

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

Financial Statements

December 31, 2018

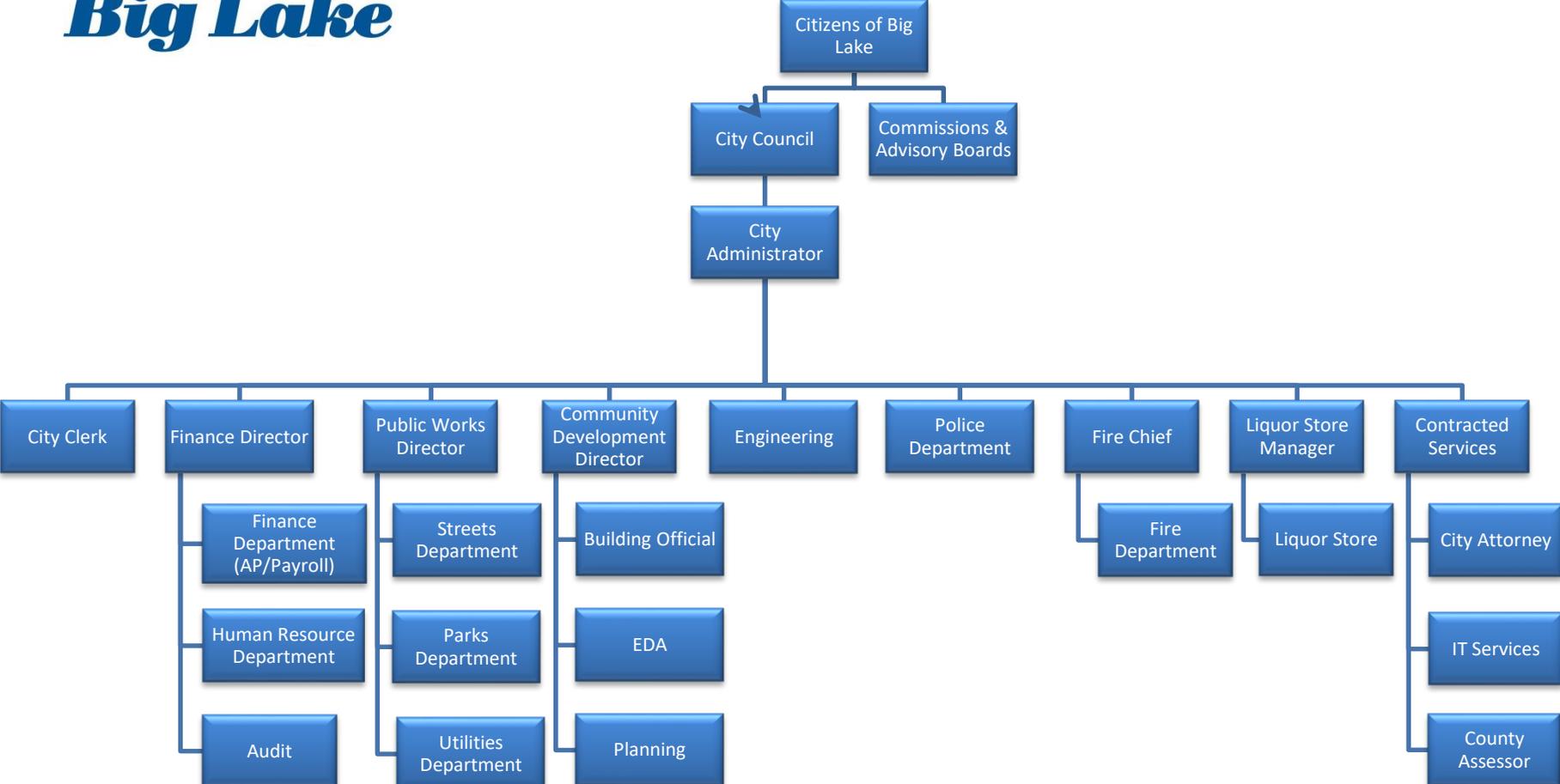
**City of Big Lake
Table of Contents**

Elected Officials and Administration	1
Organizational Chart	2
Independent Auditor's Report	3
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	20
Statement of Activities	22
Fund Financial Statements	
Balance Sheet – Governmental Funds	23
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	28
Statement of Net Position – Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Statement of Fiduciary Net Position – Fiduciary Funds	32
Notes to the Financial Statements	33
Required Supplementary Information	
Schedule of City's Proportionate Share of Net Pension Liability General Employees – Retirement Fund	70
Schedule of City's Proportionate Share of Net Pension Liability Public Employees – Police and Fire Retirement Fund	70
Schedule of City Contributions General Employees Retirement Fund	71
Schedule of City Contributions Public Employees Police and Fire Retirement Fund	71
Notes to Required Supplementary Information	72
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	82
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	88
Combining Statement of Changes in Assets and Liabilities – Agency Funds	90

