

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

*Audited Financial Statements*  
*For the Fiscal Year Ended December 31, 2007*

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

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

**ELECTED OFFICIALS AND ADMINISTRATION**  
**December 31, 2007**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Donald Orrock	Mayor	December 31, 2008
Lori Kampa	Council Member	December 31, 2008
Patricia May	Council Member	December 31, 2008
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 AUDITORS' REPORT**

May 14, 2008

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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the 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 14, 2008, 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.

# KDV

The Management's Discussion and Analysis, which follows this report letter, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kern Dewenter, Vice, c+d.*  
KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

As management of the City of Big Lake, 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, 2007. 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 \$ 54,695,197. Of this amount, \$ 7,381,542 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 3,245,486. This increase was due to investments in capital asset items, whereas unrestricted net assets decreased in 2007 versus 2006.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 8,194,658, a decrease of \$ 861,323 from the previous year. Approximately 55.3% of this total amount, \$ 4,533,067, 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 \$ 2,331,657 or 57.4% of the total General Fund expenditures.
- The City's total debt increased by \$ 5,628,215 (15.2%) during the current fiscal year. The key factors in this increase were the issuance of \$ 2,105,000 G.O. Improvement Bonds to fund the 2008 Street Improvement Project, \$ 1,130,000 G.O. Capital Improvement Plan Bond to fund the Public Works Building Expansion Project, \$ 2,060,000 G.O. Utility System Revenue Bonds to fund the first phase of the County Road 43 Interceptor Project, \$ 900,000 G.O. Improvement Bonds to fund street and utility improvements on 197<sup>th</sup> Avenue in the Marketplace Development, \$ 1,325,000 G.O. Utility Revenue Bonds to fund various water system projects, and draws taken in 2007 related to the \$ 9,787,000 Public Facilities Authority Drinking Water Revolving Loan for the construction of the City's new water treatment facility.

**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 of Big Lake is improving or deteriorating.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

The Statement of Activities presents information showing how the City'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).

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, 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 18 and 19 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 city'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 City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

The City of Big Lake maintains 36 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Street Improvement Capital Project Fund, Industrial Park Expansion Land Purchase Capital Project Fund and the Public Works Building Expansion Capital Project Fund, which are considered to be major funds. Data from the other 32 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.

The basic governmental fund financial statements can be found on pages 18-27 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 of Big Lake.

The basic proprietary fund financial statements can be found on pages 28-30 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 31-56 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 58-72 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

**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 \$ 54,695,197 at the close of the most recent fiscal year.

Approximately 62.3% 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 (24.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 7,381,542) may be used to meet the City'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 net assets for the City as a whole, as well as for its water, sanitary sewer and storm water enterprises separately.

<b>City of Big Lake's Net Assets</b>						
	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 16,784,757	\$ 15,439,767	\$ 8,493,555	\$ 8,937,768	\$ 25,278,312	\$ 24,377,535
Capital Assets	35,519,497	30,765,139	41,264,154	35,692,583	76,783,651	66,457,722
<b>Total Assets</b>	<b>\$ 52,304,254</b>	<b>\$ 46,204,906</b>	<b>\$ 49,757,709</b>	<b>\$ 44,630,351</b>	<b>\$ 102,061,963</b>	<b>\$ 90,835,257</b>
Long-Term Liabilities Outstanding	\$ 21,879,472	\$ 19,477,156	\$ 18,207,990	\$ 15,790,988	\$ 40,087,462	\$ 35,268,144
Other Liabilities	4,916,700	3,471,567	2,362,604	1,213,335	7,279,304	4,684,902
<b>Total Liabilities</b>	<b>\$ 26,796,172</b>	<b>\$ 22,948,723</b>	<b>\$ 20,570,594</b>	<b>\$ 17,004,323</b>	<b>\$ 47,366,766</b>	<b>\$ 39,953,046</b>
<b>Net Assets:</b>						
Invested in Capital Assets,						
Net of Related Debt	11,965,782	10,083,480	22,091,591	19,181,892	34,057,373	29,265,372
Restricted	13,106,562	12,052,290	149,720	149,720	13,256,282	12,202,010
Unrestricted	435,738	1,120,413	6,945,804	8,294,416	7,381,542	9,414,829
<b>Total Net Assets</b>	<b>\$ 25,508,082</b>	<b>\$ 23,256,183</b>	<b>\$ 29,187,115</b>	<b>\$ 27,626,028</b>	<b>\$ 54,695,197</b>	<b>\$ 50,882,211</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

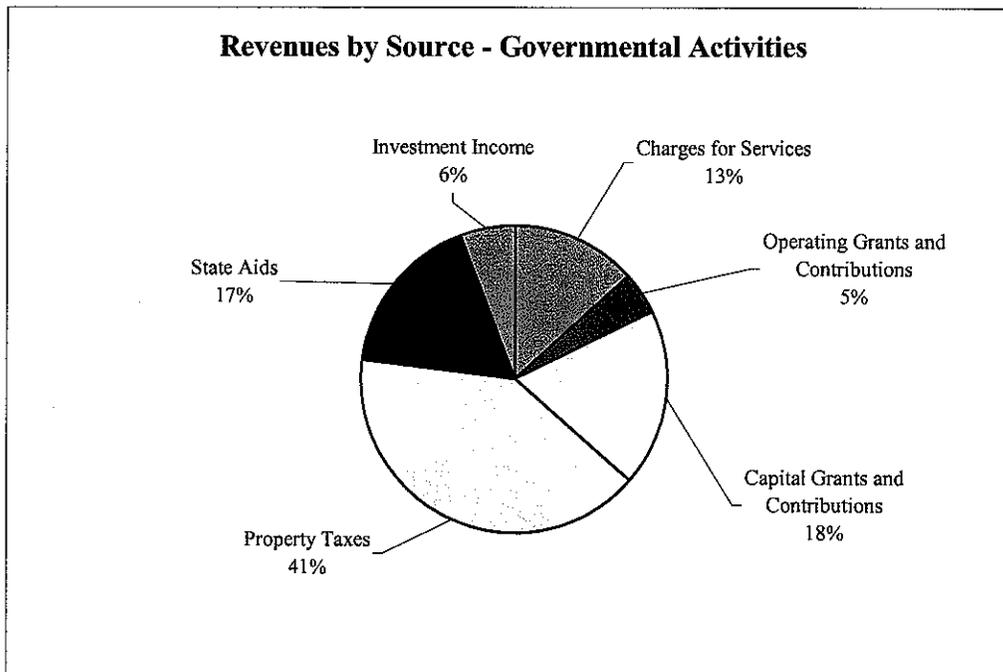
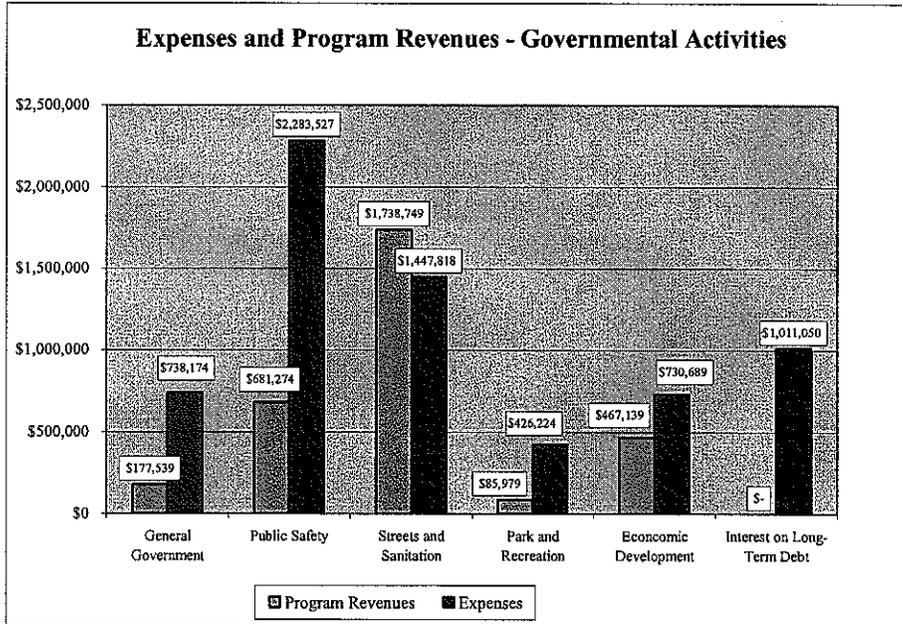
The City's net assets increased by \$ 3,245,486 during the current fiscal year. About 36.4% of this increase came from noninterest activity in the governmental funds, while 33.5% is attributable to noninterest business-type activities. The remainder of this growth (30.1%) reflects investment earnings.

**Governmental activities.** Governmental activities increased the City's net assets by \$ 1,684,399, thereby accounting for 51.9% of the total growth in the net assets of the City.

	City of Big Lake's Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>REVENUE:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,156,754	\$ 1,846,637	\$ 5,704,626	\$ 5,184,027	\$ 6,861,380	\$ 7,030,664
Operating Grants and Contributions	390,182	355,507	-	-	390,182	355,507
Capital Grants and Contributions	1,603,744	4,786,514	215,181	3,916,052	1,818,925	8,702,566
<b>General Revenues:</b>						
Property Taxes	3,516,910	2,936,409	19	10	3,516,929	2,936,419
State Aids	1,499,498	767,405	-	-	1,499,498	767,405
Investment Income	503,466	536,232	473,368	419,397	976,834	955,629
Other Income	1,669	-	-	-	-	-
Total Revenues	<u>8,672,223</u>	<u>11,228,704</u>	<u>6,393,194</u>	<u>9,519,486</u>	<u>15,063,748</u>	<u>20,748,190</u>
<b>Expenses:</b>						
General Government	738,174	1,088,397			738,174	1,088,397
Public Safety	2,283,527	2,080,273			2,283,527	2,080,273
Streets and Sanitation	1,447,818	1,441,514			1,447,818	1,441,514
Economic Development	730,689	874,787			730,689	874,787
Culture and Recreation	426,224	236,090			426,224	236,090
Interest/Fiscal Charges	1,011,050	856,122			1,011,050	856,122
Water			1,149,515	1,109,207	1,149,515	1,109,207
Sewer			1,209,987	1,093,828	1,209,987	1,093,828
Stormwater			222,629	168,475	222,629	168,475
Liquor			2,600,318	2,742,887	2,600,318	2,742,887
Total Expenses	<u>6,637,482</u>	<u>6,577,183</u>	<u>5,182,449</u>	<u>5,114,397</u>	<u>11,819,931</u>	<u>11,691,580</u>
Increase in Net Assets Before Transfers	2,034,741	4,651,521	1,210,745	4,405,089	3,245,486	9,056,610
Transfers	(350,342)	141,121	350,342	(141,121)	-	-
Increase in Net Assets	<u>1,684,399</u>	<u>4,792,642</u>	<u>1,561,087</u>	<u>4,263,968</u>	<u>3,245,486</u>	<u>9,056,610</u>
Net Assets - Beginning	23,256,183	17,921,548	27,626,028	23,652,060	50,882,211	41,573,608
Prior Period Adjustment	567,500	541,993	-	(290,000)	567,500	251,993
Net Assets - Beginning Restated	<u>23,823,683</u>	<u>18,463,541</u>	<u>27,626,028</u>	<u>23,362,060</u>	<u>51,449,711</u>	<u>41,825,601</u>
Net Assets - Ending	<u>\$ 25,508,082</u>	<u>\$ 23,256,183</u>	<u>\$ 29,187,115</u>	<u>\$ 27,626,028</u>	<u>\$ 54,695,197</u>	<u>\$ 50,882,211</u>

