ 919,930 and the G.O. Capital Improvement Bonds of 2006B for fire hall funding amounting to \$ 416,500. 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 total \$ 323,291, for a grand total of notes receivable of \$ 1,659,721. 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 \$ 105,661.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 4 – NOTES RECEIVABLE**

Proprietary funds note receivable includes amounts due from local businesses totaling \$ 198,011.

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

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

The composition of interfund balances as of December 31, 2010 was as follows:

	<u>Due From Other Funds Sewer Fund</u>
Due to Other Funds:	
Street Improvement Capital Project Fund	\$ 223,373
Other Governmental Funds	657,249
Water Fund	1,194,138
Liquor Fund	82,537
Storm Sewer Fund	<u>168,385</u>
 Total	 <u><u>\$ 2,325,682</u></u>

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

**B. Interfund Transfers**

The composition of interfund transfers as of December 31, 2010 was as follows:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Sewer Fund</u>	<u>Total</u>
Transfers Out:				
General Fund	\$ -	\$ 1,202	\$ 62,938	\$ 64,140
Street Improvement				
Capital Project Fund	-	255,498	-	255,498
Other Governmental Funds	44,138	-	-	44,138
Water Fund	-	133,747	-	133,747
Sewer Fund	-	50,433	-	50,433
Liquor Fund	200,000	-	-	200,000
Storm Sewer Fund	-	86,235	-	86,235
 Total Transfers	 <u><u>\$ 244,138</u></u>	 <u><u>\$ 527,115</u></u>	 <u><u>\$ 62,938</u></u>	 <u><u>\$ 834,191</u></u>

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

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

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

	<u>Advances to Other Funds Sewer</u>
Advances from Other Funds:	
General Fund	\$ 199,630
Other Governmental Funds	<u>268,489</u>
 Total	 <u>\$ 468,119</u>

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

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 7,427,585	\$ 405,000	\$ -	\$ 7,832,585
Construction in Progress	<u>5,228,920</u>	<u>1,319,602</u>	<u>(3,612,132)</u>	<u>2,936,390</u>
Total Capital Assets not being Depreciated	<u>12,656,505</u>	<u>1,724,602</u>	<u>(3,612,132)</u>	<u>10,768,975</u>
Capital Assets being Depreciated:				
Infrastructure	28,237,283	2,814,142	-	31,051,425
Buildings	4,736,803	-	-	4,736,803
Leasehold Improvements	36,006	35,537	-	71,543
Machinery and Equipment	<u>3,749,741</u>	<u>92,128</u>	<u>(39,448)</u>	<u>3,802,421</u>
Total Capital Assets being Depreciated	<u>36,759,833</u>	<u>2,941,807</u>	<u>(39,448)</u>	<u>39,662,192</u>
Less Accumulated Depreciation for:				
Infrastructure	12,777,812	753,550	-	13,531,362
Buildings	853,573	157,893	-	1,011,466
Leasehold Improvements	8,850	2,689	-	11,539
Machinery and Equipment	<u>2,452,176</u>	<u>276,966</u>	<u>(36,150)</u>	<u>2,692,992</u>
Total Accumulated Depreciation	<u>16,092,411</u>	<u>1,191,098</u>	<u>(36,150)</u>	<u>17,247,359</u>
Total Capital Assets being Depreciated, Net	<u>20,667,422</u>	<u>1,750,709</u>	<u>(3,298)</u>	<u>22,414,833</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,323,927</u>	<u>\$ 3,475,311</u>	<u>\$ (3,615,430)</u>	<u>\$ 33,183,808</u>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 6 – CAPITAL ASSETS**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,533,956	\$ -	\$ -	\$ 1,533,956
Construction in Progress	10,166,717	11,481,053	(5,363,526)	16,284,244
Total Capital Assets not being Depreciated	11,700,673	11,481,053	(5,363,526)	17,818,200
Capital Assets being Depreciated:				
Buildings	12,102,461	-	-	12,102,461
Collection and Distribution Systems	36,727,119	5,749,991	-	42,477,110
Leasehold Improvements	223,833	-	-	223,833
Machinery and Equipment	987,981	-	-	987,981
Total Capital Assets being Depreciated	50,041,394	5,749,991	-	55,791,385
Less Accumulated Depreciation for:				
Buildings	264,365	403,415	-	667,780
Collection and Distribution Systems	9,685,281	1,170,006	-	10,855,287
Leasehold Improvements	80,168	9,547	-	89,715
Machinery and Equipment	683,554	55,746	-	739,300
Total Accumulated Depreciation	10,713,368	1,638,714	-	12,352,082
Total Capital Assets being Depreciated, Net	39,328,026	4,111,277	-	43,439,303
Business-Type Activities Capital Assets, Net	\$ 51,028,699	\$ 15,592,330	\$ (5,363,526)	\$ 61,257,503

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 6 – CAPITAL ASSETS**

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

**Governmental Activities:**

General Government	\$ 22,571
Public Safety	159,620
Streets and Highways	830,423
Culture and Recreation	116,523
Economic Development	<u>61,961</u>

Total Depreciation Expense - Governmental Activities \$ 1,191,098

**Business-Type Activities:**

Water	\$ 805,696
Sewer	474,218
Liquor	80,491
Storm Sewer	<u>278,309</u>

Total Depreciation Expense - Business-Type Activities \$ 1,638,714

**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 November 24, 2010, the City issued the \$ 3,590,000 G.O. Improvement Bonds, Series 2010A for an advance refunding of \$ 3,320,000 of the G.O. Improvement Bonds, Series 2003A. The refunding was undertaken to restructure their long-term debt obligations to reach the City's target debt levy. The refunding resulted in an increase in future debt service payments of \$ 401,397. The net present value cash flow loss from the transaction was \$ 59,293.