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90
Minnesota Legal Compliance	93
Schedule of Findings and Responses on Internal Control	95

**City of Big Lake
Elected Officials and Administration
December 31, 2018**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Raeanne Danielowski	Mayor	December 31, 2020
Duane Langsdorf	Council Member	December 31, 2018
Richard Backlund	Council Member	December 31, 2020
Seth Hansen	Council Member	December 31, 2020
Mike Wallen	Council Member	December 31, 2018
<u>Administration</u>		
Clay Wilfahrt	City Administrator	Appointed
Deb Wegeleben	Finance Director	Appointed



Independent Auditor's Report

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

Report on the Financial Statements

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, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph 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, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

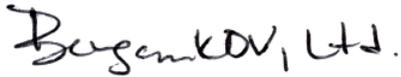
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Big Lake's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2019, on our consideration of the City of Big Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Big Lake's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Big Lake's internal control over financial reporting and compliance.



St. Cloud, Minnesota
April 1, 2019

(THIS PAGE LEFT BLANK INTENTIONALLY)

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

As management of the City of Big Lake (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended in December 31, 2018. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows resources at the close of the most recent fiscal year by \$57,160,868. Of this amount, \$8,257,591 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$1,694,512 from the prior year. Of the increase, 99% was attributable to governmental activities and 1% to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,076,247, an increase of \$1,036,068 from the previous year. The increase is attributed to the issuance of debt for the street projects, as well as the advancement of state aid pertaining to the current street project. The state aid advancement will be used for future debt payments on the current street project.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,965,325 or 64%, of the total General Fund expenditures and net transfers out.
- The City's total bonded debt decreased by \$1,663,872 during the current fiscal year even though the City did issue \$2,350,000 of new debt in 2018.
- In 2018 a Joint Powers Agreement was entered into by the City of Big Lake and the Town of Big Lake to create the Big Lake Fire Department. The Big Lake Fire Department is a separate entity from both the City and the Town of Big Lake, with the City and Town of Big Lake leasing the Fire Hall as well as the equipment to the Big Lake Fire Department. In the prior years, the City has recognized the Fire Relief Pension in the City's government-wide financial statements, as of 2018, those assets and deferred inflow/outflows will no longer be recognized in the City's Financials.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

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

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

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

The government-wide financial statements can be found on pages 18-20 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The City maintains 33 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund as it is considered a major fund and for the Capital Project/Infrastructure Improvement Fund, and for the Capital Project/Street Improvement Fund. Data from the other 30 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its General Fund, special revenue funds and capital improvement 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 21-26 of this report

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Financial Statements can be found on pages 31-65 of this report.

Other Information

Required supplementary information pertaining to the net pension liability can be found on pages 68-71 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements and required supplementary information. Combining and individual fund statements and schedules can be found on pages 74-85 of this report.

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$57,160,868 at the close of the most recent fiscal year.

Approximately 79% of the City's net position reflect its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,257,591 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all categories of the governmental activities and business-type activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

City of Big Lake's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
	Current and Other Assets	\$ 14,944,484	\$ 13,332,496	\$ 7,540,926	\$ 7,112,881	\$ 22,485,410
Capital Assets	31,184,969	29,855,110	47,093,875	49,485,956	78,278,844	79,341,066
Total Assets	\$ 46,129,453	\$ 43,187,606	\$ 54,634,801	\$ 56,598,837	\$ 100,764,254	\$ 99,786,443
Deferred Outflows of Resources	\$ 1,598,112	\$ 2,130,442	\$ 242,557	\$ 319,983	\$ 1,840,666	\$ 2,450,425
Noncurrent Liabilities Outstanding	\$ 15,208,947	\$ 17,610,628	\$ 18,446,963	\$ 20,619,629	\$ 33,655,910	\$ 38,230,257
Other Liabilities	5,887,260	3,354,020	2,785,831	2,706,620	8,673,091	6,060,640
Total Liabilities	\$ 21,096,207	\$ 20,964,648	\$ 21,232,794	\$ 23,326,249	\$ 42,329,001	\$ 44,290,897
Deferred Inflows of Resources	\$ 2,881,424	\$ 2,283,885	\$ 233,630	\$ 195,730	\$ 3,115,054	\$ 2,479,615
Net Position						
Net Investment in Capital Assets	\$ 17,363,757	\$ 16,330,617	\$ 27,549,549	\$ 27,887,831	\$ 44,913,306	\$ 44,218,448
Restricted	3,989,971	4,050,534	-	-	3,989,971	4,050,534
Unrestricted	2,396,206	1,688,364	5,861,385	5,509,010	8,257,591	7,197,374
Total Net Position	\$ 23,749,934	\$ 22,069,515	\$ 33,410,934	\$ 33,396,841	\$ 57,160,868	\$ 55,466,356

The City's net position increased by \$1,694,512 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 99% or \$ 1,680,419. Of the net position increase to the Governmental Activities \$707,842 was to unrestricted. Business-type activities increased the City's net position by 1% or \$14,093.