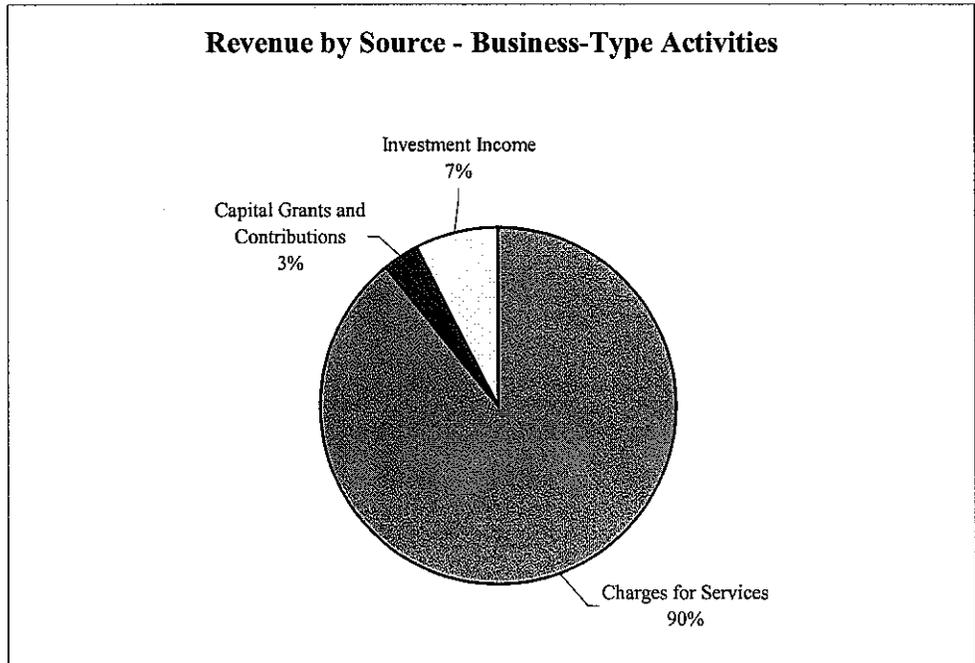
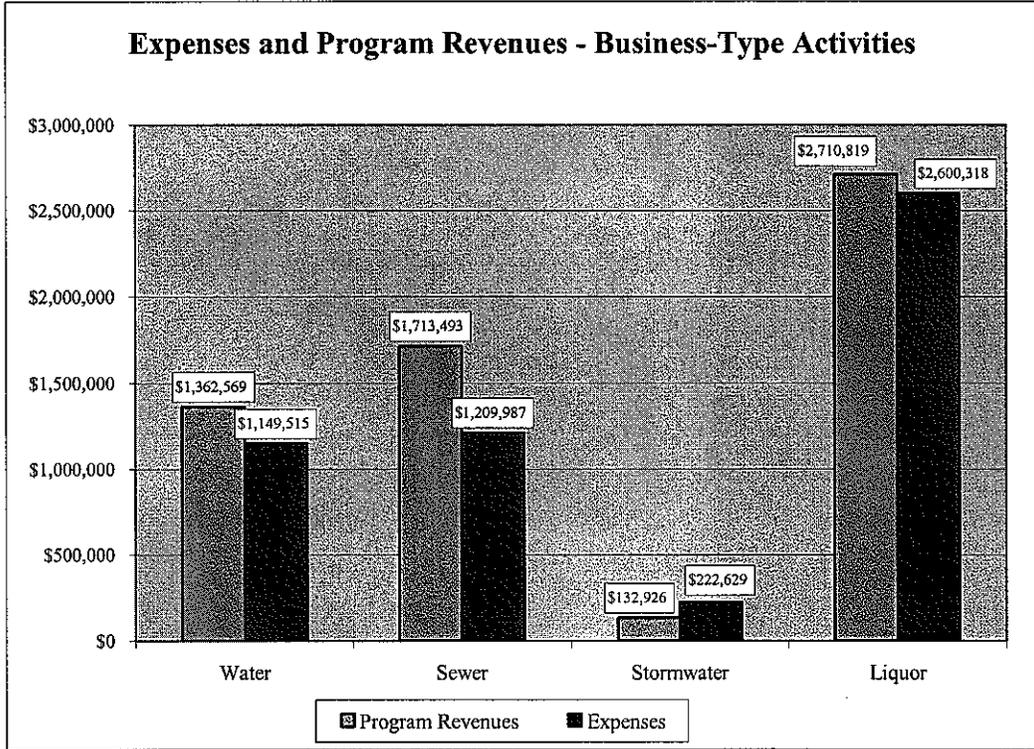
**CITY OF BIG LAKE**  
**Sherburne County, Minnesota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**



**CITY OF BIG LAKE  
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December 31, 2007**



**CITY OF BIG LAKE**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

**Business-Type Activities.** Business-type activities increased the City's net assets by \$ 1,561,087, accounting for 48.1% of the total growth in the City's net assets.

**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 city'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 \$ 8,194,658, a decrease of \$ 861,323 from the previous year. Approximately 55.3% of this total amount (\$ 4,533,067) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate it is not available for new spending because it has already been committed 1) for future capital purchases (\$ 35,036) or 2) for prepaid expenses paid in 2007 (\$ 83,047) or 3) to account for land that is being held for resale (\$ 3,543,508).

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 \$ 2,331,657, while total fund balance reached \$ 2,449,740. 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 57.4% of the total General Fund expenditures, while total fund balance represents 60.3% of that same amount.

The fund balance of the City's General Fund decreased by \$ 181,607 during the current fiscal year. Key factors in 2007 which had an impact on fund balance include:

- Building permit revenue for the year was \$ 368,540, or \$ 51,460 less than budgeted. This shortfall was due mainly to the slow down in the housing market, with only 47 new single family home permits being issued in 2007.
- Fire protection services revenue ended the year \$ 128,557 under budget. This was due mainly to a one-time payment to Big Lake Township for \$ 91,259 for shared fire protection services revenue with Orrock Township.
- During 2007, the City Council approved the use of \$ 98,023 of existing General Fund reserves to fund the Channel Improvements Project.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

Unrestricted net assets of the water operations at the end of the year amounted to \$ 1,710,452, those for the sewer operations amounted to \$ 5,719,187, those for the storm water operations amounted to \$ 40,090 and those for the liquor operations amounted to \$ (523,925). The total growth (reduction) in net assets for each Fund was \$ 209,215, \$ 863,157, \$ 596,298 and \$ (107,583), respectively. The Municipal Liquor Store realized income before transfers of \$ 72,417. With an operating transfer of \$ 180,000 to the General Fund, the change in net assets for the Liquor Fund was \$ (107,583). Other factors concerning the finances of these Funds have already been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was amended in 2007 for \$ 102,823 to account for the Channel Improvements Project, as well as to account for the purchase of equipment for the fire department.

**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, 2007 amounted to \$ 76,783,651 (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.

<b>City of Big Lake's Capital Assets</b>						
(net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 7,427,585	\$ 7,427,585	\$ 1,533,956	\$ 1,533,956	\$ 8,961,541	\$ 8,961,541
Construction in Progress	12,238,685	9,098,975	18,886,422	16,407,258	31,125,107	25,506,233
Leasehold Improvements	30,756	32,555	163,062	156,515	193,818	189,070
Infrastructure	11,273,305	10,618,251	-	-	11,273,305	10,618,251
Collection and Distribution Systems	-	-	18,245,560	17,163,596	18,245,560	17,163,596
Buildings and System	3,090,190	2,204,181	1,984,411	77,267	5,074,601	2,281,448
Machinery and Equipment	1,458,976	1,383,592	450,743	353,991	1,909,719	1,737,583
<b>Total</b>	<b>\$ 35,519,497</b>	<b>\$ 30,765,139</b>	<b>\$ 41,264,154</b>	<b>\$ 35,692,583</b>	<b>\$ 76,783,651</b>	<b>\$ 66,457,722</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

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

- Construction neared completion on a new water treatment facility. Construction in progress at the close of the current year reached \$ 9,125,809.
- Construction was completed on the Glenwood Avenue Improvement Project, Channel Improvement Project, Fire Hall Expansion Project and Municipal Liquor Store Renovation Project. Construction began or was continued on several other projects, including; 172nd Street Improvements, 197<sup>th</sup> Avenue Improvements, County Road 5 and Highway 10 Intersection Improvements, 166<sup>th</sup> Street and 197<sup>th</sup> Avenue Improvements, 168<sup>th</sup> Street and 197<sup>th</sup> Avenue Improvements, Hill Street Area Improvements, Lakeside Park/Esplanade Improvements, Ormsbee Area Street Improvements, Public Works Building Expansion Project, and Water Tower No. 4. Construction in progress at the close of the fiscal year for these projects and others reached \$ 31,125,107.

Additional information on the City's capital assets can be found in Note 5 on pages 45-47 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City had a total bonded debt outstanding of \$ 42,695,040. Of this amount \$ 2,965,000 comprises debt backed by the full faith and credit of the government and \$ 17,850,000 is special assessment debt for which the City 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., TIF bonds, revenue bonds, lease revenue bonds).

<b>City of Big Lake's Outstanding Debt</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds/Notes	\$ 2,965,000	\$ 1,875,000	\$ -	\$ -	\$ 2,965,000	\$ 1,875,000
FmHA Loan	140,000	273,000	-	-	140,000	273,000
General Obligation Tax Increment Bonds	1,400,000	1,570,000	-	-	1,400,000	1,570,000
General Obligation Special Assessment Bonds	17,850,000	15,690,000	-	-	17,850,000	15,690,000
EDA Lease Revenue Bonds	1,198,715	1,273,659	-	-	1,198,715	1,273,659
PFA Drinking Water Revolving Loan	-	-	7,925,040	8,264,813	7,925,040	8,264,813
General Obligation Revenue Bonds/Notes	-	-	9,925,000	6,800,000	9,925,000	6,800,000
Public Project Revenue Bonds	-	-	1,291,285	1,320,353	1,291,285	1,320,353
	<u>\$ 23,553,715</u>	<u>\$ 20,681,659</u>	<u>\$ 19,141,325</u>	<u>\$ 16,385,166</u>	<u>\$ 42,695,040</u>	<u>\$ 37,066,825</u>

The City's total debt increased by \$ 5,628,215 (15.2%) during the current fiscal year. The key factors in this increase were the issuance of \$ 2,105,000 G.O. Improvement Bonds to fund the 2008 Street Improvement Project, \$ 1,130,000 G.O. Capital Improvement Plan Bond to fund the Public Works Building Expansion Project, \$ 2,060,000 G.O. Utility System Revenue Bonds to fund the first phase of the County Road 43 Interceptor Project, \$ 900,000 G.O. Improvement Bonds to fund street and utility improvements on 197<sup>th</sup> Avenue in the Marketplace Development, \$ 1,325,000 G.O. Utility Revenue Bonds to fund various water system projects, and draws taken in 2007 related to the \$ 9,787,000 Public Facilities Authority Drinking Water Revolving Loan for the construction of the City's new water treatment facility.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2007**

The City maintains an "A2" rating from Moody's for G.O. debt.

Additional information on the City's long-term debt can be found in Note 6 on pages 47-52 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Growth slowed considerably in 2007. 47 single family home building permits were issued in 2007. This compares to 147 for 2006 and 197 for 2005. It is expected the pace of new home construction will remain slow as the residential sales market continues to struggle. The 2008 General Fund budget assumes 50 new home starts. It is expected the slow down in residential building permit revenues will be offset by increasing commercial building permit activity in subsequent years.
- Budgeted spending for the City's General Fund was reduced by \$ 97,008 for fiscal year 2008, a 2.3% decrease from the amended 2007 General Fund budget.
- Despite the decrease in the General Fund budget, the 2008 tax rate for the City increased to 41.605% from 40.761% in 2007. This was due mainly to reductions in other General Fund revenues which resulted in the need to increase the general operating levy by \$ 316,991 in 2008 and increased special levies (debt service levies) of \$ 61,241 in 2008 versus 2007.

Water, sanitary sewer and storm water rates were increased for the 2008 budget year. Water rates were increased to help cover increasing operating costs associated with the new water treatment facility and to cover other operating expenses. Sanitary sewer rates were increased mainly to account for anticipated increased operating expenditures from an expansion to the waste water treatment plant, expected to begin in fall of 2008. Storm sewer rates currently do not meet all operating expenses, including depreciation. However, storm sewer rates do cover operating expenditures when depreciation is not factored in.

**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 City'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.

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**BASIC FINANCIAL STATEMENTS**

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

**STATEMENT OF NET ASSETS**  
**December 31, 2007**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Investments (Including Cash Equivalents)	\$ 8,732,163	\$ 3,755,393	\$ 12,487,556
Cash with Fiscal Agent	159,500	-	159,500
Receivables:			
Property Taxes Receivable	233,136	10	233,146
Accounts Receivable	90,574	345,790	436,364
Interest Receivable	188,168	-	188,168
Notes Receivable	743,523	219,313	962,836
Special Assessments Receivable:			
Delinquent	113,372	9,864	123,236
Deferred	5,029,208	265,962	5,295,170
Due from Other Governments	1,215,498	1,515	1,217,013
Due from Other Funds (Internal Balances)	(3,346,940)	3,346,940	-
Inventories	-	341,954	341,954
Land Held for Resale	3,543,508	-	3,543,508
Prepaid Expenses	83,047	57,094	140,141
Restricted Cash	-	149,720	149,720
Capital Assets not being Depreciated:			
Land	7,427,585	1,533,956	8,961,541
Construction in Progress	12,238,685	18,886,422	31,125,107
Capital Assets being Depreciated:			
Infrastructure	22,273,174	-	22,273,174
Buildings	3,803,371	2,010,063	5,813,434
Leasehold Improvements	36,006	223,833	259,839
Machinery and Equipment	3,410,070	987,981	4,398,051
Collection and Distribution Systems	-	26,053,676	26,053,676
Less Accumulated Depreciation	(13,669,394)	(8,431,777)	(22,101,171)
<b>Total Assets</b>	<b>\$ 52,304,254</b>	<b>\$ 49,757,709</b>	<b>\$ 102,061,963</b>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 352,200	\$ 190,313	\$ 542,513
Salaries, Benefits and Compensated Absences Payable	48,049	56,458	104,507
Escrow Payable	710,915	-	710,915
Contracts Payable	1,423,081	856,298	2,279,379
Due to Other Governments	156,183	24,678	180,861
Interest Payable	394,663	270,284	664,947
Bond Principal Payable:			
Payable Within One Year	1,415,000	-	1,415,000
Payable After One Year	20,060,000	-	20,060,000
Revenue Bonds Payable:			
Payable Within One Year	81,398	933,602	1,015,000
Payable After One Year	1,117,317	17,752,961	18,870,278
Notes Payable:			
Payable Within One Year	219,029	30,971	250,000
Payable After One Year	660,971	259,029	920,000
Other Liabilities:			
Payable After One Year	-	196,000	196,000
Compensated Absences Payable:			
Payable Within One Year	116,182	-	116,182
Severance Payable:			
Payable After One Year	41,184	-	41,184
<b>Total Liabilities</b>	<b>26,796,172</b>	<b>20,570,594</b>	<b>47,366,766</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	11,965,782	22,091,591	34,057,373
Restricted for:			
Debt Service	9,179,648	149,720	9,329,368
Tax Increment	383,406	-	383,406
Land Held for Resale	3,543,508	-	3,543,508
Unrestricted	435,738	6,945,804	7,381,542
<b>Total Net Assets</b>	<b>25,508,082</b>	<b>29,187,115</b>	<b>54,695,197</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 52,304,254</b>	<b>\$ 49,757,709</b>	<b>\$ 102,061,963</b>