CITY OF BIG LAKE

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010

NOTE 7 – LONG-TERM DEBT

B. Components of Long-Term Liabilities

	Issue Year	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-Term Liabilities:						
Governmental Activities:						
G.O. Bonds, Including Refunding						
Bonds:						
G.O. Improvement Bonds of 2002	2002	2.25%-4.40%	\$ 3,200,000	2018	\$ 2,260,000	\$ 215,000
G.O. Improvement Bonds of 2003	2003	1.25%-3.45%	5,645,000	2019	4,410,000	4,410,000
G.O. Improvement Bonds of 2005 - <i>Refunded 2011</i>	2005	3.50%-4.15%	2,585,000	2021	2,065,000	155,000
G.O. Improvement Bonds of 2006A - <i>Refunded 2011</i>	2006	4.00%- 4.125%	2,425,000	2022	2,120,000	140,000
G.O. Capital Improvement Bonds of 2006B *	2006	3.70%-4.25%	1,135,000	2023	925,000	70,000
G.O. Improvement Bonds of 2007A	2007	4.00%-4.10%	2,105,000	2023	1,990,000	120,000
G.O. Capital Improvement Plan Bonds of 2007C	2007	4.00%-4.35%	1,130,000	2028	1,090,000	40,000
G.O. Improvement Bonds of 2007E *	2007	4.00%-4.10%	900,000	2018	745,000	80,000
G.O. Improvement Bonds of 2008A	2008	3.25%-4.50%	3,655,000	2024	3,655,000	80,000
G.O. Capital Improvement Bonds of 2009A	2009	1.10%-2.90%	620,000	2017	575,000	55,000
G.O. Improvement Bonds of 2010A	2010	2.00% - 3.80%	3,590,000	2026	3,590,000	-
Revenue Bonds:						
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	484,647	2026	423,155	17,765
EDA Lease Revenue Bonds of 2008	2008	2.36%-3.26%	1,889,000	2011	1,834,714	35,189
G.O. Tax Increment Bonds:						
G.O. Tax Increment Bonds of 2004	2004	5.00%-5.90%	795,000	2030	770,000	5,000
G.O. Temporary Taxable TIF Bonds 2010B	2010	1.30%	1,055,000	2013	1,055,000	-
Other Financing:						
G.O. Capital Note of 2005	2005	3.25%-3.60%	740,000	2012	387,961	186,796
G.O. Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	1,007,397	120,000
					<u>28,903,227</u>	<u>5,729,750</u>
Capital Lease	2008		21,224	2012	11,080	4,869
Discount on Bonds Payable					(56,921)	-
Premium on Bonds Payable					10,371	-
Compensated Absences					108,849	108,849
Severance					46,121	-
Total Governmental Activities					<u>29,022,727</u>	<u>5,843,468</u>
Business-Type Activities:						
G.O. Revenue Bonds, Including Refunding Bonds:						
G.O. Wastewater Revenue Refunding Bonds of 2004 *	2004	1.45%-4.00%	1,255,000	2017	765,000	95,000
Public Facility Authority Drinking Water G.O. Revenue Loan	2004	2.53%	9,787,000	2024	6,763,000	409,000
G.O. Utility Revenue Bonds 2005 *	2005	4.00%-4.375%	2,625,000	2026	2,275,000	100,000
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	1,320,353	2026	1,156,845	47,235
G.O. Utility System Revenue Bonds of 2007B	2007	4.00%-4.35%	2,060,000	2027	1,825,000	75,000
G.O. Public Utility Revenue Refunding Bonds of 2007D *	2007	3.60%-4.00%	2,670,000	2020	2,195,000	180,000
G.O. Utility Revenue Bonds of 2007F	2007	4.00%-4.50%	1,325,000	2027	1,160,000	50,000
G.O. Utility Revenue Bonds of 2008B	2008	3.5%-4.75%	3,000,000	2029	2,920,000	85,000
Public Facility Authority Drinking Sewer Revenue Note of 2009	2009	2.41%	13,470,120	2024	11,304,982	225,000
Other Financing:						
G.O. Capital Note of 2005	2005	3.25%-3.60%	290,000	2012	152,039	73,204
					<u>30,516,866</u>	<u>1,339,439</u>
Discount on Bonds Payable					(189,474)	-
Other Liabilities					196,000	-
Compensated Absences					59,406	59,406
Total Business-Type Activities					<u>30,582,798</u>	<u>1,398,845</u>
Total all Long-Term Liabilities					<u>\$ 59,605,525</u>	<u>\$ 7,242,313</u>

**CITY OF BIG LAKE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE 7 – LONG-TERM DEBT**

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

Long-term liability activity for the year ended December 31, 2010 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	\$ 21,610,000	\$ 3,590,000	\$ 1,775,000	\$ 23,425,000	\$ 5,365,000
Revenue Bonds	2,307,384	-	49,515	2,257,869	52,954
G.O. Tax Increment Bonds	775,000	1,055,000	5,000	1,825,000	5,000
Other Financing	538,835	1,007,397	150,874	1,395,358	306,796
Discount on Bonds	-	(58,269)	(1,348)	(56,921)	-
Premium on Bonds	-	10,440	69	10,371	-
<b>Total Bonds Payable</b>	<u>25,231,219</u>	<u>5,604,568</u>	<u>1,979,110</u>	<u>28,856,677</u>	<u>5,729,750</u>
Capital Lease	15,565	-	4,485	11,080	4,869
Compensated Absences	108,373	119,520	119,044	108,849	108,849
Severance	46,169	-	48	46,121	-
<b>Total Governmental     Activities</b>	<u>25,401,326</u>	<u>5,724,088</u>	<u>2,102,687</u>	<u>29,022,727</u>	<u>5,843,468</u>
<b>Business-Type Activities:</b>					
<b>Bonds Payable:</b>					
G.O. Revenue Bonds	12,904,081	-	607,236	12,296,845	632,235
PFA G.O. Revenue Notes	9,073,540	9,593,558	599,116	18,067,982	634,000
Other Financing	211,165	-	59,126	152,039	73,204
Discount on Bonds	(204,076)	-	(14,602)	(189,474)	-
<b>Total Bonds Payable</b>	<u>21,984,710</u>	<u>9,593,558</u>	<u>1,250,876</u>	<u>30,327,392</u>	<u>1,339,439</u>
Other Liabilities	196,000	-	-	196,000	-
Compensated Absences	57,235	71,446	69,275	59,406	59,406
<b>Total Business-Type     Activities</b>	<u>22,237,945</u>	<u>9,665,004</u>	<u>1,320,151</u>	<u>30,582,798</u>	<u>1,398,845</u>
<b>Total Long-Term     Liabilities</b>	<u>\$ 47,639,271</u>	<u>\$ 15,389,092</u>	<u>\$ 3,422,838</u>	<u>\$ 59,605,525</u>	<u>\$ 7,242,313</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, 2010**

**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
2011	\$ 5,365,000	\$ 798,668	\$ 6,163,668	\$ 52,954	\$ 139,974	\$ 1,934,156
2012	1,205,000	660,474	1,865,474	55,661	137,822	193,483
2013	1,395,000	615,553	2,010,553	59,775	134,203	193,978
2014	1,480,000	565,921	2,045,921	1,744,216	75,424	1,819,640
2015	1,545,000	512,224	2,057,224	21,864	17,625	39,489
2016-2020	7,525,000	1,657,454	9,182,454	128,451	70,696	199,147
2021-2025	4,335,000	470,900	4,805,900	165,345	32,855	198,200
2026-2030	575,000	22,461	597,461	29,603	1,014	30,617
<b>Total</b>	<b>\$ 23,425,000</b>	<b>\$ 5,303,655</b>	<b>\$ 28,728,655</b>	<b>\$ 2,257,869</b>	<b>\$ 609,613</b>	<b>\$ 4,608,710</b>

Year Ending December 31,	Governmental Activities					
	Tax Increment Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 5,000	\$ 57,565	\$ 62,565	\$ 306,796	\$ 28,195	\$ 334,991
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
2016-2020	110,000	197,314	307,314	622,000	141,602	763,602
2021-2025	225,000	150,598	375,598	677,000	86,022	763,022
2026-2030	390,000	61,952	451,952	586,000	25,494	611,494
<b>Total</b>	<b>\$ 1,825,000</b>	<b>\$ 667,017</b>	<b>\$ 2,492,017</b>	<b>\$ 2,852,961</b>	<b>\$ 435,096</b>	<b>\$ 3,288,057</b>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 7 – LONG-TERM DEBT**