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities

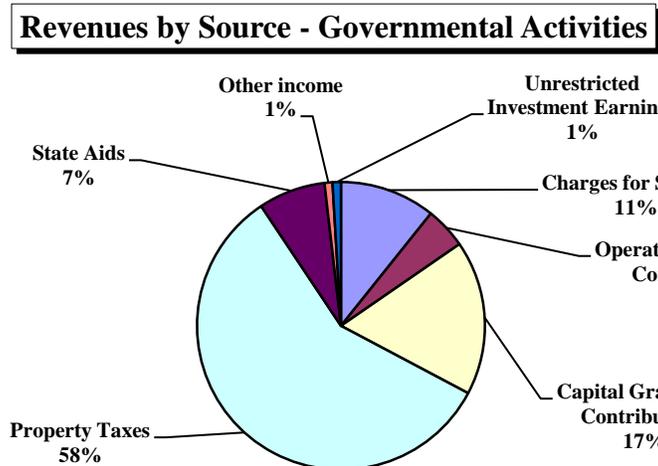
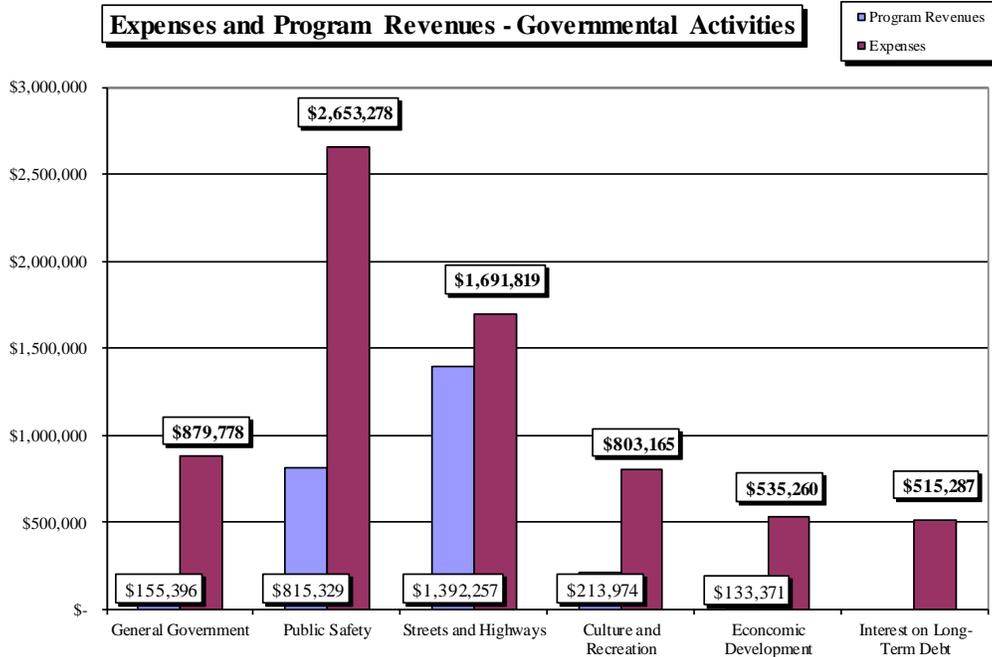
City of Big Lake's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUE:						
Program Revenues:						
Charges for Services	\$ 888,344	\$ 1,016,122	\$ 9,029,875	\$ 10,683,524	\$ 9,918,219	\$ 11,699,646
Operating Grants and Contributions	384,615	383,139	15,496	27,693	400,111	410,832
Capital Grants and Contributions	1,437,368	978,503	-	-	1,437,368	978,503
General Revenues:						
Property Taxes and Tax Increment and Franchise Fees	4,789,589	4,574,851	-	-	4,789,589	4,574,851
State Aids	621,827	546,863	-	-	621,827	546,863
Unrestricted Investment Earnings	77,963	77,174	139,390	83,558	217,353	160,732
Other Income	46,237	25,390	-	1,000	46,237	26,390
Total Revenues	\$8,245,943	\$7,602,042	\$9,184,761	\$10,795,775	\$17,430,704	\$18,397,817
EXPENSES:						
General Government	879,778	889,464	-	-	879,778	889,464
Public Safety	2,653,278	2,589,377	-	-	2,653,278	2,589,377
Streets and Highways	1,691,819	1,459,952	-	-	1,691,819	1,459,952
Culture and Recreation	803,165	774,937	-	-	803,165	774,937
Economic Development	535,260	1,057,332	-	-	535,260	1,057,332
Interest on Long-Term Debt	515,287	454,194	-	-	515,287	454,194
Water	-	-	1,914,037	1,911,736	1,914,037	1,911,736
Sewer	-	-	2,591,003	2,589,521	2,591,003	2,589,521
Municipal Liquor	-	-	3,764,839	3,640,702	3,764,839	3,640,702
Storm Sewer	-	-	387,726	432,199	387,726	432,199
Total Expenses	7,078,587	7,225,256	8,657,605	8,574,158	15,736,192	15,799,414
Increase (Decrease) in Net Position before Transfers	1,167,356	376,786	527,156	2,221,617	1,694,512	2,598,403
Transfers	513,063	577,964	(513,063)	(577,964)	-	-
Increase (Decrease) in Net Position	1,680,419	954,750	14,093	1,643,653	1,694,512	2,598,403
Net Position - Beginning	22,069,515	21,114,765	33,396,841	31,753,188	55,466,356	52,867,953
Net Position - Ending	\$ 23,749,934	\$ 22,069,515	\$ 33,410,934	\$ 33,396,841	\$ 57,160,868	\$ 55,466,356