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

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

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2007

	Program Revenues			Capital Grants and Contributions		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	\$ 738,174	\$ 176,184	\$ 950	\$ 405	\$ (560,635)	\$ -	\$ (560,635)	
Public Safety	2,283,527	525,105	151,273	4,896	(1,602,253)	-	(1,602,253)	
Streets and Highways	1,447,818	77,798	62,508	1,598,443	290,931	-	290,931	
Culture and Recreation	426,224	85,879	100	-	(340,245)	-	(340,245)	
Economic Development	730,689	291,788	175,351	-	(263,550)	-	(263,550)	
Interest on Long-Term Debt	1,011,050	-	-	-	(1,011,050)	-	(1,011,050)	
Total Governmental Activities	6,637,482	1,156,754	390,182	1,603,744	(3,486,802)	-	(3,486,802)	
<b>Business-Type Activities:</b>								
Water	1,149,515	1,327,894	-	34,675	-	213,054	213,054	
Sewer	1,209,987	1,532,987	-	180,506	-	503,506	503,506	
Municipal Liquor	2,600,318	2,710,819	-	-	-	110,501	110,501	
Storm Sewer	222,629	132,926	-	-	-	(89,703)	(89,703)	
Total Business-Type Activities	5,182,449	5,704,626	-	215,181	-	737,358	737,358	
Total Governmental and Business-Type Activities	\$ 11,819,931	\$ 6,861,380	\$ 390,182	\$ 1,818,925	(3,486,802)	737,358	(2,749,444)	
<b>General Revenues:</b>								
Property Taxes					2,635,502	19	2,635,521	
Tax Increments					881,408	-	881,408	
State Aids					1,499,498	-	1,499,498	
Unrestricted Investment Earnings					503,466	473,368	976,834	
Gain on Sale of Assets					1,669	-	1,669	
Transfers					(350,342)	350,342	-	
Total General Revenues and Transfers					5,171,201	823,729	5,994,930	
Change in Net Assets					1,684,399	1,561,087	3,245,486	
Net Assets - Beginning					23,256,183	27,626,028	50,882,211	
Prior Period Adjustment					567,500	-	567,500	
Net Assets - Beginning Restated					23,823,683	27,626,028	51,449,711	
Net Assets - Ending					\$ 25,508,082	\$ 29,187,115	\$ 54,695,197	

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

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2007**

	Capital Projects			
	General (101)	Street Improvement (175)	Industrial Park Expansion Land Purchase (141)	Public Works Building Expansion (180)
<b>ASSETS:</b>				
Cash and Investments (Including Cash Equivalents)	\$ 2,497,227	\$ 502,495	\$ -	\$ 307,324
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	179,622	-	-	-
Accounts Receivable	17,976	-	-	-
Interest Receivable	188,168	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	102,282	851,815	-	-
Notes Receivable	-	-	-	-
Special Assessments Receivable:				
Delinquent	361	43,175	-	-
Deferred	9,800	257,492	-	-
Land Held for Resale	-	-	1,732,099	-
Prepaid Expenses	83,047	-	-	-
<b>Total Assets</b>	<b>\$ 3,078,483</b>	<b>\$ 1,654,977</b>	<b>\$ 1,732,099</b>	<b>\$ 307,324</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 145,602	\$ 135,619	\$ -	\$ 8,907
Salaries and Benefits Payable	48,049	-	-	-
Escrow Payable	230,300	73,182	-	-
Contracts Payable	-	1,159,747	-	-
Due to Other Funds	-	-	1,736,156	-
Due to Other Governments	18,554	-	-	-
Deferred Revenues	186,238	300,667	-	-
<b>Total Liabilities</b>	<b>628,743</b>	<b>1,669,215</b>	<b>1,736,156</b>	<b>8,907</b>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Capital Projects	35,036	-	-	-
Prepaid Expense	83,047	-	-	-
Land Held for Resale	-	-	1,732,099	-
<b>Unreserved, Reported in:</b>				
General Fund - Designated	157,366	-	-	-
General Fund - Undesignated	2,174,291	-	-	-
Special Revenue Funds - Designated	-	-	-	-
Debt Service - Designated	-	-	-	-
Debt Service - Undesignated	-	-	-	-
Capital Projects Funds - Designated	-	-	-	298,417
Capital Projects Funds - Undesignated	-	(14,238)	(1,736,156)	-
<b>Total Fund Balances</b>	<b>2,449,740</b>	<b>(14,238)</b>	<b>(4,057)</b>	<b>298,417</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,078,483</b>	<b>\$ 1,654,977</b>	<b>\$ 1,732,099</b>	<b>\$ 307,324</b>

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

Other Governmental Funds	Total Governmental Funds
\$ 5,425,117	\$ 8,732,163
159,500	159,500
53,514	233,136
72,598	90,574
-	188,168
429,750	429,750
261,401	1,215,498
743,523	743,523
69,836	113,372
4,761,916	5,029,208
1,811,409	3,543,508
-	83,047
<u>\$ 13,788,564</u>	<u>\$ 20,561,447</u>

\$ 62,072	\$ 352,200
-	48,049
407,433	710,915
263,334	1,423,081
2,040,534	3,776,690
137,629	156,183
5,412,766	5,899,671
<u>8,323,768</u>	<u>12,366,789</u>

-	35,036
-	83,047
1,811,409	3,543,508
-	157,366
-	2,174,291
294,564	294,564
4,442,605	4,442,605
(209,717)	(209,717)
641,312	939,729
<u>(1,515,377)</u>	<u>(3,265,771)</u>
<u>5,464,796</u>	<u>8,194,658</u>
<u>\$ 13,788,564</u>	<u>\$ 20,561,447</u>

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

**RECONCILIATION OF THE BALANCE SHEET TO**  
**THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**  
**December 31, 2007**

Total Fund Balances - Governmental Funds \$ 8,194,658

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	49,188,891
Less Accumulated Depreciation	(13,669,394)

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	(21,475,000)
Revenue Bonds Payable	(1,198,715)
Notes Payable	(880,000)
Compensated Absences Payable	(116,182)
Severance Payable	(41,184)

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	233,136
Special Assessments	113,372

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

Deferred Special Assessments	5,025,663
Notes Receivable	527,500

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

(394,663)

Total Net Assets - Governmental Activities \$ 25,508,082

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

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2007**

	General (101)	Capital Projects		
		Street Improvement (175)	Industrial Park Expansion Land Purchase (141)	Public Works Building Expansion (180)
<b>REVENUES:</b>				
Property Taxes	\$ 1,903,734	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Special Assessments	405	160,491	-	-
Licenses and Permits	497,696	-	-	-
Intergovernmental	778,084	849,047	-	-
Charges for Services	270,050	-	-	-
Fines and Forfeitures	60,941	-	-	-
Miscellaneous:				
Investment Income	118,296	99,592	-	21,821
Contributions and Donations	9,900	-	-	-
Other	35,977	-	-	951
<b>Total Revenues</b>	<b>3,675,083</b>	<b>1,109,130</b>	<b>-</b>	<b>22,772</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General Government	712,058	-	-	-
Public Safety	2,068,321	-	-	-
Streets and Highways	474,288	-	-	-
Culture and Recreation	336,136	-	-	-
Economic Development	225,196	-	-	-
<b>Debt Service:</b>				
Principal	-	-	-	-
Interest and Other Charges	-	23,904	4,057	-
<b>Capital Outlay:</b>				
General Government	123,553	-	-	-
Public Safety	121,511	-	-	-
Streets and Highways	550	4,834,425	-	1,655,442
Culture and Recreation	828	-	-	-
Economic Development	2,001	-	-	-
<b>Total Expenditures</b>	<b>4,064,442</b>	<b>4,858,329</b>	<b>4,057</b>	<b>1,655,442</b>
Excess of Revenues Under Expenditures	(389,359)	(3,749,199)	(4,057)	(1,632,670)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Capital Asset	2,805	-	-	-
Issuance of Debt	9,000	2,891,674	-	1,069,273
Bond Discount	-	(1,215)	-	-
Transfers In	195,947	-	-	920,000
Transfers Out	-	(114,028)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>207,752</b>	<b>2,776,431</b>	<b>-</b>	<b>1,989,273</b>
Net Change in Fund Balances	(181,607)	(972,768)	(4,057)	356,603
<b>FUND BALANCES:</b>				
Beginning of Year	2,631,347	958,530	-	(58,186)
End of Year	\$ 2,449,740	\$ (14,238)	\$ (4,057)	\$ 298,417

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

Other Governmental Funds	Total Governmental Funds
\$ 634,933	\$ 2,538,667
881,408	881,408
659,209	820,105
-	497,696
291,595	1,918,726
127,139	397,189
-	60,941
263,757	503,466
30,259	40,159
164,952	201,880
<u>3,053,252</u>	<u>7,860,237</u>
-	712,058
-	2,068,321
-	474,288
-	336,136
203,984	429,180
1,262,200	1,262,200
897,607	925,568
-	123,553
169,031	290,542
4,287	6,494,704
676,057	676,885
229,079	231,080
<u>3,442,245</u>	<u>14,024,515</u>
(388,993)	(6,164,278)
-	2,805
165,053	4,135,000
(15,082)	(16,297)
503,113	1,619,060
<u>(323,585)</u>	<u>(437,613)</u>
<u>329,499</u>	<u>5,302,955</u>
(59,494)	(861,323)
<u>5,524,290</u>	<u>9,055,981</u>
<u>\$ 5,464,796</u>	<u>\$ 8,194,658</u>

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

**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, 2007**

Total Net Change in Fund Balances - Governmental Funds \$ (861,323)

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	6,573,007
Depreciation Expense	(1,143,106)
Loss on Disposal	(69,414)
Completed CIP Transferred to Enterprise Funds	(670,000)
Donated Assets	63,871

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (13,097)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net assets in the Statement of Activities. 1,262,944

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. (69,929)

Proceeds from long-term debt are recognized as other financing source in the governmental funds but as a decrease in net assets in the Statement of Activities. (4,135,000)

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

Deferred Special Assessments	613,174
Delinquent Special Assessments	76,437
Long-Term Notes Receivable	(40,000)

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. 96,835

Change in Net Assets - Governmental Activities \$ 1,684,399

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 1,936,233	\$ 1,936,233	\$ 1,903,734	\$ (32,499)
Special Assessments	2,750	2,750	405	(2,345)
Licenses and Permits	553,850	553,850	497,696	(56,154)
Intergovernmental	812,040	812,040	778,084	(33,956)
Charges for Services	391,300	391,300	270,050	(121,250)
Fines and Forfeitures	63,250	63,250	60,941	(2,309)
Miscellaneous Revenues:				
Investment Income	90,000	90,000	118,296	28,296
Contributions and Donations	6,000	6,000	9,900	3,900
Other	27,500	27,500	35,977	8,477
Total Revenues	<u>3,882,923</u>	<u>3,882,923</u>	<u>3,675,083</u>	<u>(207,840)</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	709,050	709,050	712,058	3,008
Public Safety	2,139,889	2,144,689	2,068,321	(76,368)
Streets and Highways	529,007	529,007	474,288	(54,719)
Culture and Recreation	349,752	349,752	336,136	(13,616)
Economic Development	225,500	225,500	225,196	(304)
Capital Outlay:				
General Government	-	98,023	123,553	25,530
Public Safety	174,300	174,300	121,511	(52,789)
Streets and Highways	5,250	5,250	550	(4,700)
Culture and Recreation	5,275	5,275	828	(4,447)
Economic Development	3,900	3,900	2,001	(1,899)
Total Expenditures	<u>4,141,923</u>	<u>4,244,746</u>	<u>4,064,442</u>	<u>(180,304)</u>
Excess of Revenues Under Expenditures	(259,000)	(361,823)	(389,359)	(27,536)
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from Sale of Capital Asset	-	-	2,805	2,805
Issuance of Debt	-	-	9,000	9,000
Transfers In	190,000	190,000	195,947	5,947
Total Other Financing Sources	<u>190,000</u>	<u>190,000</u>	<u>207,752</u>	<u>17,752</u>
Net Change in Fund Balances	<u>\$ (69,000)</u>	<u>\$ (171,823)</u>	(181,607)	<u>\$ (9,784)</u>
<b>FUND BALANCES:</b>				
Beginning of Year			<u>2,631,347</u>	
End of Year			<u>\$ 2,449,740</u>	