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

Year Ending December 31,	Total Governmental Activities		
	Principal	Interest	Total
2011	\$ 5,729,750	\$ 1,024,402	\$ 6,754,152
2012	1,583,826	899,924	2,483,750
2013	2,633,775	845,318	3,479,093
2014	3,350,216	720,699	4,070,915
2015	1,694,864	606,676	2,301,540
2016-2020	8,385,451	2,067,066	10,452,517
2021-2025	5,402,345	740,375	6,142,720
2026-2030	1,580,603	110,921	1,691,524
<b>Total</b>	<b>\$ 30,360,830</b>	<b>\$ 7,015,381</b>	<b>\$ 37,376,211</b>

Year Ending December 31,	Business-Type Activities					
	G.O. Business Revenue Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 632,235	\$ 506,536	\$ 1,138,771	\$ 73,204	\$ 4,137	\$ 77,341
2012	665,869	482,089	1,147,958	78,835	1,419	80,254
2013	694,503	456,145	1,150,648	-	-	-
2014	719,502	428,774	1,148,276	-	-	-
2015	748,136	399,864	1,148,000	-	-	-
2016-2020	3,856,549	1,528,882	5,385,431	-	-	-
2021-2025	3,004,652	804,359	3,809,011	-	-	-
2026-2030	1,975,399	167,432	2,142,831	-	-	-
<b>Total</b>	<b>\$ 12,296,845</b>	<b>\$ 4,774,081</b>	<b>\$ 17,070,926</b>	<b>\$ 152,039</b>	<b>\$ 5,556</b>	<b>\$ 157,595</b>

Year Ending December 31,	Business-Type Activities					
	Public Facility G.O. Revenue Note			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 634,000	\$ 440,428	\$ 1,074,428	\$ 1,339,439	\$ 951,101	\$ 2,290,540
2012	669,000	475,662	1,144,662	1,413,704	959,170	2,372,874
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
2016-2020	6,121,000	1,682,138	7,803,138	9,977,549	3,211,020	13,188,569
2021-2025	6,330,000	891,244	7,221,244	9,334,652	1,695,603	11,030,255
2026-2030	3,698,000	225,830	3,923,830	5,673,399	393,262	6,066,661
<b>Total</b>	<b>\$ 20,033,000</b>	<b>\$ 5,039,024</b>	<b>\$ 25,072,024</b>	<b>\$ 32,481,884</b>	<b>\$ 9,818,661</b>	<b>\$ 42,300,545</b>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 7 – LONG-TERM DEBT**

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

At December 31, 2010, the City had expended \$ 9,111,996 of the total 2004 G.O. PFA Revenue Note and \$ 11,304,982 of the total 2009 G.O. PFA Revenue Note. As of December 31, 2010, the City had made principal payments of \$ 2,348,996 on the 2004 Note, and \$ 200,120 on the 2009 Note. The amortization schedule for the 2009 Note includes the entire remaining note liability of \$ 13,270,000, including \$ 1,965,018 that has not yet been drawn. The remaining balance on this note is expected to be drawn in 2011. There will be no further draws on the 2004 Note; therefore the amortization schedule includes the entire remaining note liability of \$ 6,763,000.

On March 10, 2010, the City issued \$ 2,465,000 in a G.O. State Aid Loan Note of 2010 through the Minnesota PFA. As of December 31, 2010, the City had expended \$ 1,007,397 on the Note. The remaining balance on this Note is expected to be drawn in 2011. The City has made no principal payments on this Note as of December 31, 2010. The amortization schedule for the 2010 Note includes the entire note liability of \$ 2,465,000, including \$1,457,603 that has not yet been drawn. This balance is included as Other Financing on the schedule.

**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, 2010, this asset was valued at \$ 21,224 with accumulated depreciation of \$ 12,381.

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

<u>Year Ending</u> <u>December 31,</u>	
2011	\$ 5,602
2012	5,602
2013	<u>934</u>
Net Minimum Lease Payments	12,138
Less Amount Representing Interest	<u>(1,058)</u>
 Present Value of Net Minimum Lease Payments	 <u><u>\$ 11,080</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.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2010**

**NOTE 7 – LONG-TERM DEBT**

**F. Conduit Debt (Continued)**

As of December 31, 2010, the City's outstanding conduit debt balances consisted of the following:

\$ 1,950,000 Commercial Facility Revenue Note (Options, Inc. Project), Series 2005	<u>\$ 1,532,758</u>
--	---------------------

**G. Short Term Note Payable**

The City loaned \$ 20,608 from the Greater Minnesota Housing Foundation for the rehabilitation of two properties in the Neighborhood Stabilization Program. This money will be repaid with proceeds from the sale of the houses.

**NOTE 8 – FUND BALANCE/NET ASSETS**

**Reserved/Designated Fund Equity**

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

**A. Fund Balance**

Fund balance is comprised of the following components:

	<u>General</u>	<u>Street Improvement</u>	<u>G.O. Improvement Bonds of 2003A</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Reserved for:					
Notes Receivable	\$ -	\$ -	\$ -	\$ 185,344	\$ 185,344
Capital Projects	46,429	-	-	-	46,429
Prepaid Expense	77,069	-	-	10,049	87,118
Land Held for Resale	-	-	-	4,544,034	4,544,034
Unreserved:					
Designated for:					
Compensated Absences and Severance Liability	154,969	-	-	-	154,969
Economic Development	-	-	-	2,438	2,438
Capital Improvements	75,160	-	-	744,217	819,377
Debt Service	-	-	4,271,303	2,018,501	6,289,804
Undesignated	<u>1,916,082</u>	<u>(271,127)</u>	<u>-</u>	<u>(1,037,764)</u>	<u>607,191</u>
Total	<u>\$ 2,269,709</u>	<u>\$ (271,127)</u>	<u>\$ 4,271,303</u>	<u>\$ 6,466,819</u>	<u>\$ 12,736,704</u>

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 9 – RISK MANAGEMENT**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining, through commercial companies, for excess claims. The City is covered through the pool for any claims incurred but unreported; however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2010 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2010, 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.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

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

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

**A. Plan Description (Continued)**

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.

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.

## CITY OF BIG LAKE

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

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

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

##### B. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. In 2010, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.0% for Coordinated Plan members, and 14.1% for PEPFF members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2010, 2009 and 2008 were \$ 112,266, \$ 123,270 and \$ 118,940, respectively. The City's contributions to the PEPFF for the years ending December 31, 2010, 2009 and 2008 were \$ 90,757, \$ 95,772 and \$ 92,046, 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.

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 one percent of the assets in each member's account annually.

The City and the elected government official made the required 5% contribution, amounting to \$ 300 for the employee and \$ 300 for the City.