The City's net position increased by \$1,694,512 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 99% or \$1,680,419. This increase can be attributed to new development, with the increase in property tax payments, the increase in local government aid, as well as franchise fees. In addition, the additional increase in the transfer from the City's Liquor Store to the General Fund. In 2018, the City issued debt to cover the cost of the 2018 Street project.

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

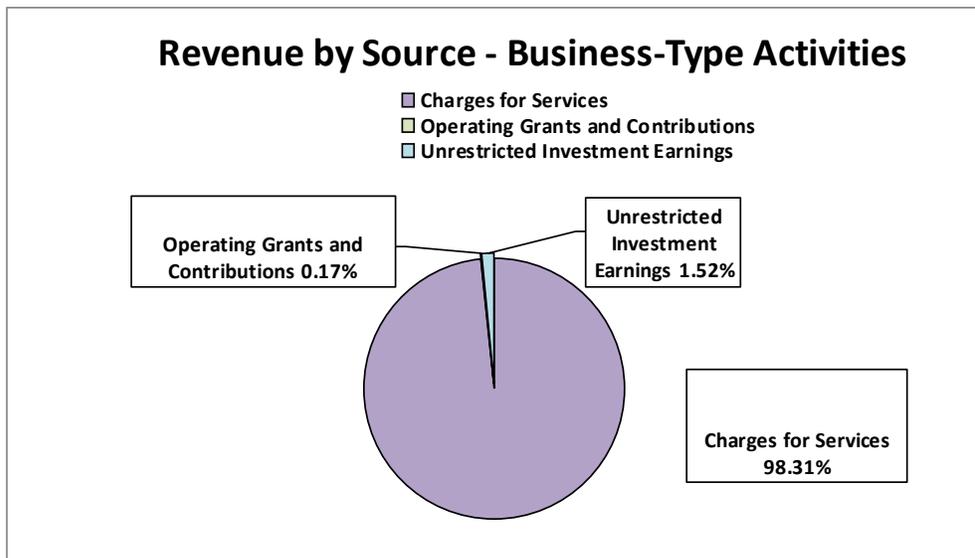
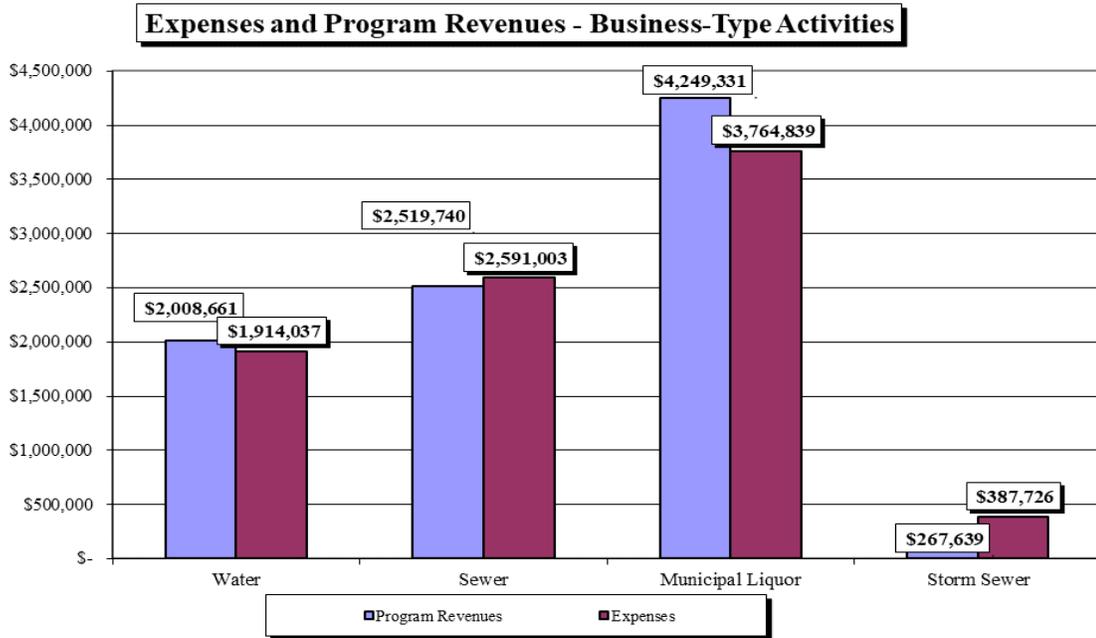
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)