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

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**December 31, 2007**

	<u>Water (301)</u>	<u>Sewer (401)</u>	<u>Liquor (501)</u>	<u>Storm Sewer (601)</u>	<u>Total</u>
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and Investments					
(Including Cash Equivalents)	\$ 1,537,655	\$ 2,199,547	\$ 800	\$ 17,391	\$ 3,755,393
Taxes Receivable - Delinquent	-	10	-	-	10
Accounts Receivable	159,143	164,527	-	22,120	345,790
Due from Other Funds	-	4,077,768	-	-	4,077,768
Due from Other Governments	1,433	77	-	5	1,515
Notes Receivable	219,313	-	-	-	219,313
Special Assessment Receivable:					
Delinquent	4,932	4,932	-	-	9,864
Deferred	108,836	149,693	-	7,433	265,962
Inventories	-	-	341,954	-	341,954
Prepaid Expenses	23,103	21,670	11,382	939	57,094
<b>Total Current Assets</b>	<u>2,054,415</u>	<u>6,618,224</u>	<u>354,136</u>	<u>47,888</u>	<u>9,074,663</u>
<b>Noncurrent Assets:</b>					
Restricted Cash	-	-	149,720	-	149,720
<b>Capital Assets:</b>					
Land	277,006	1,256,950	-	-	1,533,956
Buildings	47,225	47,225	1,915,613	-	2,010,063
Collection and Distribution Systems	8,831,163	13,317,415	-	3,905,098	26,053,676
Machinery and Equipment	308,677	184,913	194,175	300,216	987,981
Leasehold Improvements	166,068	-	57,765	-	223,833
Construction in Progress	13,595,896	5,027,387	-	263,139	18,886,422
<b>Total Capital Assets</b>	<u>23,226,035</u>	<u>19,833,890</u>	<u>2,167,553</u>	<u>4,468,453</u>	<u>49,695,931</u>
Less Accumulated Depreciation	(2,444,467)	(4,953,791)	(125,923)	(907,596)	(8,431,777)
<b>Net Capital Assets</b>	<u>20,781,568</u>	<u>14,880,099</u>	<u>2,041,630</u>	<u>3,560,857</u>	<u>41,264,154</u>
<b>Total Assets</b>	<u>\$ 22,835,983</u>	<u>\$ 21,498,323</u>	<u>\$ 2,545,486</u>	<u>\$ 3,608,745</u>	<u>\$ 50,488,537</u>
<b>LIABILITIES AND NET ASSETS:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 29,273	\$ 77,512	\$ 78,507	\$ 5,021	\$ 190,313
Contracts Payable	179,246	677,052	-	-	856,298
Salaries, Benefits and Compensated Absences Payable	17,464	17,548	18,669	2,777	56,458
Interest Payable	117,173	126,925	26,186	-	270,284
Due to Other Funds	-	-	730,828	-	730,828
Due to Other Governments	807	-	23,871	-	24,678
Amount Due Within One Year	550,000	340,000	43,602	30,971	964,573
<b>Total Current Liabilities</b>	<u>893,963</u>	<u>1,239,037</u>	<u>921,663</u>	<u>38,769</u>	<u>3,093,432</u>
<b>Noncurrent Liabilities:</b>					
Notes Payable	-	-	-	290,000	290,000
Revenue Bonds, Net of Unamortized Discount	2,928,583	6,587,718	1,245,222	-	10,761,523
PFA G.O. Revenue Note	7,925,040	-	-	-	7,925,040
Other Liabilities	196,000	-	-	-	196,000
Less Amount Due Within One Year	(550,000)	(340,000)	(43,602)	(30,971)	(964,573)
<b>Total Noncurrent Liabilities</b>	<u>10,499,623</u>	<u>6,247,718</u>	<u>1,201,620</u>	<u>259,029</u>	<u>18,207,990</u>
<b>Total Liabilities</b>	<u>11,393,586</u>	<u>7,486,755</u>	<u>2,123,283</u>	<u>297,798</u>	<u>21,301,422</u>
<b>Net Assets:</b>					
Invested in Capital Assets, Net of Related Debt	9,731,945	8,292,381	796,408	3,270,857	22,091,591
Restricted for Debt Service	-	-	149,720	-	149,720
Unrestricted	1,710,452	5,719,187	(523,925)	40,090	6,945,804
<b>Total Net Assets</b>	<u>11,442,397</u>	<u>14,011,568</u>	<u>422,203</u>	<u>3,310,947</u>	<u>29,187,115</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 22,835,983</u>	<u>\$ 21,498,323</u>	<u>\$ 2,545,486</u>	<u>\$ 3,608,745</u>	<u>\$ 50,488,537</u>

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS - PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2007**

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Total
<b>SALES AND COST OF SALES:</b>					
Sales	\$ -	\$ -	\$ 2,710,819	\$ -	\$ 2,710,819
Cost of Sales	-	-	2,044,441	-	2,044,441
Gross Profit	<u>-</u>	<u>-</u>	<u>666,378</u>	<u>-</u>	<u>666,378</u>
<b>OPERATING REVENUES:</b>					
Charges for Services	<u>1,182,051</u>	<u>1,136,328</u>	<u>-</u>	<u>132,926</u>	<u>2,451,305</u>
<b>OPERATING EXPENSES:</b>					
Wages and Salaries	229,275	229,275	257,070	20,427	736,047
Employee Benefits	57,212	57,428	60,202	2,656	177,498
Materials and Supplies	51,650	10,229	16,627	1,810	80,316
Repairs and Maintenance	2,375	11,704	8,261	2,681	25,021
Professional Services	78,785	77,189	55,937	23,367	235,278
Insurance	33,655	30,034	19,342	219	83,250
Utilities and Refuse	79,601	87,338	25,437	-	192,376
Depreciation	266,310	393,757	23,763	157,625	841,455
Travel	10,880	10,857	623	417	22,777
Advertising	1,355	286	11,449	-	13,090
Dues, Memberships and Training	9,009	2,775	4,118	1,027	16,929
Telephone	726	6,196	5,762	-	12,684
Postage	2,097	2,134	737	-	4,968
Water Meters	14,729	-	-	-	14,729
Uniforms	1,652	1,651	-	-	3,303
Rental Expense and Real Estate Taxes	19,352	19,352	-	2,120	40,824
Miscellaneous	-	-	347	-	347
Total Operating Expenses	<u>858,663</u>	<u>940,205</u>	<u>489,675</u>	<u>212,349</u>	<u>2,500,892</u>
Operating Income (Loss)	323,388	196,123	176,703	(79,423)	616,791
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment Income	75,172	426,835	(38,084)	9,445	473,368
Special Assessments	4,632	4,632	-	-	9,264
Property Taxes	-	19	-	-	19
Trunk and Access Charges	137,301	325,426	-	-	462,727
Interest Expense	(290,344)	(264,624)	(63,631)	(10,280)	(628,879)
Amortization Expense	(508)	(5,158)	(2,571)	-	(8,237)
Other Income	8,542	71,233	-	-	79,775
Total Nonoperating Revenues (Expenses)	<u>(65,205)</u>	<u>558,363</u>	<u>(104,286)</u>	<u>(835)</u>	<u>388,037</u>
Income (Loss) before Capital Contributions and Transfers	258,183	754,486	72,417	(80,258)	1,004,828
Capital Contributions	419,900	565,731	-	752,075	1,737,706
Transfers Out	<u>(468,868)</u>	<u>(457,060)</u>	<u>(180,000)</u>	<u>(75,519)</u>	<u>(1,181,447)</u>
Change in Net Assets	209,215	863,157	(107,583)	596,298	1,561,087
<b>NET ASSETS:</b>					
Beginning of Year	<u>11,233,182</u>	<u>13,148,411</u>	<u>529,786</u>	<u>2,714,649</u>	<u>27,626,028</u>
End of Year	<u>\$ 11,442,397</u>	<u>\$ 14,011,568</u>	<u>\$ 422,203</u>	<u>\$ 3,310,947</u>	<u>\$ 29,187,115</u>

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

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

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2007**

	Water (301)	Sewer (401)	Liquor (501)	Storm Sewer (601)	Total
<b>CASH FLOWS - OPERATING ACTIVITIES:</b>					
Receipts from Customers and Users	\$ 1,154,646	\$ 1,418,729	\$ 2,764,151	\$ 110,948	\$ 5,448,474
Payments to Suppliers	(298,186)	(200,453)	(2,180,184)	(28,507)	(2,707,330)
Payments to Employees	(284,345)	(284,477)	(316,311)	(20,753)	(905,886)
Net Cash Flows - Operating Activities	<u>572,115</u>	<u>933,799</u>	<u>267,656</u>	<u>61,688</u>	<u>1,835,258</u>
<b>CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES:</b>					
Advance to Other Fund	-	(3,063,597)	-	-	(3,063,597)
Advance from Other Fund	-	-	730,828	-	730,828
Repayment of Note Receivable	15,675	-	-	-	15,675
Transfer to Other Funds	(468,868)	(457,060)	(180,000)	(75,519)	(1,181,447)
Net Cash Flows - Noncapital Financing Activities	<u>(453,193)</u>	<u>(3,520,657)</u>	<u>550,828</u>	<u>(75,519)</u>	<u>(3,498,541)</u>
<b>CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Principal Paid on Debt	(450,000)	(2,885,000)	(29,068)	-	(3,364,068)
Interest Paid on Debt	(299,003)	(304,380)	(64,114)	(10,280)	(677,777)
Bond Proceeds	1,390,227	4,730,000	-	-	6,120,227
Acquisition of Capital Assets	(640,264)	(3,105,522)	(18,164)	(159,241)	(3,923,191)
Net Cash Flows - Capital and Related Financing Activities	<u>960</u>	<u>(1,564,902)</u>	<u>(111,346)</u>	<u>(169,521)</u>	<u>(1,844,809)</u>
<b>CASH FLOWS - INVESTING ACTIVITIES:</b>					
Interest and Dividends Received	75,172	426,835	(38,084)	9,445	473,368
Net Change in Cash and Cash Equivalents	195,054	(3,724,925)	669,054	(173,907)	(3,034,724)
<b>CASH AND CASH EQUIVALENTS:</b>					
January 1	1,342,601	5,924,472	(518,534)	191,298	6,939,837
December 31	<u>\$ 1,537,655</u>	<u>\$ 2,199,547</u>	<u>\$ 150,520</u>	<u>\$ 17,391</u>	<u>\$ 3,905,113</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 323,388	\$ 196,123	\$ 176,703	\$ (79,423)	\$ 616,791
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Property Taxes	-	19	-	-	19
Special Assessments	4,632	4,632	-	-	9,264
Trunk and Access Charges	137,301	325,426	-	-	462,727
Other Revenues	8,541	71,229	-	-	79,770
Depreciation Expense	266,310	393,757	23,763	157,625	841,455
Accounts Receivable	(106,893)	(98,141)	53,333	(14,540)	(166,241)
Taxes Receivable	-	22	-	-	22
Special Assessments Receivable	(76,913)	(22,646)	-	(7,433)	(106,992)
Due from Other Governments	5,927	1,860	-	(5)	7,782
Prepaid Items	3,485	2,761	3,841	(919)	9,168
Inventory	-	-	(17,154)	-	(17,154)
Accounts Payable	3,649	56,529	22,674	4,054	86,906
Due to Other Governmental Units	545	-	3,538	-	4,083
Salaries Payable	2,143	2,228	958	22	5,351
Total Adjustments	<u>248,727</u>	<u>737,676</u>	<u>90,953</u>	<u>141,111</u>	<u>1,218,467</u>
Net Cash Flows - Operating Activities	<u>\$ 572,115</u>	<u>\$ 933,799</u>	<u>\$ 267,656</u>	<u>\$ 61,688</u>	<u>\$ 1,835,258</u>
<b>NONCASH CAPITAL ACTIVITIES:</b>					
Contributions of Capital Assets from Government Capital Funds and Developers	<u>\$ 419,900</u>	<u>\$ 565,731</u>	<u>\$ -</u>	<u>\$ 752,075</u>	<u>\$ 1,737,706</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**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**  
**Sherburne County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**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. 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. No separate financial statements for the Fire Department are 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. The fiduciary funds are only reported in the Statement of Fiduciary Net Assets at the fund financial statement level. 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**  
**Sherburne County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**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**  
**Sherburne County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**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.

Industrial Park Expansion Land Purchase Capital Projects Fund – This Fund accounts for the acquisition of land for the expansion of the Big Lake Industrial Park.

Public Works Building Expansion Capital Projects Fund – This Fund accounts for the project costs associated with the expansion to the Big Lake Public Works Building.

Major 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 Governmental Accounting Standards Board (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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

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

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

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

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

**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 at December 31, 2007 were comprised of deposits, brokered certificates of deposit, U.S. government securities and investments in the 4M Fund.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

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

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

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

**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 investments policy limits its investments to those specified in these Statutes.

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

**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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

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

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

**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 of the payment due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

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

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

**4. Inventory and Prepaid Items**

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

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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

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

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

**5. Capital Assets (Continued)**

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	3-10
Fire Trucks	10
Utility Distribution System	30
Infrastructure	20

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

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

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

**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 for. This liability is a result of an exchange transaction for land for the water treatment plant.

**11. Net Assets**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

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

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

**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**  
**Sherburne County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

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

**B. Deficit Fund Balance**

The following Funds had deficit fund balances at December 31, 2007:

Major Governmental Funds

Capital Projects:

Street Improvements	\$ 14,238
Industrial Park Expansion Land Purchase	4,057

Nonmajor Governmental Funds:

Capital Projects:

Lakeside Park Improvements	59,728
Lake Street Redevelopment TIF 1-3	294,369
Industrial Park Street Assessments	122,009
Police Facility	4,167

Debt Service:

G.O. Refunding Bonds of 1996	168,074
G.O. Tax Increment Bonds of 2004C	36,209
G.O. Improvement Bonds of 2006B	5,434

**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.

*Minnesota Statutes* require all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance or corporate surety bonds.

As of December 31, 2007, the City's bank balance 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. As of December 31, 2007, the City's deposits had a book balance of \$ 1,079,350.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**B. Investments**

As of December 31, 2007, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating</u>
Brokered Certificates of Deposit	\$ 2,285,695	2.78	N/A
Government Securities	4,868,444	4.47	AAA
Cash and Brokered Money Market Accounts	129,155	N/A	N/A
4M Fund	4,273,032	N/A	N/A
Cash with Fiscal Agent	<u>159,500</u>	N/A	N/A
Total	<u>\$ 11,715,826</u>		

The City had an investment policy in place as of December 31, 2007.