**CITY OF BIG LAKE**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE 11 – COMMITMENTS**

	<u>Project Authorization</u>	<u>Expended Through 12/31/10</u>	<u>Remaining Commitment</u>
Wastewater Treatment Facility Expansion	\$ 13,114,400	\$ 11,796,925	\$ 1,317,475

**NOTE 12 – SUBSEQUENT EVENTS**

On February 1, 2011, the City amended the EDA Taxable Lease Revenue Bond of 2008. This amendment was done to extend the maturity date from February 1, 2011 to February 1, 2014. As a result, interest payments on this debt will increase \$ 347,231.

An amendment to the Neighborhood Stabilization Program dated April 13, 2011, increased the grant award from \$ 1,214,521 to \$ 2,036,521, an increase of \$ 822,000.

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**SUPPLEMENTARY INFORMATION**

**CITY OF BIG LAKE**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2010**

	Special Revenue		Debt Service	
	Economic Development Authority (275)	Crime Reward Fund (130)	Total	G.O. Refunding Bonds of 1996 (205)
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 2,438	\$ 2,438	\$ -
Taxes Receivable - Delinquent	-	-	-	-
Accounts Receivable	20,466	-	20,466	-
Due from Other Governments	-	-	-	1,431
Notes Receivable	323,291	-	323,291	-
Special Assessment Receivable:				
Delinquent	-	-	-	3,216
Deferred	-	-	-	2,517
Land Held for Resale	491,190	-	491,190	-
Prepaid Expenses	125	-	125	-
	<u>125</u>	<u>-</u>	<u>125</u>	<u>-</u>
Total Assets	<u>\$ 835,072</u>	<u>\$ 2,438</u>	<u>\$ 837,510</u>	<u>\$ 7,164</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 71	\$ -	\$ 71	\$ -
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	-
Short-Term Notes Payable	-	-	-	-
Due to Other Funds	185,716	-	185,716	37,553
Due to Other Governments	-	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenue	137,946	-	137,946	5,733
Total Liabilities	<u>323,733</u>	<u>-</u>	<u>323,733</u>	<u>43,286</u>
<b>Fund Balances</b>				
Reserved for:				
Notes Receivable	185,345	-	185,345	-
Land Held for Resale	491,190	-	491,190	-
Prepaid Expense	125	-	125	-
Unreserved, Reported in				
Special Revenue	(165,321)	2,438	(162,883)	-
Debt Service	-	-	-	(36,122)
Capital Projects	-	-	-	-
Total Fund Balances	<u>511,339</u>	<u>2,438</u>	<u>513,777</u>	<u>(36,122)</u>
Total Liabilities and Fund Balances	<u>\$ 835,072</u>	<u>\$ 2,438</u>	<u>\$ 837,510</u>	<u>\$ 7,164</u>

Debt Service

G.O. Tax Increment Bonds of 1998B (255)	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)
\$ 200	\$ 8,258	\$ 754,221	\$ -	\$ 212,778	\$ 248,591
-	-	15,221	-	14,991	20,984
-	-	-	-	-	-
-	-	8,900	1,856	5,415	5,330
-	-	-	-	-	-
-	-	15,097	-	11,825	-
-	-	377,305	-	596,316	-
-	-	-	-	-	-
-	-	-	100	100	-
<u>\$ 200</u>	<u>\$ 8,258</u>	<u>\$ 1,170,744</u>	<u>\$ 1,956</u>	<u>\$ 841,425</u>	<u>\$ 274,905</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	74,388	-	-
-	-	-	-	-	-
-	-	407,623	-	614,809	20,984
-	-	<u>407,623</u>	<u>74,388</u>	<u>614,809</u>	<u>20,984</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	100	100	-
-	-	-	-	-	-
200	8,258	763,121	(72,532)	226,516	253,921
<u>200</u>	<u>8,258</u>	<u>763,121</u>	<u>(72,432)</u>	<u>226,616</u>	<u>253,921</u>
<u>\$ 200</u>	<u>\$ 8,258</u>	<u>\$ 1,170,744</u>	<u>\$ 1,956</u>	<u>\$ 841,425</u>	<u>\$ 274,905</u>

**CITY OF BIG LAKE**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2010**

	Debt Service			
	G.O. Improvement Bonds of 2006A (265)	G.O. Improvement Bonds of 2006B (270)	G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007E (207)
<b>ASSETS</b>				
Cash and Investments	\$ 320,445	\$ 25,986	\$ -	\$ -
Taxes Receivable - Delinquent	10,334	5,925	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	20,445	1,456	-	-
Notes Receivable	-	416,500	-	-
Special Assessment Receivable:				
Delinquent	274	-	94,025	225,041
Deferred	372,647	-	16,870	931,454
Land Held for Resale	-	-	-	-
Prepaid Expenses	450	450	-	550
	<u>450</u>	<u>450</u>	<u>-</u>	<u>550</u>
<b>Total Assets</b>	<u>\$ 724,595</u>	<u>\$ 450,317</u>	<u>\$ 110,895</u>	<u>\$ 1,157,045</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	-
Short-Term Notes Payable	-	-	-	-
Due to Other Funds	-	-	131,760	87,166
Due to Other Governments	-	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenue	383,255	422,425	110,895	1,156,494
<b>Total Liabilities</b>	<u>383,255</u>	<u>422,425</u>	<u>242,655</u>	<u>1,243,660</u>
<b>Fund Balances</b>				
Reserved for:				
Notes Receivable	-	-	-	-
Land Held for Resale	-	-	-	-
Prepaid Expense	450	450	-	550
Unreserved, Reported in				
Special Revenue	-	-	-	-
Debt Service	340,890	27,442	(131,760)	(87,165)
Capital Projects	-	-	-	-
<b>Total Fund Balances</b>	<u>341,340</u>	<u>27,892</u>	<u>(131,760)</u>	<u>(86,615)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 724,595</u>	<u>\$ 450,317</u>	<u>\$ 110,895</u>	<u>\$ 1,157,045</u>

Debt Service

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)	G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)	G.O. Improvement Bond 2010A (212)
\$ 201,118	\$ 59,352	\$ 66,642	\$ -	\$ 7,909	\$ -	\$ 19,319
7,427	8,623	2,775	-	2,735	-	-
-	-	-	-	-	-	3,750
1,996	2,254	921	-	908	6,550	-
-	-	-	919,930	-	-	-
3,940	-	-	-	-	-	-
216,283	-	1,222,542	-	-	-	63,197
-	-	-	-	-	-	-
450	550	450	-	450	-	-
<u>\$ 431,214</u>	<u>\$ 70,779</u>	<u>\$ 1,293,330</u>	<u>\$ 919,930</u>	<u>\$ 12,002</u>	<u>\$ 6,550</u>	<u>\$ 86,266</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	782	-	6,581	-
-	-	-	-	-	-	-
-	-	-	118,489	-	-	-
227,649	8,623	1,225,317	919,930	2,735	-	63,197
<u>227,649</u>	<u>8,623</u>	<u>1,225,317</u>	<u>1,039,201</u>	<u>2,735</u>	<u>6,581</u>	<u>63,197</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
450	550	450	-	450	-	-
-	-	-	-	-	-	-
203,115	61,606	67,563	(119,271)	8,817	(31)	23,069
-	-	-	-	-	-	-
<u>203,565</u>	<u>62,156</u>	<u>68,013</u>	<u>(119,271)</u>	<u>9,267</u>	<u>(31)</u>	<u>23,069</u>
<u>\$ 431,214</u>	<u>\$ 70,779</u>	<u>\$ 1,293,330</u>	<u>\$ 919,930</u>	<u>\$ 12,002</u>	<u>\$ 6,550</u>	<u>\$ 86,266</u>