**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

Business-Type Activities

Business-type activities increased the City's net position by \$14,093, resulting in 1% of the total increase in the government's net position. The City's Liquor Store contributed \$375,000 to the General Fund as well as \$25,000 to the capital improvement funds for future projects. For the Utility funds, usage was down, as well as WAC/SAC compared to 2017. In 2017, there were 97 new home permits compared to 52 in 2018. Development in 2018 represents the normal and anticipated development the City uses for their long term planning. In 2017, the City had one national home builder that came in and built 50 homes, in 2018 the national home builder did not develop any property.



**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,076,247, an increase of \$1,036,068 from the previous year. Approximately 47% of this total amount, \$5,220,637, constitutes assigned and unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted or non-spendable to indicate that it is not available for new spending because it has external spending requirements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unrestricted, spendable fund balance of the General Fund was \$2,965,325, while total fund balance reached \$3,215,978. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 64% of the total General Fund expenditures and transfers out, while total fund balance represents 69% of that same amount.

The fund balance of the City's General Fund decreased by \$12,909 during the current fiscal year. Total revenues and other sources in were \$230,482 over budget due to an increase in revenues for Building permits, Property Tax, Franchise Fees and Donations. Expenditures and transfers out ended 2018 over budget by \$243,391 primarily due to an approved transfer of \$340,000 to the Capital Infrastructure/Replacement Funds for future improvement projects at year end per the City's financial policies. The policies state that any excess fund balance over the 50% can be transferred to the Capital Improvement funds at year end.

Proprietary Funds

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

Unrestricted net position of the water operations at the end of the year was \$86,049; for the sewer operations the year ended at \$4,395,981 and the storm sewer operation was \$226,524 and for the liquor operation the year ended at \$1,152,831. The changes in net position for each of the utility funds were as follows: water an increase of \$60,696, sewer an increase of \$8,958, and storm sewer a decrease of \$(155,118). The liquor fund saw an increase of \$99,557. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

The Municipal Liquor Store realized income before transfers of \$499,557. With an operating transfer of \$375,000 to the General Fund and \$25,000 to the Capital Infrastructure and Improvement Fund for future City projects net position increased by \$99,557.

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

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, 2018, amounts to \$78,278,844 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, improvements, infrastructure, collection and distribution systems, buildings and machinery and equipment.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,045,419	\$ 8,025,819	\$ 1,534,320	\$ 1,534,320	\$ 9,579,739	\$ 9,560,139
Construction in Progress	3,906,086	1,326,354	28,097	-	3,934,183	1,326,354
Leasehold Improvements	40,011	34,963	85,782	91,824	125,793	126,787
Infrastructure	15,688,439	16,740,000	-	-	15,688,439	16,740,000
Collection and Distribution Systems	-	-	23,932,955	25,391,175	23,932,955	25,391,175
Buildings	2,814,173	2,979,954	21,162,049	22,083,652	23,976,222	25,063,606
Machinery and Equipment	690,841	748,020	350,672	384,985	1,041,513	1,133,005
Total	\$ 31,184,969	\$ 29,855,110	\$ 47,093,875	\$ 49,485,956	\$ 78,278,844	\$ 79,341,066

Additional information on the City's capital assets can be found in Note 6 on pages 46-48 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$36,893,929. Of this amount, \$2,019,000 comprises debt backed by the full faith and credit of the government and \$12,170,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., tax increment financing [TIF] bonds, revenue bonds, lease revenue bonds).