**Credit Risk:** As of December 31, 2007, the City's investments were rated by Moody's and Standard and Poor's (S&P) as listed in the above table. The City's investment in 4M and brokered certificates of deposit do not receive credit ratings.

**Concentration of Credit Risk:** As of December 31, 2007, the City had more than 5% of its total investments in FNMA, FHLB, FMLMC, FHLBC and the 4M Fund; however, the investments in the 4M investment pool were not subject to concentration of credit risk.

Summary of cash, deposits and investments as of December 31, 2007:

Petty Cash	\$ 1,600
Deposits	1,079,350
Investments	<u>11,715,826</u>
Total	<u>\$ 12,796,776</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**B. Investments (Continued)**

Cash, deposits and investments are presented in the December 31, 2007 basic financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 12,487,556
Cash with Fiscal Agent	159,500
Restricted Cash	<u>149,720</u>
Total Deposits and Investments	<u><u>\$ 12,796,776</u></u>

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

**A. Interfund Balances**

The composition of interfund balances as of December 31, 2007 follows.

	Due from Other Funds		
	Other Governmental Funds	Sewer Fund	Total
Due to Other Funds:			
Industrial Park Expansion Land Purchase	\$ -	\$ 1,736,156	1,736,156
Other Governmental Funds	429,750	1,610,784	2,040,534
Liquor Fund	<u>-</u>	<u>730,828</u>	<u>730,828</u>
Total	<u><u>\$ 429,750</u></u>	<u><u>\$ 4,077,768</u></u>	<u><u>\$ 4,507,518</u></u>

Interfund balances exist due to Tax Increment Financing (TIF) administration loans, loans related to the industrial park between Big Lake and TIF districts, a loan between a TIF district and the Sewer Fund, a loan between the Liquor Fund and various other governmental funds and the Sewer Fund to cover negative cash balances as of December 31, 2007. These will be repaid as cash is available.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

**B. Interfund Transfers**

The composition of interfund transfers as of December 31, 2007 follows:

	Transfers In			Total
	General Fund	Public Works Building Expansion	Other Governmental Funds	
Transfers Out:				
Street Improvement	\$ -	\$ -	\$ 114,028	\$ 114,028
Other Governmental Funds	15,947	-	307,638	323,585
Water Fund	-	430,000	38,868	468,868
Sewer Fund	-	430,000	27,060	457,060
Liquor Fund	180,000	-	-	180,000
Storm Sewer	-	60,000	15,519	75,519
<b>Total Transfers</b>	<b><u>\$ 195,947</u></b>	<b><u>\$ 920,000</u></b>	<b><u>\$ 503,113</u></b>	<b><u>\$ 1,619,060</u></b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 follows:

	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 7,427,585	\$ -	\$ -	\$ 7,427,585
Construction in Progress	9,098,975	6,210,916	3,071,206	12,238,685
Total Capital Assets not being Depreciated	<u>16,526,560</u>	<u>6,210,916</u>	<u>3,071,206</u>	<u>19,666,270</u>
Capital Assets being Depreciated				
Buildings	2,820,612	982,759	-	3,803,371
Machinery and Equipment	3,212,743	423,915	226,588	3,410,070
Leasehold Improvements	36,006	-	-	36,006
Infrastructure	20,852,680	1,420,494	-	22,273,174
Total Capital Assets being Depreciated	<u>26,922,041</u>	<u>2,827,168</u>	<u>226,588</u>	<u>29,522,621</u>
Less Accumulated Depreciation for:				
Buildings	616,431	96,750	-	713,181
Machinery and Equipment	1,829,153	279,115	157,174	1,951,094
Leasehold Improvements	3,450	1,800	-	5,250
Infrastructure	10,234,428	765,441	-	10,999,869
Total Accumulated Depreciation	<u>12,683,462</u>	<u>1,143,106</u>	<u>157,174</u>	<u>13,669,394</u>
Total Capital Assets being Depreciated, Net	<u>14,238,579</u>	<u>1,684,062</u>	<u>69,414</u>	<u>15,853,227</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,765,139</u>	<u>\$ 7,894,978</u>	<u>\$ 3,140,620</u>	<u>\$ 35,519,497</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 5 – CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land and Land Improvements	\$ 1,533,956	\$ -	\$ -	\$ 1,533,956
Construction in Progress	<u>16,407,258</u>	<u>5,427,564</u>	<u>2,948,400</u>	<u>18,886,422</u>
Total Capital Assets not being Depreciated	<u>17,941,214</u>	<u>5,427,564</u>	<u>2,948,400</u>	<u>20,420,378</u>
Capital Assets being Depreciated:				
Buildings	94,450	1,915,613	-	2,010,063
Leasehold Improvements	208,047	15,786	-	223,833
Machinery and Equipment	828,740	159,241	-	987,981
Collection and Distribution	<u>24,210,455</u>	<u>1,843,221</u>	<u>-</u>	<u>26,053,676</u>
Total Capital Assets being Depreciated	<u>25,341,692</u>	<u>3,933,861</u>	<u>-</u>	<u>29,275,553</u>
Less Accumulated Depreciation for:				
Buildings	17,182	8,470	-	25,652
Leasehold Improvements	51,533	9,238	-	60,771
Machinery and Equipment	474,750	62,488	-	537,238
Collection and Distribution	<u>7,046,858</u>	<u>761,258</u>	<u>-</u>	<u>7,808,116</u>
Total Accumulated Depreciation	<u>7,590,323</u>	<u>841,454</u>	<u>-</u>	<u>8,431,777</u>
Total Capital Assets being Depreciated, Net	<u>17,751,369</u>	<u>3,092,407</u>	<u>-</u>	<u>20,843,776</u>
Business-Type Activities Capital Assets, Net	<u>\$ 35,692,583</u>	<u>\$ 8,519,971</u>	<u>\$ 2,948,400</u>	<u>\$ 41,264,154</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 5 – CAPITAL ASSETS**

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

Governmental Activities:	
General Government	\$ 10,459
Public Safety	128,437
Streets and Highways	846,778
Culture and Recreation	86,489
Economic Development	<u>70,943</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,143,106</u>
Business-Type Activities:	
Water	\$ 266,310
Sewer	393,757
Liquor	23,763
Storm Sewer	<u>157,624</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 841,454</u>

**NOTE 6 – LONG-TERM DEBT**

**A. General Obligation Bonds**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 6 – LONG-TERM DEBT**

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

	Issue Year	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
<b>Long-Term Liabilities:</b>						
<b>Governmental Activities:</b>						
G.O. Bonds, Including Refunding						
Bonds:						
G.O. Improvement Bonds of 2002	2002	2.25%-4.40%	\$ 3,200,000	2018	\$ 2,865,000	\$ 195,000
G.O. Improvement Bonds of 2003	2003	1.25%-3.45%	5,645,000	2019	5,435,000	290,000
G.O. Improvement Bonds of 2004	2004	3.0%-3.4%	2,625,000	2010	1,620,000	525,000
G.O. Improvement Bonds of 2005	2005	3.50%-4.15%	2,585,000	2021	2,500,000	140,000
G.O. Improvement Bonds of 2006A	2006	4.00%- 4.125%	2,425,000	2022	2,425,000	60,000
G.O. Improvement Bonds of 2007A	2007	4.0%- 4.1%	2,105,000	2023	2,105,000	-
G.O. Improvement Bonds of 2007E	2007	4.0%- 4.1%	900,000	2018	900,000	-
G.O. Capital Improvement Bonds of 2006B	2006	3.70%-4.25%	1,135,000	2023	1,095,000	35,000
G.O. Capital Improvement Bonds of 2007C	2007	4.00%- 4.35%	1,130,000	2028	1,130,000	-
Revenue Bonds:						
Municipal Facilities Lease Revenue						
Bonds of 2000	2000	5.75%-6.25%	1,040,000	2016	725,000	65,000
Public Project Revenue Bonds of 2005	2005	4.0%-5.3%	493,307	2026	473,715	16,398
G.O. Tax Increment Bonds:						
G.O. Tax Increment Bonds of 1998	1998	4.10%-4.75%	340,000	2009	95,000	45,000
G.O. Tax Increment Refunding						
Bonds of 2002	2002	2.0%-3.9%	970,000	2011	520,000	120,000
G.O. Tax Increment Bonds of 2004	2004	5.0%-5.9%	795,000	2030	785,000	5,000
Other Financing:						
G.O. Capital Note of 2005	2005	3.25%-3.60%	740,000	2012	740,000	79,029
FmHA Loan	2002	5.00%	2,736,000	2008	140,000	140,000
Total G.O. Bonds					<u>23,553,715</u>	<u>1,715,427</u>
Compensated Absences					116,182	116,182
Severance					41,184	-
Total Governmental Activities					<u>23,711,081</u>	<u>1,831,609</u>
<b>Business-Type Activities:</b>						
G.O. Revenue Bonds, Including						
Refunding Bonds:						
G.O. Wastewater Revenue						
Refunding Bonds of 2004	2004	1.45%-4.00%	1,255,000	2017	1,025,000	85,000
Public Facility Authority Drinking						
Water G.O. Revenue Loan	2004	2.53%	1,933,023	2024	7,925,040	415,000
G.O. Utility Revenue Bonds 2005	2005	4.00%-4.375%	2,625,000	2026	2,555,000	90,000
Public Project Revenue Bonds of 2005	2005	4.0%-5.3%	1,311,694	2026	1,291,285	43,602
G.O. Utility Revenue Bonds 2007B	2007	4.00%-4.35%	2,060,000	2027	2,060,000	90,000
G.O. Utility Revenue Refunding Bonds of 2007D	2007	3.6%-4.0%	2,670,000	2020	2,670,000	135,000
G.O. Revenue Bonds of 2007F	2007	4.0%-4.5%	1,325,000	2027	1,325,000	75,000
Other Financing:						
G.O. Capital Note of 2005	2005	3.25%-3.60%	290,000	2012	290,000	30,971
					<u>19,141,325</u>	<u>964,573</u>
Discount on Bonds Payable					(164,762)	(11,073)
Other Liabilities					196,000	-
Total Business-Type Activities					<u>19,172,563</u>	<u>953,500</u>
Total all Long-Term Liabilities					<u>\$ 42,883,644</u>	<u>\$ 2,785,109</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 6 – LONG-TERM DEBT**

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

Long-term liability activity for the year ended December 31, 2007 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
G.O. Improvement Bonds	\$ 16,825,000	\$ 4,135,000	\$ 885,000	\$ 20,075,000	\$ 1,245,000
Revenue Bonds	1,273,659	-	74,944	1,198,715	81,398
G.O. Tax Increment Bonds	1,570,000	-	170,000	1,400,000	170,000
Other Financing	1,013,000	-	133,000	880,000	219,029
<b>Total Bonds Payable</b>	<u>20,681,659</u>	<u>4,135,000</u>	<u>1,262,944</u>	<u>23,553,715</u>	<u>1,715,427</u>
Compensated Absences	107,815	164,061	155,694	116,182	116,182
Severance	36,454	4,730	-	41,184	-
	<u>144,269</u>	<u>168,791</u>	<u>155,694</u>	<u>157,366</u>	<u>116,182</u>
<b>Governmental Activities     Long-Term Liabilities</b>	<u>20,825,928</u>	<u>4,303,791</u>	<u>1,418,638</u>	<u>23,711,081</u>	<u>1,831,609</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
G.O. Revenue Bonds	7,830,353	6,055,000	2,959,068	10,926,285	518,602
PFA G.O. Revenue Note	8,264,813	65,227	405,000	7,925,040	415,000
Other Financing	290,000	-	-	290,000	30,971
Other Liabilities	196,000	-	-	196,000	-
Discount on Bonds	(70,475)	(102,525)	(8,238)	(164,762)	(11,073)
<b>Business-Type Activities     Long-Term Liabilities</b>	<u>16,510,691</u>	<u>6,017,702</u>	<u>3,355,830</u>	<u>19,172,563</u>	<u>953,500</u>
<b>Total Long-Term     Liabilities</b>	<u>\$ 37,336,619</u>	<u>\$ 10,321,493</u>	<u>\$ 4,774,468</u>	<u>\$ 42,883,644</u>	<u>\$ 2,785,109</u>

On May 23, 2007, the City issued \$ 2,670,000 G.O. Public Utility Revenue Refunding Bonds, Series 2007D, with an interest rate of 3.6% to 4.0%. The City issued the Bonds to refund the G.O. Public Utility Revenue Bonds, Series 1998A, totaling \$ 2,640,000. These refunded Bonds will be called and paid by the escrow account, which currently holds the proceeds of the refunding Bonds. The City completed the refunding to reduce its debt service payment over the next 12 years by \$ 97,160. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$ 74,348.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 6 – LONG-TERM DEBT**

**D. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire noncompensated absence liabilities follows:

Year Ended December 31,	Governmental Activities					
	G.O. Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,245,000	\$ 738,946	\$ 1,983,946	\$ 81,398	\$ 65,754	\$ 147,152
2009	1,495,000	674,703	2,169,703	81,398	61,214	142,612
2010	1,730,000	620,330	2,350,330	87,765	56,447	144,212
2011	1,210,000	569,290	1,779,290	92,765	51,333	144,098
2012	1,300,000	525,380	1,825,380	99,131	45,831	144,962
2013-2017	7,435,000	1,859,743	9,294,743	480,687	135,571	616,258
2018-2022	4,960,000	528,738	5,488,738	142,116	56,917	199,033
2023-2027	615,000	64,674	679,674	133,455	15,571	149,026
2028-2032	85,000	1,849	86,849	-	-	-
<b>Total</b>	<b>\$ 20,075,000</b>	<b>\$ 5,583,653</b>	<b>\$ 25,658,653</b>	<b>\$ 1,198,715</b>	<b>\$ 488,638</b>	<b>\$ 1,687,353</b>