**CITY OF BIG LAKE**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2010**

	<u>Debt Service</u>		<u>Capital Projects</u>	
	G.O. Temporary Taxable Tax Increment Bond 2010B (213)	Total	Park Development (120)	Lakeside Park Improvements (125)
<b>ASSETS</b>				
Cash and Investments	\$ 30,233	\$ 1,955,052	\$ 75,663	\$ 3,193
Taxes Receivable - Delinquent	-	89,015	-	-
Accounts Receivable	3,750	7,500	-	-
Due from Other Governments	-	57,462	-	-
Notes Receivable	-	1,336,430	-	-
Special Assessment Receivable:				
Delinquent	-	353,418	-	-
Deferred	-	3,799,131	-	-
Land Held for Resale	-	-	-	-
Prepaid Expenses	-	3,550	-	-
	<u>-</u>	<u>3,550</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 33,983</u>	<u>\$ 7,601,558</u>	<u>\$ 75,663</u>	<u>\$ 3,193</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ 3,000	\$ -
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	5,642
Short-Term Notes Payable	-	-	-	-
Due to Other Funds	-	338,230	-	-
Due to Other Governments	-	-	-	-
Advances from Other Funds	-	118,489	-	-
Deferred Revenue	-	5,569,669	-	-
	<u>-</u>	<u>6,026,388</u>	<u>3,000</u>	<u>5,642</u>
Total Liabilities	<u>-</u>	<u>6,026,388</u>	<u>3,000</u>	<u>5,642</u>
<b>Fund Balances</b>				
Reserved for:				
Notes Receivable	-	-	-	-
Land Held for Resale	-	-	-	-
Prepaid Expense	-	3,550	-	-
Unreserved, Reported in				
Special Revenue	-	-	-	-
Debt Service	33,983	1,571,620	-	-
Capital Projects	-	-	72,663	(2,449)
	<u>33,983</u>	<u>1,571,620</u>	<u>72,663</u>	<u>(2,449)</u>
Total Fund Balances	<u>33,983</u>	<u>1,575,170</u>	<u>72,663</u>	<u>(2,449)</u>
	<u>-</u>	<u>3,550</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 33,983</u>	<u>\$ 7,601,558</u>	<u>\$ 75,663</u>	<u>\$ 3,193</u>

Capital Projects

Local Development (150)	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)
\$ 245,287	\$ 153	\$ 566	\$ 232,075	\$ 121,765	\$ 81,183	\$ 40,471
-	-	-	-	-	-	-
53,145	-	-	-	-	-	-
-	-	-	-	18,633	-	-
-	-	-	-	-	-	-
708	-	-	-	-	-	-
1,885	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 301,025</u>	<u>\$ 153</u>	<u>\$ 566</u>	<u>\$ 232,075</u>	<u>\$ 140,398</u>	<u>\$ 81,183</u>	<u>\$ 40,471</u>
\$ 490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
260,155	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,593	-	-	-	-	-	-
<u>263,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
37,787	153	566	232,075	140,398	81,183	40,471
<u>37,787</u>	<u>153</u>	<u>566</u>	<u>232,075</u>	<u>140,398</u>	<u>81,183</u>	<u>40,471</u>
<u>\$ 301,025</u>	<u>\$ 153</u>	<u>\$ 566</u>	<u>\$ 232,075</u>	<u>\$ 140,398</u>	<u>\$ 81,183</u>	<u>\$ 40,471</u>

**CITY OF BIG LAKE**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2010**

	Capital Projects			
	TIF 1-2 (151)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Industrial Park Street Assessments (168)
<b>ASSETS</b>				
Cash and Investments	\$ 25,911	\$ -	\$ -	\$ 106,375
Taxes Receivable - Delinquent	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	-	-	834	3,017
Notes Receivable	-	-	-	-
Special Assessment Receivable:				
Delinquent	-	-	-	5,010
Deferred	-	-	-	96,060
Land Held for Resale	-	-	1,372,338	-
Prepaid Expenses	-	-	-	-
<b>Total Assets</b>	<b>\$ 25,911</b>	<b>\$ -</b>	<b>\$ 1,373,172</b>	<b>\$ 210,462</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	-
Short-Term Notes Payable	-	-	-	-
Due to Other Funds	-	20,785	106,271	-
Due to Other Governments	-	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenue	-	-	-	101,070
<b>Total Liabilities</b>	<b>-</b>	<b>20,785</b>	<b>106,271</b>	<b>101,070</b>
<b>Fund Balances</b>				
Reserved for:				
Notes Receivable	-	-	-	-
Land Held for Resale	-	-	1,372,338	-
Prepaid Expense	-	-	-	-
Unreserved, Reported in				
Special Revenue	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	25,911	(20,785)	(105,437)	109,392
<b>Total Fund Balances</b>	<b>25,911</b>	<b>(20,785)</b>	<b>1,266,901</b>	<b>109,392</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,911</b>	<b>\$ -</b>	<b>\$ 1,373,172</b>	<b>\$ 210,462</b>



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
\$ 3,618	\$ 5,931	\$ 2,426	\$ -	\$ 944,617	\$ 2,902,107
-	-	-	-	-	89,015
-	-	-	-	53,145	81,111
-	-	6,573	-	29,057	86,519
-	-	-	-	-	1,659,721
-	-	-	-	5,718	359,136
-	-	-	-	97,945	3,897,076
-	1,732,099	948,407	-	4,052,844	4,544,034
-	-	6,374	-	6,374	10,049
<u>\$ 3,618</u>	<u>\$ 1,738,030</u>	<u>\$ 963,780</u>	<u>\$ -</u>	<u>\$ 5,189,700</u>	<u>\$ 13,628,768</u>
\$ -	\$ -	\$ 598	\$ -	\$ 4,088	\$ 4,159
-	-	-	-	260,155	260,155
-	-	-	-	5,642	5,642
-	-	20,608	-	20,608	20,608
-	-	-	6,247	133,303	657,249
-	132,768	1,601	-	134,369	134,369
-	150,000	-	-	150,000	268,489
-	-	-	-	103,663	5,811,278
-	282,768	22,807	6,247	811,828	7,161,949
-	-	-	-	-	185,345
-	1,732,099	948,407	-	4,052,844	4,544,034
-	-	6,374	-	6,374	10,049
-	-	-	-	-	(162,883)
-	-	-	-	-	1,571,620
3,618	(276,837)	(13,808)	(6,247)	318,654	318,654
<u>3,618</u>	<u>1,455,262</u>	<u>940,973</u>	<u>(6,247)</u>	<u>4,377,872</u>	<u>6,466,819</u>
<u>\$ 3,618</u>	<u>\$ 1,738,030</u>	<u>\$ 963,780</u>	<u>\$ -</u>	<u>\$ 5,189,700</u>	<u>\$ 13,628,768</u>