City of Big Lake's Outstanding Bonded Debt

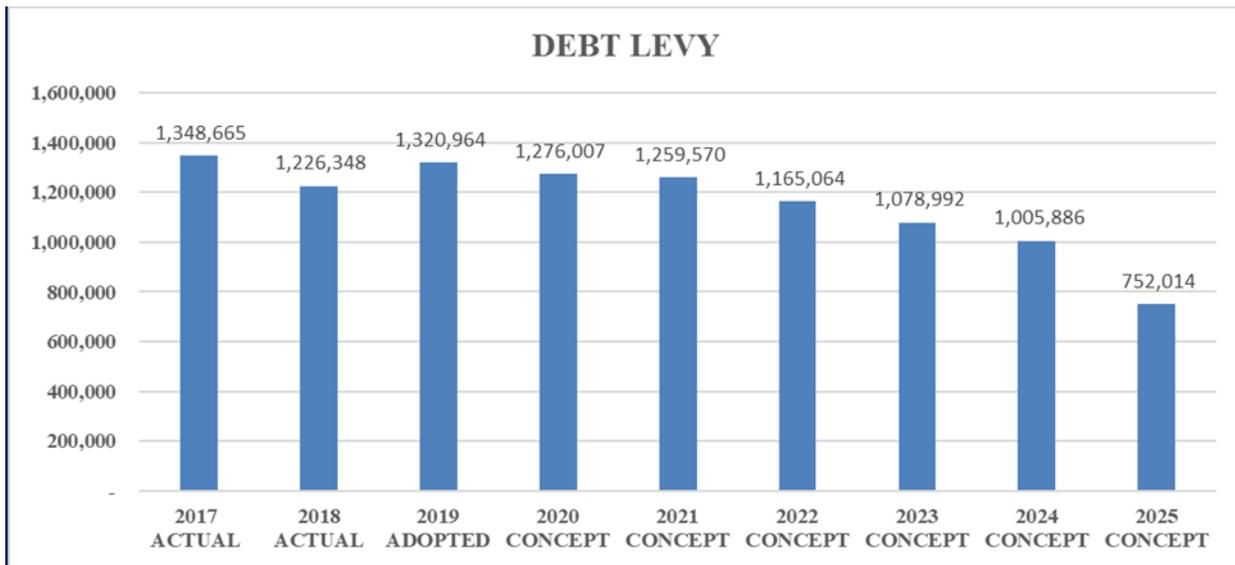
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
G.O. Bonds/Notes	\$ 2,019,000	\$ 2,188,000	\$ -	\$ -	\$ 2,019,000	\$ 2,188,000
G.O. Tax Increment Bonds	3,135,000	3,360,000	-	-	3,135,000	3,360,000
G.O. Special Assessment Bonds	12,170,000	11,365,000	-	-	12,170,000	11,365,000
PFA Drinking Water Revolving Loan	-	-	3,190,000	3,677,000	3,190,000	3,677,000
PFA Clean Water Revolving Loan	-	-	9,376,000	10,113,000	9,376,000	10,113,000
G.O. Taxable Tax Abatement Bonds	213,174	241,870	566,826	643,130	780,000	885,000
G.O. Revenue Bonds/Notes	-	-	6,200,000	6,930,000	6,200,000	6,930,000
Capital Lease	23,929	39,801	-	-	23,929	39,801
Total	\$ 17,561,103	\$ 17,194,671	\$ 19,332,826	\$ 21,363,130	\$ 36,893,929	\$ 38,557,801

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

The following graph shows the amount of existing and projected debt service levies for the next five years. The current finance plan shows debt levies for bonds currently outstanding with no projected new debt levies. Planned street improvements included in the CIP that are bonded will not be levied, but instead the debt payments paid from allocation of the Local Government Aid and MSA Street Aid.



Total bonded debt decreased by \$1,663,872 during the current fiscal year. Additional information on the City's long-term debt can be found in Note 7 on pages 48-53 of this report.

Bond Rating



Rationale

S&P Global Ratings raised its rating on Big Lake, Minn.'s general obligation (GO) debt to 'AA' from 'AA-'. The outlook is stable. The upgrade reflects our view of the combination of the city's ongoing maintenance of extremely strong available reserves, steady growth in the city's economic base, market value in particular, and the adoption of more robust financial policies and practices, as reflected its now-"strong" Financial Management Assessment (FMA) and very strong overall management.

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

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our Financial

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Bond Rating (Continued)

Management Assessment (FMA) methodology;

- Strong budgetary performance, with an operating surplus in the general fund but a slight operating deficit at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with a high available fund balance in fiscal 2017 of 93% of operating expenditures;
- Very strong liquidity, with total government available cash at 1.5x total governmental fund expenditures and 5.1 x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges at 30.0% of expenditures and net direct debt that is 186.1% of total governmental fund revenue, but rapid amortization, with 86.5% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Budgeted spending for the City's General Fund for 2019 was increased by 3.40% over the 2018 budget; for an overall balanced budget of \$4,857,198.
- The 2018 total levy amount of \$4,329,410 was a 3.68% increase over the 2018 amount.
- The Net Tax Capacity is projected to increase by 10% for 2019, with Taxable Market Value increasing by 12.59%.
- In 2019, the City anticipates receiving approximately \$622,696 in Local Government Aid (LGA), as compared to \$618,607 received in 2018. The City continues to budget the LGA in the Capital Improvement and Equipment replacement funds instead of the general operating fund. These funds will be used for future purchase or improvement of Capital Assets. LGA payments are typically received in July and December.
- Water and sewer rates were increased in 2018 based on the rate study conducted by Progressive Consulting Engineers in 2015; the city implemented the new rate fee in the first quarter of 2018. These rates are monitored on an annual basis and recommended changes brought to council for approval.
- For 2019 the water usage rates were decreased by 4%, the sewer usage fee increased by 4% and the base fees remained flat. For the next coming years it is projected that the base fees will remain flat, water usage will need to increase 2 to 3 percent and sewer usage will need to increase 4 percent to cover the rising cost of infrastructure replacement and treatment.
- Building Permits for single family homes continues to grow, the City is anticipating approximately 50 new permits in 2019, which is in line with what was received for 2018.
- The City continues to see existing business expand their operations as well as an increase in multi-family projects that should be completed in the coming years.
- The City began the street reconstruction projects in 2018 and will continue on in 2020, 2022, 2024 and 2026.