Year Ended December 31,	Governmental Activities					
	Tax Increment Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 170,000	\$ 65,445	\$ 235,445	\$ 219,029	\$ 31,469	\$ 250,498
2009	180,000	58,720	238,720	122,136	21,169	143,305
2010	140,000	52,468	192,468	150,874	16,513	167,387
2011	145,000	46,923	191,923	186,796	10,558	197,354
2012	10,000	43,818	53,818	201,165	3,621	204,786
2013-2017	60,000	210,675	270,675	-	-	-
2018-2022	155,000	182,825	337,825	-	-	-
2023-2027	285,000	120,950	405,950	-	-	-
2028-2032	255,000	23,747	278,747	-	-	-
<b>Total</b>	<b>\$ 1,400,000</b>	<b>\$ 805,571</b>	<b>\$ 2,205,571</b>	<b>\$ 880,000</b>	<b>\$ 83,330</b>	<b>\$ 963,330</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 6 – LONG-TERM DEBT**

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

Year Ended December 31,	Total Governmental Activities		
	Principal	Interest	Total
2008	\$ 1,715,427	\$ 901,614	\$ 2,617,041
2009	1,878,534	815,806	2,694,340
2010	2,108,638	745,758	2,854,396
2011	1,634,561	678,103	2,312,664
2012	1,610,296	618,650	2,228,946
2013-2017	7,975,687	2,205,989	10,181,676
2018-2022	5,257,117	768,481	6,025,598
2023-2027	1,033,455	201,196	1,234,651
2028-2032	340,000	25,595	365,595
<b>Total</b>	<b>\$ 23,553,715</b>	<b>\$ 6,961,192</b>	<b>\$ 30,514,907</b>

Year Ended December 31,	Business-Type Activities					
	G.O. Business Revenue Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 518,602	\$ 447,614	\$ 966,216	\$ 30,971	\$ 9,589	\$ 40,560
2009	503,602	419,321	922,923	47,864	8,296	56,160
2010	527,236	400,296	927,532	59,126	6,472	65,598
2011	547,236	380,135	927,371	73,204	4,137	77,341
2012	575,869	358,753	934,622	78,835	1,419	80,254
2013-2017	3,249,314	1,428,508	4,677,822	-	-	-
2018-2022	2,777,884	775,783	3,553,667	-	-	-
2023-2027	2,226,542	232,279	2,458,821	-	-	-
<b>Total</b>	<b>\$ 10,926,285</b>	<b>\$ 4,442,689</b>	<b>\$ 15,368,974</b>	<b>\$ 290,000</b>	<b>\$ 29,913</b>	<b>\$ 319,913</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 6 – LONG-TERM DEBT**

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

Year Ended December 31,	Business-Type Activities			Total Business-Type Activities		
	Public Facility G.O. Revenue Note			Principal	Interest	Total
	Principal	Interest	Total			
2008	\$ 415,000	\$ 201,820	\$ 616,820	\$ 964,573	\$ 659,023	\$ 1,623,596
2009	425,000	209,029	634,029	976,466	636,646	1,613,112
2010	436,000	198,276	634,276	1,022,362	605,044	1,627,406
2011	447,000	187,245	634,245	1,067,440	571,517	1,638,957
2012	458,000	175,936	633,936	1,112,704	536,108	1,648,812
2013-2017	2,472,000	699,773	3,171,773	5,721,314	2,128,281	7,849,595
2018-2022	2,802,000	370,797	3,172,797	5,579,884	1,146,580	6,726,464
2023-2027	470,040	46,577	516,617	2,696,582	278,856	2,975,438
Total	<u>\$ 7,925,040</u>	<u>\$ 2,089,453</u>	<u>\$ 10,014,493</u>	<u>\$ 19,141,325</u>	<u>\$ 6,562,055</u>	<u>\$ 25,703,380</u>

**E. 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 various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2007, the City's outstanding conduit debt balances consisted of the following:

\$ 1,950,000 Commercial Facility Revenue Note (Options, Inc. Project), Series 2005	<u>\$ 1,885,528</u>
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**CITY OF BIG LAKE**  
**Sherburne County, Minnesota**

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 7 – RESERVED 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. Reserved Fund Balance**

Reserved fund balance is comprised of the following components:

	General	Street Improvement	Industrial Park Expansion Land Purchase	Public Works Facility	Other Governmental Funds	Total
Reserved for:						
Capital Improvements	\$ 35,036	\$ -	\$ -	\$ -	\$ -	\$ 35,036
Prepays	83,047	-	-	-	-	83,047
Land Held for Resale	-	-	1,732,099	-	1,811,409	3,543,508
Unreserved:						
Designated for:						
Compensated Absences and Severance Liability	157,366	-	-	-	-	157,366
Economic Development	-	-	-	-	677,770	677,770
Capital Improvements	-	-	-	298,417	258,106	556,523
Debt Service	-	-	-	-	4,442,605	4,442,605
Undesignated	2,174,291	(14,238)	(1,736,156)	-	(1,725,094)	(1,301,197)
Total	<u>\$ 2,449,740</u>	<u>\$ (14,238)</u>	<u>\$ (4,057)</u>	<u>\$ 298,417</u>	<u>\$ 5,464,796</u>	<u>\$ 8,194,658</u>

**NOTE 8 – RISK MANAGEMENT**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust, 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 League for its insurance coverage. The League is self-sustaining, through commercial companies, for excess claims. The City is covered through the pool for any claims incurred but unreported, but 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 2007 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 8 – RISK MANAGEMENT**

At December 31, 2007, 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 that 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 9 – 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 Public Employees' Retirement Fund (PERF) 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.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

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

**A. Plan Description (Continued)**

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF 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, Suite 200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

**B. Funding Policy**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members and 11.7% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5% and 12.9%, respectively, effective January 1, 2008. The City's contributions to the PERF for the years ending December 31, 2007, 2006 and 2005 were \$ 107,148, \$ 91,625 and \$ 78,680, respectively. The City's contributions to the PEPFF for the years ending December 31, 2007, 2006 and 2005 were \$ 86,305, \$ 67,186 and \$ 52,705, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2007**

**NOTE 10 – COMMITMENTS**

	Project Authorization	Expended Through 12/31/07	Remaining Commitment
<b>Street Improvement Capital Projects Fund:</b>			
South Highway 10 Frontage Road	\$ 578,860	\$ 545,381	\$ 33,479
197th Street Improvements	624,841	614,883	9,958
Martin Avenue Phase II	332,578	320,980	11,598
168th Avenue/197th Street	885,046	882,114	2,932
166th Avenue/197th Street	650,567	551,549	99,018
Glenwood 2005 Improvements	2,394,500	2,330,439	64,061
2006 Street Improvements	1,662,965	1,467,002	195,964
2007 Street Improvements	2,340,712	2,161,697	179,015
<b>Esplanade/Lakeside Park Improvement Capital Project Fund:</b>			
Esplanade/Lakeside Park Improvement	1,224,384	1,103,197	121,187
<b>Water Fund:</b>			
Water Treatment Plant	8,053,366	7,918,614	134,752
Fire Hall Utilities Project	99,106	83,624	15,482
Water Tower No. 4	1,691,000	1,645,410	45,590
<b>Sewer Fund:</b>			
Fire Hall Utilities Project	99,106	83,624	15,482
County Road 43 Interceptor Project	3,869,600	1,657,875	2,211,725

**NOTE 11 – PRIOR PERIOD ADJUSTMENTS**

During the year ended December 31, 2007, a prior period adjustment was required in the governmental funds to reclassify prior nontax increment related activity. In prior years, this activity was accounted for in tax increment funds. However, during 2007, it was reclassified to be accounted for separately from tax increment activity per state auditor recommendations. The total amount of these adjustments was \$ 182,758.

On the Statement of Activities, a prior period adjustment was required in the governmental activities to record a receivable from Big Lake Township related to the G.O. Capital Improvement Bonds issued in 2006 for the Big Lake Fire Hall Expansion Project.

**NOTE 12 – SUBSEQUENT EVENT**

On March 7, 2008, the Big Lake EDA issued Taxable Lease Revenue Bonds, Series 2008, in the amount of \$ 1,889,000.

**SUPPLEMENTARY INFORMATION**

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

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2007**

	Special Revenue			Debt Service	
	Economic Development Authority (275)	Crime Reward Fund (130)	Total	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 1998B (255)
<b>ASSETS:</b>					
Cash and Investments (Including Cash Equivalents)	\$ -	\$ 2,178	\$ 2,178	\$ -	\$ 8,689
Cash with Fiscal Agent	12,500	-	12,500	147,000	-
Taxes Receivable - Delinquent	-	-	-	16	-
Accounts Receivable	275	-	275	-	-
Due from Other Funds	129,750	-	129,750	-	-
Due from Other Governments	155,000	-	155,000	2,606	25,263
Notes Receivable	216,023	-	216,023	-	-
Special Assessments Receivable:					
Delinquent	-	-	-	1,814	-
Deferred	-	-	-	125,305	-
Land Held for Resale	439,071	-	439,071	-	-
<b>Total Assets</b>	<b>\$ 952,619</b>	<b>\$ 2,178</b>	<b>\$ 954,797</b>	<b>\$ 276,741</b>	<b>\$ 33,952</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 6,427	\$ -	\$ 6,427	\$ -	\$ -
Escrow Payable	2,800	-	2,800	-	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	211,935	-	211,935	317,680	-
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	127,135	-
<b>Total Liabilities</b>	<b>221,162</b>	<b>-</b>	<b>221,162</b>	<b>444,815</b>	<b>-</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Land Held for Resale	439,071	-	439,071	-	-
<b>Unreserved, Reported in:</b>					
Special Revenue - Designated	292,386	2,178	294,564	-	-
Debt Service - Designated	-	-	-	-	33,952
Debt Service - Undesignated	-	-	-	(168,074)	-
Capital Projects - Designated	-	-	-	-	-
Capital Projects - Undesignated	-	-	-	-	-
<b>Total Fund Balances</b>	<b>731,457</b>	<b>2,178</b>	<b>733,635</b>	<b>(168,074)</b>	<b>33,952</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 952,619</b>	<b>\$ 2,178</b>	<b>\$ 954,797</b>	<b>\$ 276,741</b>	<b>\$ 33,952</b>

Debt Service

G.O. Refunding Bonds of 1995 (230)	G.O. Improvement Bonds of 2002A (220)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Improvement Bonds of 2005A (210)	G.O. Capital Equipment Note 2005 (240)	G.O. Capital Notes 2001 (260)	G.O. Improvement Bonds of 2006A (265)
\$ 59,814	\$ 993,310	\$ -	\$ 173,319	\$ 70,666	\$ 37,178	\$ 208,473
-	-	-	-	-	-	-
-	13,584	-	9,670	6,734	3,646	6,145
-	-	-	-	-	-	-
300,000	-	-	-	-	-	-
4,796	10,133	-	7,173	3,325	540	17,180
-	-	-	-	-	-	-
-	4,319	-	9,256	-	-	3,983
-	535,194	-	838,264	-	-	559,594
-	-	-	-	-	-	-
<u>\$ 364,610</u>	<u>\$ 1,556,540</u>	<u>\$ -</u>	<u>\$ 1,037,682</u>	<u>\$ 80,725</u>	<u>\$ 41,364</u>	<u>\$ 795,375</u>
\$ -	\$ -	\$ 100	\$ 450	\$ -	\$ 330	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	36,109	-	-	-	-
-	-	-	-	-	-	-
-	553,097	-	857,190	6,734	3,646	569,722
-	553,097	36,209	857,640	6,734	3,976	569,722
-	-	-	-	-	-	-
-	-	-	-	-	-	-
364,610	1,003,443	-	180,042	73,991	37,388	225,653
-	-	(36,209)	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>364,610</u>	<u>1,003,443</u>	<u>(36,209)</u>	<u>180,042</u>	<u>73,991</u>	<u>37,388</u>	<u>225,653</u>
<u>\$ 364,610</u>	<u>\$ 1,556,540</u>	<u>\$ -</u>	<u>\$ 1,037,682</u>	<u>\$ 80,725</u>	<u>\$ 41,364</u>	<u>\$ 795,375</u>