**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010**

	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>REVENUES</b>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	42,595	-
Intergovernmental	-	-	-	-	-
Charges for Services	1,000	-	1,000	-	-
Miscellaneous:					
Investment Income	999	63	1,062	(1,360)	-
Other	-	-	-	-	-
Total Revenues	<u>1,999</u>	<u>63</u>	<u>2,062</u>	<u>41,235</u>	<u>-</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Economic Development	48,889	-	48,889	-	-
<b>Debt Service</b>					
Principal	17,764	-	17,764	-	-
Interest and Other Charges	22,318	-	22,318	-	-
<b>Capital Outlay</b>					
Streets and Highways	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>88,971</u>	<u>-</u>	<u>88,971</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(86,972)	63	(86,909)	41,235	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-
Transfers In	-	-	-	55,000	-
Transfers Out	(950)	-	(950)	-	-
Total Other Financing Sources (Uses)	<u>(950)</u>	<u>-</u>	<u>(950)</u>	<u>55,000</u>	<u>-</u>
Net Change in Fund Balances	(87,922)	63	(87,859)	96,235	-
<b>FUND BALANCES</b>					
<b>Beginning Balance</b>	<u>599,261</u>	<u>2,375</u>	<u>601,636</u>	<u>(132,357)</u>	<u>200</u>
<b>End of Year</b>	<u>\$ 511,339</u>	<u>\$ 2,438</u>	<u>\$ 513,777</u>	<u>\$ (36,122)</u>	<u>\$ 200</u>

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 2006A (265)	G.O. Improvement Bonds of 2006B (270)
\$ -	\$ 116,418	\$ -	\$ 121,893	\$ 198,394	\$ 96,552	\$ 51,064
-	-	36,369	-	-	-	-
-	64,187	-	101,879	-	86,957	-
-	2,063	-	2,187	3,594	1,742	57,867
-	-	-	-	-	-	-
219	16,823	(1,907)	2,018	2,748	5,340	(140)
-	-	-	-	-	-	-
<u>219</u>	<u>199,491</u>	<u>34,462</u>	<u>227,977</u>	<u>204,736</u>	<u>190,591</u>	<u>108,791</u>
-	-	-	-	-	-	-
-	210,000	5,000	150,000	150,874	135,000	70,000
258	96,965	44,993	83,480	16,738	88,889	40,213
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>258</u>	<u>306,965</u>	<u>49,993</u>	<u>233,480</u>	<u>167,612</u>	<u>223,889</u>	<u>110,213</u>
(39)	(107,474)	(15,531)	(5,503)	37,124	(33,298)	(1,422)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	60,328	-
<u>(260)</u>	<u>-</u>	<u>(260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(260)</u>	<u>-</u>	<u>(260)</u>	<u>-</u>	<u>-</u>	<u>60,328</u>	<u>-</u>
(299)	(107,474)	(15,791)	(5,503)	37,124	27,030	(1,422)
8,557	870,595	(56,641)	232,119	216,797	314,310	29,314
<u>\$ 8,258</u>	<u>\$ 763,121</u>	<u>\$ (72,432)</u>	<u>\$ 226,616</u>	<u>\$ 253,921</u>	<u>\$ 341,340</u>	<u>\$ 27,892</u>

**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010**

	Debt Service			
	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>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ 76,431	\$ 83,104
Tax Increments	-	-	-	-
Special Assessments	30,449	51,386	24,188	-
Intergovernmental	-	-	1,384	1,500
Charges for Services	-	-	-	-
Miscellaneous:				
Investment Income	(10,309)	(2,891)	3,021	279
Other	-	-	-	-
Total Revenues	<u>20,140</u>	<u>48,495</u>	<u>105,024</u>	<u>84,883</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Economic Development	-	-	-	-
<b>Debt Service</b>				
Principal	555,000	80,000	115,000	40,000
Interest and Other Charges	9,435	32,055	82,903	46,620
<b>Capital Outlay</b>				
Streets and Highways	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Total Expenditures	<u>564,435</u>	<u>112,055</u>	<u>197,903</u>	<u>86,620</u>
Excess of Revenues Over (Under) Expenditures	(544,295)	(63,560)	(92,879)	(1,737)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	-	-	-
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-
Transfers In	255,498	-	106,625	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>255,498</u>	<u>-</u>	<u>106,625</u>	<u>-</u>
Net Change in Fund Balances	(288,797)	(63,560)	13,746	(1,737)
<b>FUND BALANCES</b>				
<b>Beginning Balance</b>	<u>157,037</u>	<u>(23,055)</u>	<u>189,819</u>	<u>63,893</u>
<b>End of Year</b>	<u>\$ (131,760)</u>	<u>\$ (86,615)</u>	<u>\$ 203,565</u>	<u>\$ 62,156</u>

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)	Total
\$ 45,105	\$ -	\$ 44,452	\$ -	\$ -	\$ -	\$ 833,413
-	-	-	-	-	-	36,369
92,728	-	-	-	18,917	-	513,286
849	76,979	837	-	-	-	149,002
-	-	-	-	-	-	-
413	(1,550)	(712)	(31)	12	38	12,011
-	-	-	-	-	-	-
<u>139,095</u>	<u>75,429</u>	<u>44,577</u>	<u>(31)</u>	<u>18,929</u>	<u>38</u>	<u>1,544,081</u>
-	-	-	-	-	-	-
-	31,751	45,000	-	-	-	1,587,625
148,799	123,555	12,070	6,550	36,897	18,101	888,521
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>148,799</u>	<u>155,306</u>	<u>57,070</u>	<u>6,550</u>	<u>36,897</u>	<u>18,101</u>	<u>2,476,146</u>
(9,704)	(79,877)	(12,493)	(6,581)	(17,968)	(18,063)	(932,065)
-	-	-	6,550	85,912	55,000	147,462
-	-	-	-	10,440	-	10,440
-	-	-	-	(55,315)	(2,954)	(58,269)
-	-	-	-	-	-	-
26,702	-	21,760	-	-	-	525,913
-	-	-	-	-	-	(520)
<u>26,702</u>	<u>-</u>	<u>21,760</u>	<u>6,550</u>	<u>41,037</u>	<u>52,046</u>	<u>625,026</u>
16,998	(79,877)	9,267	(31)	23,069	33,983	(307,039)
51,015	(39,394)	-	-	-	-	1,882,209
<u>\$ 68,013</u>	<u>\$ (119,271)</u>	<u>\$ 9,267</u>	<u>\$ (31)</u>	<u>\$ 23,069</u>	<u>\$ 33,983</u>	<u>\$ 1,575,170</u>