**City of Big Lake
Management's Discussion And Analysis
December 31, 2018**

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

- The City Five-Year plan for the General Fund reflects tax levy increases necessary to deliver the current scope of services and capital replacement plans, assuming the normal budget “pressures” as stated below:
 - Health Insurance – the plan reflects a 10 percent increase each year to the budget
 - Wages – the plan reflects a 6 percent increase each year to the budget to reflect the step increases as well as market value increases to the total pay plan to remain competitive in the market.
 - Building Permits – the plan reflects growth at a slow and steady pace with 50 new home permits a year.
 - Operational Expenditures – the plan reflects a three percent increase in some expenditures such as supplies and utilities.
 - The tax capacity would increase 4 percent and the increase to the total levy would be in the 4.5 percent to 4.75 percent increase, which would take into consideration the growth anticipated for upcoming years.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**City of Big Lake
Statement of Net Position
December 31, 2018**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 9,679,501	\$ 5,445,319	\$ 15,124,820
Cash with fiscal agent	2,804,206	-	2,804,206
Receivables			
Property tax receivable	152,314	-	152,314
Accounts receivable	151,458	381,775	533,233
Interest receivable	16,373	-	16,373
Notes receivable	460,000	-	460,000
Special assessments receivable			
Delinquent	149,656	20,195	169,851
Deferred	1,390,853	160,696	1,551,549
Due from other governments	112,122	9,871	121,993
Advances to other funds (internal balances)			
After one year	(966,190)	966,190	-
Inventories	-	382,584	382,584
Land held for resale	890,135	-	890,135
Prepaid items	104,056	49,074	153,130
Restricted cash and cash equivalents	-	125,222	125,222
Capital assets not being depreciated			
Land	8,045,419	1,534,320	9,579,739
Construction in progress	3,906,086	28,097	3,934,183
Capital assets being depreciated			
Infrastructure	37,164,549	-	37,164,549
Buildings	4,979,619	27,648,091	32,627,710
Leasehold improvements	65,684	223,833	289,517
Machinery and equipment	4,385,941	1,366,480	5,752,421
Collection and distribution systems	-	46,280,812	46,280,812
Less accumulated depreciation	(27,362,329)	(29,987,758)	(57,350,087)
Total assets	<u>46,129,453</u>	<u>54,634,801</u>	<u>100,764,254</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>1,598,112</u>	<u>242,557</u>	<u>1,840,669</u>
Total assets and deferred outflows of resources	<u>\$ 47,727,565</u>	<u>\$ 54,877,358</u>	<u>\$ 102,604,923</u>

**City of Big Lake
Statement of Net Position
December 31, 2018**

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 152,057	\$ 303,333	\$ 455,390
Salaries and benefits payable	56,108	33,122	89,230
Escrow payable	440,205	-	440,205
Contracts payable	91,385	-	91,385
Due to other governments	140,987	39,077	180,064
Interest payable	200,652	198,277	398,929
Unearned revenue	27,525	13,065	40,590
Net G.O. Bonds principal payable			
Payable within one year	4,340,000	-	4,340,000
Payable after one year	11,769,111	-	11,769,111
G.O. revenue bonds and notes payable			
Payable within one year	27,330	2,065,670	2,093,000
Payable after one year	190,847	17,478,656	17,669,503
Notes payable			
Payable within one year	127,000	-	127,000
Payable after one year	1,392,000	-	1,392,000
Capital lease payable			
Payable within one year	7,548	-	7,548
Payable after one year	16,382	-	16,382
Compensated absences payable			
Payable within one year	276,463	133,287	409,750
Net pension liability	1,798,275	968,307	2,766,582
Severance payable			
Payable after one year	42,332	-	42,332
Total liabilities	<u>21,096,207</u>	<u>21,232,794</u>	<u>42,329,001</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	2,074,277	233,630	2,307,907
State aid received for subsequent years	807,147	-	807,147
Total deferred inflows of resources	<u>2,881,424</u>	<u>233,630</u>	<u>3,115,054</u>
Net Position			
Net investment of capital assets	17,363,757	27,549,549	44,913,306
Restricted for			
Debt service	3,630,422	-	3,630,422
Tax increment	193,136	-	193,136
Parkland dedication	143,137	-	143,137
Other purposes	23,276	-	23,276
Unrestricted	2,396,206	5,861,385	8,257,591
Total net position	<u>23,749,934</u>	<u>33,410,934</u>	<u>57,160,868</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 47,727,565</u>	 <u>\$ 54,877,358</u>	 <u>\$ 102,604,923</u>