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

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2007**

	Debt Service			
	G.O. Improvement Bonds of 2006B (270)	G.O. Improvement Bonds of 2003A (225)	G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007A (215)
<b>ASSETS:</b>				
Cash and Investments (Including Cash Equivalents)	\$ -	\$ 1,201,055	\$ 1,190,781	\$ 60,470
Cash with Fiscal Agent	-	-	-	-
Taxes Receivable - Delinquent	1,626	12,093	-	-
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	805	25,349	-	-
Notes Receivable	527,500	-	-	-
Special Assessments Receivable:				
Delinquent	-	2,138	35,698	-
Deferred	-	987,658	217,462	329,626
Land Held for Resale	-	-	-	-
	<u>\$ 529,931</u>	<u>\$ 2,228,293</u>	<u>\$ 1,443,941</u>	<u>\$ 390,096</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 450	\$ -	\$ 450	\$ 450
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	-
Due to Other Funds	5,789	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenue	529,126	1,001,889	253,160	329,626
<b>Total Liabilities</b>	<u>535,365</u>	<u>1,001,889</u>	<u>253,610</u>	<u>330,076</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Land Held for Resale	-	-	-	-
<b>Unreserved, Reported in:</b>				
Special Revenue - Designated	-	-	-	-
Debt Service - Designated	-	1,226,404	1,190,331	60,020
Debt Service - Undesignated	(5,434)	-	-	-
Capital Projects - Designated	-	-	-	-
Capital Projects - Undesignated	-	-	-	-
<b>Total Fund Balances</b>	<u>(5,434)</u>	<u>1,226,404</u>	<u>1,190,331</u>	<u>60,020</u>
	<u>\$ 529,931</u>	<u>\$ 2,228,293</u>	<u>\$ 1,443,941</u>	<u>\$ 390,096</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 529,931</u>	<u>\$ 2,228,293</u>	<u>\$ 1,443,941</u>	<u>\$ 390,096</u>

Debt Service			Capital Projects			
G.O. Improvement Bonds of 2007C (235)	G.O. Improvement Bonds of 2007E (207)	Total	Park Development (120)	Lakeside Park Improvements (125)	Local Development (150)	Fire Hall Expansion (195)
\$ 33,441	\$ 14,230	\$ 4,051,426	\$ 175,136	\$ 233,196	\$ 369,187	\$ 3,782
-	-	147,000	-	-	-	-
-	-	53,514	-	-	-	-
-	-	-	-	640	71,683	-
-	-	300,000	-	-	-	-
-	-	97,170	-	-	-	-
-	-	527,500	-	-	-	-
-	-	57,208	-	-	708	-
-	900,381	4,493,484	-	-	1,885	-
-	-	-	-	-	-	-
<u>\$ 33,441</u>	<u>\$ 914,611</u>	<u>\$ 9,727,302</u>	<u>\$ 175,136</u>	<u>\$ 233,836</u>	<u>\$ 443,463</u>	<u>\$ 3,782</u>
\$ 450	\$ 450	\$ 3,130	\$ -	\$ 30,230	\$ 14,436	\$ -
-	-	-	-	-	403,633	-
-	-	-	-	263,334	-	-
-	-	359,578	-	-	-	-
-	-	-	-	-	-	-
-	900,381	5,131,706	-	-	2,593	-
<u>450</u>	<u>900,831</u>	<u>5,494,414</u>	<u>-</u>	<u>293,564</u>	<u>420,662</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
32,991	13,780	4,442,605	-	-	-	-
-	-	(209,717)	-	-	-	-
-	-	-	175,136	-	22,801	3,782
-	-	-	-	(59,728)	-	-
<u>32,991</u>	<u>13,780</u>	<u>4,232,888</u>	<u>175,136</u>	<u>(59,728)</u>	<u>22,801</u>	<u>3,782</u>
<u>\$ 33,441</u>	<u>\$ 914,611</u>	<u>\$ 9,727,302</u>	<u>\$ 175,136</u>	<u>\$ 233,836</u>	<u>\$ 443,463</u>	<u>\$ 3,782</u>

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

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2007**

	Capital Projects				
	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)
<b>ASSETS:</b>					
Cash and Investments (Including Cash Equivalents)	\$ 108,889	\$ 183,674	\$ 52,329	\$ 20,479	\$ 3,054
Cash with Fiscal Agent	-	-	-	-	-
Taxes Receivable - Delinquent	-	-	-	-	-
Accounts Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	9,231
Notes Receivable	-	-	-	-	-
Special Assessments Receivable:					
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Land Held for Resale	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 108,889</b>	<b>\$ 183,674</b>	<b>\$ 52,329</b>	<b>\$ 20,479</b>	<b>\$ 12,285</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	1,000	-	-
Contracts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	5,181
Due to Other Governments	-	-	-	-	1,292
Deferred Revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>6,473</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Land Held for Resale	-	-	-	-	-
<b>Unreserved, Reported in:</b>					
Special Revenue - Designated	-	-	-	-	-
Debt Service - Designated	-	-	-	-	-
Debt Service - Undesignated	-	-	-	-	-
Capital Projects - Designated	108,889	183,674	51,329	20,479	5,812
Capital Projects - Undesignated	-	-	-	-	-
<b>Total Fund Balances</b>	<b>108,889</b>	<b>183,674</b>	<b>51,329</b>	<b>20,479</b>	<b>5,812</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 108,889</b>	<b>\$ 183,674</b>	<b>\$ 52,329</b>	<b>\$ 20,479</b>	<b>\$ 12,285</b>

Capital Projects

TIF 1-2 (151)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Industrial Park Street Assessments (168)	Police Facility (185)	2005 Capital Equipment (140)	Total	Total Other Governmental Funds
\$ 20,872	\$ 5,631	\$ -	\$ 138,897	\$ -	\$ 56,387	\$ 1,371,513	\$ 5,425,117
-	-	-	-	-	-	-	159,500
-	-	-	-	-	-	-	53,514
-	-	-	-	-	-	72,323	72,598
-	-	-	-	-	-	-	429,750
-	-	-	-	-	-	9,231	261,401
-	-	-	-	-	-	-	743,523
-	-	-	11,920	-	-	12,628	69,836
-	-	-	266,547	-	-	268,432	4,761,916
-	-	1,372,338	-	-	-	1,372,338	1,811,409
<u>\$ 20,872</u>	<u>\$ 5,631</u>	<u>\$ 1,372,338</u>	<u>\$ 417,364</u>	<u>\$ -</u>	<u>\$ 56,387</u>	<u>\$ 3,106,465</u>	<u>\$ 13,788,564</u>
\$ 7,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,515	\$ 62,072
-	-	-	-	-	-	404,633	407,433
-	-	-	-	-	-	263,334	263,334
-	300,000	1,035,104	124,569	4,167	-	1,469,021	2,040,534
-	-	-	136,337	-	-	137,629	137,629
-	-	-	278,467	-	-	281,060	5,412,766
<u>7,849</u>	<u>300,000</u>	<u>1,035,104</u>	<u>539,373</u>	<u>4,167</u>	<u>-</u>	<u>2,608,192</u>	<u>8,323,768</u>
-	-	1,372,338	-	-	-	1,372,338	1,811,409
-	-	-	-	-	-	-	294,564
-	-	-	-	-	-	-	4,442,605
-	-	-	-	-	-	-	(209,717)
13,023	-	-	-	-	56,387	641,312	641,312
-	(294,369)	(1,035,104)	(122,009)	(4,167)	-	(1,515,377)	(1,515,377)
<u>13,023</u>	<u>(294,369)</u>	<u>337,234</u>	<u>(122,009)</u>	<u>(4,167)</u>	<u>56,387</u>	<u>498,273</u>	<u>5,464,796</u>
<u>\$ 20,872</u>	<u>\$ 5,631</u>	<u>\$ 1,372,338</u>	<u>\$ 417,364</u>	<u>\$ -</u>	<u>\$ 56,387</u>	<u>\$ 3,106,465</u>	<u>\$ 13,788,564</u>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2007**

	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	\$ -	\$ -	\$ -	\$ 27	\$ -
Tax Increments	-	-	-	-	-
Special Assessments	-	-	-	55,441	-
Intergovernmental	175,351	-	175,351	-	-
Charges for Services	127,139	-	127,139	-	-
Miscellaneous:					
Investment Income	(3,926)	122	(3,804)	(15,169)	(231)
Contributions and Donations	-	-	-	-	25,263
Other	5,881	-	5,881	-	-
Total Revenues	<u>304,445</u>	<u>122</u>	<u>304,567</u>	<u>40,299</u>	<u>25,032</u>
<b>EXPENDITURES:</b>					
Current:					
Economic Development	127,480	-	127,480	-	-
Debt Service:					
Principal	74,200	-	74,200	133,000	45,000
Interest and Other Charges	70,398	-	70,398	14,062	5,525
Capital Outlay:					
Public Safety	-	-	-	-	-
Streets and Highways	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Total Expenditures	<u>272,078</u>	<u>-</u>	<u>272,078</u>	<u>147,062</u>	<u>50,525</u>
Excess of Revenues Over (Under) Expenditures	32,367	122	32,489	(106,763)	(25,493)
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of Debt	-	-	-	-	-
Bond Discount	-	-	-	-	-
Transfers In	-	-	-	52,000	50,525
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,000</u>	<u>50,525</u>
Net Change in Fund Balances	32,367	122	32,489	(54,763)	25,032
<b>FUND BALANCES:</b>					
Beginning Balance as Previously Reported	699,090	2,056	701,146	(113,311)	8,920
Prior Period Adjustment	-	-	-	-	-
Beginning Balance, Restated	<u>699,090</u>	<u>2,056</u>	<u>701,146</u>	<u>(113,311)</u>	<u>8,920</u>
End of Year	<u>\$ 731,457</u>	<u>\$ 2,178</u>	<u>\$ 733,635</u>	<u>\$ (168,074)</u>	<u>\$ 33,952</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. Capital Notes 2001 (260)	G.O. Improvement Bonds of 2006A (265)	G.O. Improvement Bonds of 2006B (270)
\$ -	\$ 156,933	\$ -	\$ 117,008	\$ 89,380	\$ 7,878	\$ 81,555	\$ 21,638
364,516	-	39,414	-	-	-	-	-
-	92,005	-	94,865	-	-	102,130	-
5,548	10,466	2,568	7,877	6,148	-	5,606	66,687
-	-	-	-	-	-	-	-
22,342	44,782	(3,682)	6,423	1,159	1,827	7,257	(1,095)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>392,406</u>	<u>304,186</u>	<u>38,300</u>	<u>226,173</u>	<u>96,687</u>	<u>9,705</u>	<u>196,548</u>	<u>87,230</u>
-	-	-	-	-	-	-	-
120,000	180,000	5,000	85,000	-	-	-	40,000
21,451	116,252	45,743	98,468	26,078	761	110,903	52,664
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>141,451</u>	<u>296,252</u>	<u>50,743</u>	<u>183,468</u>	<u>26,078</u>	<u>761</u>	<u>110,903</u>	<u>92,664</u>
250,955	7,934	(12,443)	42,705	70,609	8,944	85,645	(5,434)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	114,028	-	-	-	-	29,447	-
(251,373)	-	-	-	-	-	-	-
<u>(251,373)</u>	<u>114,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,447</u>	<u>-</u>
(418)	121,962	(12,443)	42,705	70,609	8,944	115,092	(5,434)
365,028	881,481	(23,766)	137,337	3,382	28,444	110,561	-
-	-	-	-	-	-	-	-
<u>365,028</u>	<u>881,481</u>	<u>(23,766)</u>	<u>137,337</u>	<u>3,382</u>	<u>28,444</u>	<u>110,561</u>	<u>-</u>
<u>\$ 364,610</u>	<u>\$ 1,003,443</u>	<u>\$ (36,209)</u>	<u>\$ 180,042</u>	<u>\$ 73,991</u>	<u>\$ 37,388</u>	<u>\$ 225,653</u>	<u>\$ (5,434)</u>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2007**

	Debt Service			
	G.O. Improvement Bonds of 2003A (225)	G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007A (215)	G.O. Improvement Bonds of 2007C (235)
<b>REVENUES:</b>				
Property Taxes	\$ 160,514	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Special Assessments	215,674	39,921	-	-
Intergovernmental	11,037	-	-	-
Charges for Services	-	-	-	-
Miscellaneous:				
Investment Income	56,563	69,416	2,085	1,153
Contributions and Donations	-	-	-	-
Other	-	-	-	-
<b>Total Revenues</b>	<u>443,788</u>	<u>109,337</u>	<u>2,085</u>	<u>1,153</u>
<b>EXPENDITURES:</b>				
Current:				
Economic Development	-	-	-	-
Debt Service:				
Principal	70,000	510,000	-	-
Interest and Other Charges	166,560	60,180	26,097	20,122
Capital Outlay:				
Public Safety	-	-	-	-
Streets and Highways	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
<b>Total Expenditures</b>	<u>236,560</u>	<u>570,180</u>	<u>26,097</u>	<u>20,122</u>
Excess of Revenues Over (Under) Expenditures	207,228	(460,843)	(24,012)	(18,969)
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Debt	-	-	90,347	60,727
Bond Discount	-	-	(6,315)	(8,767)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>84,032</u>	<u>51,960</u>
<b>Net Change in Fund Balances</b>	207,228	(460,843)	60,020	32,991
<b>FUND BALANCES:</b>				
Beginning Balance as Previously Reported	1,019,176	1,651,174	-	-
Prior Period Adjustment	-	-	-	-
Beginning Balance, Restated	<u>1,019,176</u>	<u>1,651,174</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ 1,226,404</u>	<u>\$ 1,190,331</u>	<u>\$ 60,020</u>	<u>\$ 32,991</u>