**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010**

	Capital Projects				
	Park Development (120)	Lakeside Park Improvements (125)	Local Development (150)	Food Shelf / Senior Center Project (195)	Industrial Park TIF 2-1 (155)
<b>REVENUES</b>					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for Services	-	-	-	-	-
Miscellaneous:					
Investment Income	2,964	-	7,136	-	-
Other	-	-	15,076	-	-
Total Revenues	<u>2,964</u>	<u>-</u>	<u>22,212</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Economic Development	-	-	26,433	-	-
<b>Debt Service</b>					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
<b>Capital Outlay</b>					
Streets and Highways	-	-	-	-	-
Culture and Recreation	43,021	870	-	-	-
Economic Development	-	-	-	-	58
Total Expenditures	<u>43,021</u>	<u>870</u>	<u>26,433</u>	<u>-</u>	<u>58</u>
Excess of Revenues Over (Under) Expenditures	(40,057)	(870)	(4,221)	-	(58)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Discount	-	-	-	-	-
Insurance Recovery Proceeds	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	(260)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(260)</u>
Net Change in Fund Balances	(40,057)	(870)	(4,221)	-	(318)
<b>FUND BALANCES</b>					
<b>Beginning Balance</b>	<u>112,720</u>	<u>(1,579)</u>	<u>42,008</u>	<u>153</u>	<u>884</u>
<b>End of Year</b>	<u>\$ 72,663</u>	<u>\$ (2,449)</u>	<u>\$ 37,787</u>	<u>\$ 153</u>	<u>\$ 566</u>

Capital Projects

Industrial Park TIF 2-2 (160)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	87,680	40,045	22,512	15,936	-	18,117
-	-	-	-	-	-	-
-	-	-	-	-	3,000	-
-	-	-	-	-	-	-
6,555	2,403	1,519	715	466	(470)	(810)
-	-	-	-	-	-	-
<u>6,555</u>	<u>90,083</u>	<u>41,564</u>	<u>23,227</u>	<u>16,402</u>	<u>2,530</u>	<u>17,307</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	36,603
-	-	-	-	-	-	-
-	-	-	-	-	-	-
80,662	47,145	20,380	13,670	14,401	57	696
<u>80,662</u>	<u>47,145</u>	<u>20,380</u>	<u>13,670</u>	<u>14,401</u>	<u>57</u>	<u>37,299</u>
(74,107)	42,938	21,184	9,557	2,001	2,473	(19,992)
-	-	-	-	-	-	1,000,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(260)	(6,602)	(2,542)	(560)	(260)	-	(485)
<u>(260)</u>	<u>(6,602)</u>	<u>(2,542)</u>	<u>(560)</u>	<u>(260)</u>	<u>-</u>	<u>999,515</u>
(74,367)	36,336	18,642	8,997	1,741	2,473	979,523
306,442	104,062	62,541	31,474	24,170	(23,258)	287,378
<u>\$ 232,075</u>	<u>\$ 140,398</u>	<u>\$ 81,183</u>	<u>\$ 40,471</u>	<u>\$ 25,911</u>	<u>\$ (20,785)</u>	<u>\$ 1,266,901</u>

**CITY OF BIG LAKE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010**

	Capital Projects			
	Industrial Park Street Assessments (168)	2008 Storm Damage (135)	Public Works Facility (180)	Industrial Park Expansion Land Purchase (141)
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Special Assessments	72,633	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous:				
Investment Income	1,482	-	71	(668)
Other	-	-	1,000	-
Total Revenues	<u>74,115</u>	<u>-</u>	<u>1,071</u>	<u>(668)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Economic Development	-	-	-	-
<b>Debt Service</b>				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	4,800
<b>Capital Outlay</b>				
Streets and Highways	-	3,236	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	92,727
Total Expenditures	<u>-</u>	<u>3,236</u>	<u>-</u>	<u>97,527</u>
Excess of Revenues Over (Under) Expenditures	74,115	(3,236)	1,071	(98,195)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	-	-	-	-
Bond Premium	-	-	-	-
Bond Discount	-	-	-	-
Insurance Recovery Proceeds	-	12,481	-	-
Transfers In	-	1,202	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,683</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	74,115	10,447	1,071	(98,195)
<b>FUND BALANCES</b>				
<b>Beginning Balance</b>	<u>35,277</u>	<u>(10,447)</u>	<u>2,547</u>	<u>1,553,457</u>
<b>End of Year</b>	<u>\$ 109,392</u>	<u>\$ -</u>	<u>\$ 3,618</u>	<u>\$ 1,455,262</u>

Capital Projects

Neighborhood Stabilization Program (116)	Commercial Redevelopment TIF 1-5 (171)	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 833,413
-	-	184,290	220,659
-	-	72,633	585,919
685,089	-	688,089	837,091
-	-	-	1,000
-	(166)	21,197	34,270
861	-	16,937	16,937
<u>685,950</u>	<u>(166)</u>	<u>983,146</u>	<u>2,529,289</u>
-	-	26,433	75,322
-	-	-	1,605,389
-	-	41,403	952,242
-	-	3,236	3,236
-	-	43,891	43,891
165,836	390	436,022	436,022
<u>165,836</u>	<u>390</u>	<u>550,985</u>	<u>3,116,102</u>
520,114	(556)	432,161	(586,813)
-	-	1,000,000	1,147,462
-	-	-	10,440
-	-	-	(58,269)
-	-	12,481	12,481
-	-	1,202	527,115
(31,699)	-	(42,668)	(44,138)
<u>(31,699)</u>	<u>-</u>	<u>971,015</u>	<u>1,595,091</u>
488,415	(556)	1,403,176	1,008,278
<u>452,558</u>	<u>(5,691)</u>	<u>2,974,696</u>	<u>5,458,541</u>
<u>\$ 940,973</u>	<u>\$ (6,247)</u>	<u>\$ 4,377,872</u>	<u>\$ 6,466,819</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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,998,000	\$ 1,998,000	\$ 2,080,899	\$ 82,899
Special Assessments	7,500	7,500	20,694	13,194
Licenses and Permits	287,800	287,800	181,376	(106,424)
Intergovernmental Revenue:				
Local Government Aid	156,014	-	156,014	156,014
Market Value Credit	140,000	140,000	38,990	(101,010)
PERA Aid	3,106	3,106	3,106	-
Fire Aid	65,000	65,000	55,175	(9,825)
Police Aid	92,000	96,550	81,225	(15,325)
Federal Grants	68,902	68,902	43,175	(25,727)
Other Grants and Aids	75,000	75,000	96,218	21,218
Total Intergovernmental Revenue	600,022	448,558	473,903	25,345
Charges for Services:				
General Government	82,450	82,450	122,211	39,761
Public Safety	149,500	149,500	124,449	(25,051)
Public Works	8,000	8,000	5,335	(2,665)
Park and Recreation	2,500	2,500	3,561	1,061
Total Charges for Services	242,450	242,450	255,556	13,106
Fines and Forfeitures	43,750	43,750	44,076	326
Miscellaneous Revenues:				
Investment Income	70,000	70,000	66,292	(3,708)
Contributions and Donations	7,000	7,000	15,913	8,913
Total Miscellaneous Revenues	77,000	77,000	82,205	5,205
Total Revenues	3,256,522	3,105,058	3,138,709	33,651
<b>EXPENDITURES</b>				
<b>General Government</b>				
Mayor and Council	39,320	39,320	37,680	(1,640)
Administrative and Finance	448,825	439,425	443,131	3,706
Other General Government	169,075	160,550	164,513	3,963
Capital Outlay	5,602	5,602	4,470	(1,132)
Total General Government	662,822	644,897	649,794	4,897
<b>Public Safety</b>				
Police:				
Current	1,252,100	1,240,550	1,127,373	(113,177)
Capital Outlay	60,000	60,000	62,914	2,914
Total Police	1,312,100	1,300,550	1,190,287	(110,263)

**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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (CONTINUED)</b>				
<b>Public Safety (Continued)</b>				
Fire:				
Current	\$ 283,200	\$ 283,200	\$ 287,796	4,596
Capital Outlay	9,600	9,600	8,818	(782)
Total Fire	<u>292,800</u>	<u>292,800</u>	<u>296,614</u>	<u>3,814</u>
Other:				
Current	<u>297,765</u>	<u>255,940</u>	<u>217,932</u>	<u>(38,008)</u>
Total Public Safety	<u>1,902,665</u>	<u>1,849,290</u>	<u>1,704,833</u>	<u>(144,457)</u>
<b>Public Works</b>				
Streets and Highways:				
Street Maintenance and Storm Sewers	343,260	343,260	329,595	(13,665)
Street Engineering	4,500	4,500	4,438	(62)
Street Lighting	<u>100,000</u>	<u>100,000</u>	<u>84,703</u>	<u>(15,297)</u>
Total Streets and Highways	<u>447,760</u>	<u>447,760</u>	<u>418,736</u>	<u>(29,024)</u>
Sanitation:				
Collection and Disposal	<u>1,000</u>	<u>1,000</u>	<u>1,005</u>	<u>5</u>
Total Public Works	<u>448,760</u>	<u>448,760</u>	<u>419,741</u>	<u>(29,019)</u>
<b>Culture and Recreation</b>				
Parks and Recreation:				
Current Expenditures	378,665	378,665	368,640	(10,025)
<b>Economic Development</b>				
Current Expenditures	<u>157,800</u>	<u>157,300</u>	<u>157,861</u>	<u>561</u>
Total Expenditures	<u>3,550,712</u>	<u>3,478,912</u>	<u>3,300,869</u>	<u>(178,043)</u>
Excess of Revenues Over (Under) Expenditures	(294,190)	(373,854)	(162,160)	211,694
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	220,000	220,000	244,138	24,138
Transfers Out	-	-	(64,140)	(64,140)
Total Other Financing Sources (Uses)	<u>220,000</u>	<u>220,000</u>	<u>179,998</u>	<u>(40,002)</u>
Net Change in Fund Balances	<u>\$ (74,190)</u>	<u>\$ (153,854)</u>	17,838	<u>\$ 171,692</u>
<b>FUND BALANCES</b>				
Beginning of Year			<u>2,251,871</u>	
End of Year			<u>\$ 2,269,709</u>	

**CITY OF BIG LAKE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010**

Federal Agency/Pass Through Agency/Program Title	Federal CFDA Number	2010 Expenditures
<b>U.S. Department of Housing and Urban Development</b>		
Through Minnesota Housing Finance Agency:		
ARRA Neighborhood Stabilization Program	14.256	\$ 685,089
<b>U.S. Department of Employment and Economic Development</b>		
Through Minnesota PFA:		
Clean Water Revolving Fund Cluster:		
Clean Water Revolving Fund	66.458	9,593,558
ARRA Clean Water Revolving Fund	66.458	1,693,964
Total Clean Water Revolving Fund Cluster		<u>11,287,522</u>
<b>U.S. Department of Transportation</b>		
Through the City of Elk River:		
State and Community Highway Safety	20.600	5,645
<b>U.S. Department of Justice</b>		
Direct from Federal Government:		
Public Safety Partnership and Community Policing Grants	16.710	10,902
Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580	32,274
Total U.S. Department of Justice		<u>43,176</u>
Total Federal Expenditures		<u>\$ 12,021,432</u>

## **CITY OF BIG LAKE**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS December 31, 2010**

#### **NOTE 1 – BASIS OF PRESENTATION**

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

#### **NOTE 2 – PUBLIC FACILITIES AUTHORITY**

On September 24, 2009, the City entered into an agreement with the Minnesota PFA for a project loan for \$ 13,470,120. In addition to the project loan, the City qualified for a \$ 2,000,000 Federal ARRA Green Grant administered through the Minnesota PFA. As of December 31, 2010, the City had expended \$ 11,304,982 of the loan and received \$ 2,000,000 of the Grant proceeds.

#### **NOTE 3 – NEIGHBORHOOD STABILIZATION PROGRAM GRANT**

On May 26, 2009, the City was awarded \$ 940,676 in Neighborhood Stabilization Program (NSP) Grant proceeds, administered through the Minnesota Housing Finance Agency. Through subsequent amendments to the grant, the City had been awarded an additional \$ 273,845, for a total grant award of \$ 1,214,521. As of December 31, 2010, the City had expended \$ 1,186,555 of the Grant proceeds.

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

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 11, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. 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 04-01 to be a significant deficiency. 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 May 11, 2011.

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  
May 11, 2011



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

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, 2010. 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, 2010.



## 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  
May 11, 2011

**CITY OF BIG LAKE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
December 31, 2010**

**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 Finding 04-01
Noncompliance material to financial statements noted?	No

**Federal Awards**

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

**Identification of Major Programs**

CFDA No.:	14.256
Name of Federal Program or Cluster:	ARRA Neighborhood Stabilization Program
CFDA No.:	66.458
Name of Federal Program or Cluster:	Clean Water Revolving Fund ARRA 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, 2010**

**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, 2010, 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, 2010**

**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.

**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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 25, 2011.

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 except as described in the Schedule of Findings and Responses on Legal Compliance.

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  
May 11, 2011

**CITY OF BIG LAKE**  
**SCHEDULE OF FINDINGS AND RESPONSES ON**  
**LEGAL COMPLIANCE**  
**December 31, 2010**

**CURRENT 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 our audit, we noted the District did not submit the Public Indebtedness Report by the deadline.

**City's Response:**

Due to the transition of the finance director position, the Public Indebtedness Report was completed, however did not get submitted by the deadline. Management has implemented procedures to ensure this does not occur going forward.