Debt Service		Capital Projects					
G.O. Improvement Bonds of 2007E (207)	Total	Park Development (120)	Lakeside Park Improvements (125)	Local Development (150)	Fire Hall Expansion (195)	Industrial Park TIF 2-1 (155)	Industrial Park TIF 2-2 (160)
\$ -	\$ 634,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	403,930	-	-	-	-	147,788	163,893
-	600,036	-	-	354	-	-	-
-	115,937	-	-	-	-	-	-
-	-	-	-	-	-	-	-
251	193,081	17,689	17,583	26,231	1,835	2,567	11,279
-	25,263	100	-	-	4,896	-	-
-	-	-	640	134,131	-	-	-
<u>251</u>	<u>1,973,180</u>	<u>17,789</u>	<u>18,223</u>	<u>160,716</u>	<u>6,731</u>	<u>150,355</u>	<u>175,172</u>
-	-	-	-	76,504	-	-	-
-	1,188,000	-	-	-	-	-	-
450	765,316	-	-	-	-	-	693
-	-	-	-	-	168,448	-	-
-	-	-	-	-	-	-	-
-	-	189,234	486,823	-	-	-	-
-	-	-	-	-	-	27,952	71,659
<u>450</u>	<u>1,953,316</u>	<u>189,234</u>	<u>486,823</u>	<u>76,504</u>	<u>168,448</u>	<u>27,952</u>	<u>72,352</u>
(199)	19,864	(171,445)	(468,600)	84,212	(161,717)	122,403	102,820
13,979	165,053	-	-	-	-	-	-
-	(15,082)	-	-	-	-	-	-
-	246,000	-	-	-	-	7,113	-
-	(251,373)	-	-	-	-	(56,155)	(7,243)
<u>13,979</u>	<u>144,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,042)</u>	<u>(7,243)</u>
13,780	164,462	(171,445)	(468,600)	84,212	(161,717)	73,361	95,577
-	4,068,426	346,581	408,872	(61,411)	165,499	(264,622)	205,489
-	-	-	-	-	-	300,150	(117,392)
-	4,068,426	346,581	408,872	(61,411)	165,499	35,528	88,097
<u>\$ 13,780</u>	<u>\$ 4,232,888</u>	<u>\$ 175,136</u>	<u>\$ (59,728)</u>	<u>\$ 22,801</u>	<u>\$ 3,782</u>	<u>\$ 108,889</u>	<u>\$ 183,674</u>

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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2007**

	Capital Projects			
	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)
<b>REVENUES:</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	68,542	35,449	18,462	17,443
Special Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous:				
Investment Income	1,659	262	(37)	691
Contributions and Donations	-	-	-	-
Other	500	-	-	-
Total Revenues	<u>70,701</u>	<u>35,711</u>	<u>18,425</u>	<u>18,134</u>
<b>EXPENDITURES:</b>				
Current:				
Economic Development	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Other Charges	-	-	200	-
Capital Outlay:				
Public Safety	-	-	-	-
Streets and Highways	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	47,862	7,091	2,814	15,737
Total Expenditures	<u>47,862</u>	<u>7,091</u>	<u>3,014</u>	<u>15,737</u>
Excess of Revenues Over (Under) Expenditures	22,839	28,620	15,411	2,397
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of Debt	-	-	-	-
Bond Discount	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(7,713)	-	-	(263)
Total Other Financing Sources (Uses)	<u>(7,713)</u>	<u>-</u>	<u>-</u>	<u>(263)</u>
Net Change in Fund Balances	15,126	28,620	15,411	2,134
<b>FUND BALANCES:</b>				
Beginning Balance as Previously Reported	36,203	(8,141)	(9,599)	10,889
Prior Period Adjustment	-	-	-	-
Beginning Balance, Restated	<u>36,203</u>	<u>(8,141)</u>	<u>(9,599)</u>	<u>10,889</u>
End of Year	<u>\$ 51,329</u>	<u>\$ 20,479</u>	<u>\$ 5,812</u>	<u>\$ 13,023</u>

Capital Projects

Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Industrial Park Street Assessments (168)	Police Facility (185)	2005 Capital Equipment (140)	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 634,933
-	25,901	-	-	-	477,478	881,408
-	-	58,819	-	-	59,173	659,209
-	307	-	-	-	307	291,595
-	-	-	-	-	-	127,139
2,400	(12,484)	1,930	(602)	3,477	74,480	263,757
-	-	-	-	-	4,996	30,259
-	23,800	-	-	-	159,071	164,952
<u>2,400</u>	<u>37,524</u>	<u>60,749</u>	<u>(602)</u>	<u>3,477</u>	<u>775,505</u>	<u>3,053,252</u>
-	-	-	-	-	76,504	203,984
-	-	-	-	-	-	1,262,200
21,000	40,000	-	-	-	61,893	897,607
-	-	-	583	-	169,031	169,031
-	-	-	-	4,287	4,287	4,287
-	-	-	-	-	676,057	676,057
38	55,926	-	-	-	229,079	229,079
<u>21,038</u>	<u>95,926</u>	<u>-</u>	<u>583</u>	<u>4,287</u>	<u>1,216,851</u>	<u>3,442,245</u>
(18,638)	(58,402)	60,749	(1,185)	(810)	(441,346)	(388,993)
-	-	-	-	-	-	165,053
-	-	-	-	-	-	(15,082)
-	250,000	-	-	-	257,113	503,113
(838)	-	-	-	-	(72,212)	(323,585)
<u>(838)</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,901</u>	<u>329,499</u>
(19,476)	191,598	60,749	(1,185)	(810)	(256,445)	(59,494)
(274,893)	145,636	-	(2,982)	57,197	754,718	5,524,290
-	-	(182,758)	-	-	-	-
<u>(274,893)</u>	<u>145,636</u>	<u>(182,758)</u>	<u>(2,982)</u>	<u>57,197</u>	<u>754,718</u>	<u>5,524,290</u>
<u>\$ (294,369)</u>	<u>\$ 337,234</u>	<u>\$ (122,009)</u>	<u>\$ (4,167)</u>	<u>\$ 56,387</u>	<u>\$ 498,273</u>	<u>\$ 5,464,796</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2007**

	<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	\$ 1,936,233	\$ 1,936,233	\$ 1,903,734	\$ (32,499)
Special Assessments	2,750	2,750	405	(2,345)
Licenses and Permits	553,850	553,850	497,696	(56,154)
Intergovernmental Revenue:				
Local Government Aid	430,934	430,934	430,934	-
Market Value Credit	175,000	175,000	130,163	(44,837)
PERA Aid	3,106	3,106	3,106	-
Fire Aid	90,000	90,000	72,859	(17,141)
Police Aid	55,000	55,000	68,514	13,514
Other Grants and Aids	58,000	58,000	72,508	14,508
Total Intergovernmental Revenue	<u>812,040</u>	<u>812,040</u>	<u>778,084</u>	<u>(33,956)</u>
Charges for Services:				
General Government	114,300	114,300	114,907	607
Public Safety	218,500	218,500	89,091	(129,409)
Streets and Highways	52,000	52,000	65,714	13,714
Park and Recreation	1,500	1,500	-	(1,500)
Economic Development	5,000	5,000	338	(4,662)
Total Charges for Services	<u>391,300</u>	<u>391,300</u>	<u>270,050</u>	<u>(121,250)</u>
Fines and Forfeitures	63,250	63,250	60,941	(2,309)
Miscellaneous Revenues:				
Investment Income	90,000	90,000	118,296	28,296
Contributions and Donations	6,000	6,000	9,900	3,900
Other	27,500	27,500	35,977	8,477
Total Miscellaneous	<u>123,500</u>	<u>123,500</u>	<u>164,173</u>	<u>40,673</u>
Total Revenues	<u>3,882,923</u>	<u>3,882,923</u>	<u>3,675,083</u>	<u>(207,840)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
Mayor and Council	\$ 38,400	\$ 38,400	\$ 41,918	\$ 3,518
Administrative and Finance	495,900	495,900	469,295	(26,605)
Other General Government	174,750	174,750	200,845	26,095
Capital Outlay	-	98,023	123,553	25,530
<b>Total General Government</b>	<u>709,050</u>	<u>807,073</u>	<u>835,611</u>	<u>28,538</u>
<b>Public Safety:</b>				
<b>Police:</b>				
Current	1,275,789	1,275,789	1,276,580	791
Capital Outlay	140,000	140,000	86,136	(53,864)
<b>Fire:</b>				
Current	368,400	373,200	334,071	(39,129)
Capital Outlay	34,300	34,300	35,375	1,075
<b>Other:</b>				
Current	495,700	495,700	457,670	(38,030)
<b>Total Public Safety</b>	<u>2,314,189</u>	<u>2,318,989</u>	<u>2,189,832</u>	<u>(129,157)</u>
<b>Public Works:</b>				
<b>Streets and Highways:</b>				
Street Maintenance and Storm Sewers	393,787	393,787	327,953	(65,834)
Street Engineering	22,500	22,500	18,089	(4,411)
Street Lighting	62,500	62,500	76,947	14,447
Street - Other Capital Outlay	5,250	5,250	550	(4,700)
<b>Sanitation:</b>				
Garbage and Other Refuse Collection and Disposal	50,220	50,220	51,299	1,079
<b>Total Public Works</b>	<u>534,257</u>	<u>534,257</u>	<u>474,838</u>	<u>(59,419)</u>
<b>Culture and Recreation:</b>				
<b>Libraries:</b>				
Current	13,600	13,600	11,928	(1,672)
<b>Parks and Recreation:</b>				
Current Expenditures	336,152	336,152	324,208	(11,944)
Capital Outlay	5,275	5,275	828	(4,447)
<b>Total Culture and Recreation</b>	<u>355,027</u>	<u>355,027</u>	<u>336,964</u>	<u>(18,063)</u>

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

**SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL FUND  
 For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>EXPENDITURES:</b>				
Economic Development:				
Current	\$ 225,500	\$ 225,500	\$ 225,196	\$ (304)
Capital Outlay	3,900	3,900	2,001	(1,899)
Total Economic Development	229,400	229,400	227,197	(2,203)
Total Expenditures	4,141,923	4,244,746	4,064,442	(180,304)
Excess of Revenues Under Expenditures	(259,000)	(361,823)	(389,359)	(27,536)
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from Sale of Capital Asset	-	-	2,805	2,805
Issuance of Debt	-	-	9,000	9,000
Transfers In	190,000	190,000	195,947	5,947
Total Other Financing Sources	190,000	190,000	207,752	17,752
Net Change in Fund Balances	\$ (69,000)	\$ (171,823)	(181,607)	\$ (9,784)
<b>FUND BALANCES:</b>				
Beginning of Year			2,631,347	
End of Year			\$ 2,449,740	



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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***

May 14, 2008

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, 2007, and have issued our report thereon dated May 14, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Internal Control as Audit Findings 04-01 and 06-01 to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

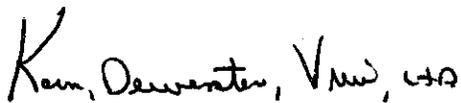
Our consideration of the internal control over financial reporting for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider Audit Finding 06-01 to be a material weakness.

### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's basic 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 that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to management of the City in a separate letter dated May 14, 2008.

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.  
St. Cloud, Minnesota



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## REPORT ON LEGAL COMPLIANCE

May 14, 2008

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 and each major fund of the City of Big Lake, Minnesota, for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 14, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, 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 Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

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

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

*Kern, Dewenter, Viere, Ltd.*  
KERN, DEWENTER, VIERE, LTD.  
St. Cloud, Minnesota

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

**SCHEDULE OF FINDINGS AND RESPONSES ON INTERNAL CONTROL**  
**December 31, 2007**

**CURRENT YEAR INTERNAL CONTROL FINDING:**

**Material Weakness**

**Audit Finding 06-01 – Prior Period Adjustment**

Prior period adjustments were done to correct the 2006 financial statements.

An adjustment to the governmental funds was done to reclassify prior year's nontax increment related activity. In prior years, this activity was accounted for in tax increment funds. However, during 2007, it was reclassified to be accounted for separately from tax increment activity.

An adjustment was needed to the government-wide net assets to record a receivable from Big Lake Township related to the G.O. Capital Improvement Bonds issued in 2006 for the Big Lake Fire Hall Expansion Project.

**City's Response**

City staff will continue to make every effort to account for financial activity properly in the year in which the activity occurs.

For 2007 prior period adjustments:

- The need to segregate nontax increment project costs from tax increment activity was brought to the City's attention from the State Auditors Office. The State Auditor recommends all nontax increment activity be accounted for separately from tax increment activity in separate City funds. There were nontax increment related project costs dating back to 1999 through 2002 in the original Industrial Park Tax Increment Funds, so City staff broke out those costs into a separate Capital Projects Fund during 2007.
- The prior period adjustment from the 2006 debt issuance comes from a recommendation from the City auditors. This is the debt for the fire hall expansion. Big Lake Township is responsible for 50% of this bond issuance. Since the City pays all of the debt payments and is then reimbursed from the Township for their share, the auditors recommended a note receivable be set up to track the remaining balance owed from the Township.

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

**SCHEDULE OF FINDINGS AND RESPONSES ON INTERNAL CONTROL**  
**December 31, 2007**

**CURRENT YEAR INTERNAL CONTROL FINDING:**

**Significant Deficiency**

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

During the year ended December 31, 2007, the City had a lack of segregation of accounting duties due to a limited number of office employees.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation but due to the small staff needed to handle all of the accounting duties, the costs of obtaining desirable segregation of accounting duties often exceeds benefits which could be derived. However, management must remain aware of this situation and should continually monitor the accounting system, including changes that occur. This lack of segregation of accounting can be demonstrated in the following areas, which is not intended to be an all inclusive list:

- The Finance Assistant prepares and posts the accounts payable.
- The Finance Assistant prepares checks, handles the blank check stock and signature plate and posts disbursements to general ledger.
- The Accounting Clerk receipts and records all payroll data and posts to the general ledger.
- The Finance Director has read/write access to the general ledger.

**City's Response**

The City follows standard operating procedures which attempt to limit internal control deficiencies. With limitations on staff size, full segregation of accounting duties is not possible at this time. Staff will monitor our procedures and continually look for ways to improve our control environment.