**City of Big Lake
Statement of Activities
Year Ended December 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 879,778	\$ 128,512	\$ 26,884	\$ -	\$ (724,382)	\$ -	\$ (724,382)
Public safety	2,653,278	513,549	270,780	31,000	(1,837,949)	-	(1,837,949)
Streets and highways	1,691,819	168,186	24,437	1,199,634	(299,562)	-	(299,562)
Culture and recreation	803,165	72,254	53,327	88,393	(589,191)	-	(589,191)
Economic development	535,260	5,843	9,187	118,341	(401,889)	-	(401,889)
Interest on long-term debt	515,287	-	-	-	(515,287)	-	(515,287)
Total governmental activities	<u>7,078,587</u>	<u>888,344</u>	<u>384,615</u>	<u>1,437,368</u>	<u>(4,368,260)</u>	<u>-</u>	<u>(4,368,260)</u>
Business-type activities							
Water	1,914,037	2,005,600	3,061	-	-	94,624	94,624
Sewer	2,591,003	2,516,346	3,394	-	-	(71,263)	(71,263)
Liquor	3,764,839	4,240,363	8,968	-	-	484,492	484,492
Storm sewer	387,726	267,566	73	-	-	(120,087)	(120,087)
Total business-type activities	<u>8,657,605</u>	<u>9,029,875</u>	<u>15,496</u>	<u>-</u>	<u>-</u>	<u>387,766</u>	<u>387,766</u>
Total governmental and business-type activities	<u>\$ 15,736,192</u>	<u>\$ 9,918,219</u>	<u>\$ 400,111</u>	<u>\$ 1,437,368</u>	<u>(4,368,260)</u>	<u>387,766</u>	<u>(3,980,494)</u>
General revenues							
Property taxes					4,103,036	-	4,103,036
Franchise Fees					497,577	-	497,577
Tax increments					188,976	-	188,976
State aids					621,827	-	621,827
Unrestricted investment and other interest income					77,963	139,390	217,353
Other general revenue					11,239	-	11,239
Gain on sale of assets					34,998	-	34,998
Transfers					513,063	(513,063)	-
Total general revenues and transfers					<u>6,048,679</u>	<u>(373,673)</u>	<u>5,675,006</u>
Change in net position					1,680,419	14,093	1,694,512
Net position - beginning					22,069,515	33,396,841	55,466,356
Net position - ending					<u>\$ 23,749,934</u>	<u>\$ 33,410,934</u>	<u>\$ 57,160,868</u>

City of Big Lake
Balance Sheet - Governmental Funds
December 31, 2018

	Capital Projects				Total Governmental Funds
	General (101)	Street Improvement (175)	Infrastructure Improvement Fund (198)	Other Governmental Funds	
Assets					
Cash and investments	\$ 3,161,887	\$ 134,595	\$ 2,487,373	\$ 3,895,646	\$ 9,679,501
Cash with fiscal agent	-	271,140	-	2,533,066	2,804,206
Taxes receivable - delinquent	100,755	-	-	51,559	152,314
Accounts receivable	139,078	-	-	12,380	151,458
Interest receivable	16,373	-	-	-	16,373
Due from other governments	77,198	-	-	34,924	112,122
Advances to other funds	-	-	8,595	-	8,595
Notes receivable	-	-	-	460,000	460,000
Special assessment receivable					
Delinquent	163	3,180	2,626	143,687	149,656
Deferred	4,799	-	-	1,386,054	1,390,853
Land held for resale	-	-	-	890,135	890,135
Prepaid items	103,486	-	-	570	104,056
	<u>3,603,739</u>	<u>408,915</u>	<u>2,498,594</u>	<u>9,408,021</u>	<u>15,919,269</u>
Total assets	<u>\$ 3,603,739</u>	<u>\$ 408,915</u>	<u>\$ 2,498,594</u>	<u>\$ 9,408,021</u>	<u>\$ 15,919,269</u>
Liabilities					
Accounts payable	\$ 65,557	\$ 80,461	\$ -	\$ 6,039	\$ 152,057
Salaries and benefits payable	56,091	-	-	17	56,108
Escrow payable	124,653	10,000	6,510	299,042	440,205
Contracts payable	-	73,134	-	18,251	91,385
Due to other governments	8,218	-	-	132,769	140,987
Advances from other funds	-	-	-	974,785	974,785
Unearned revenue	27,525	-	-	-	27,525
Total liabilities	<u>282,044</u>	<u>163,595</u>	<u>6,510</u>	<u>1,430,903</u>	<u>1,883,052</u>
Deferred Inflows of Resources					
Unavailable revenue - notes receivables	-	-	-	460,000	460,000
Unavailable revenue - property taxes	100,755	-	-	51,559	152,314
Unavailable revenue - special assessments	4,962	3,180	2,626	1,529,741	1,540,509
State aid received for subsequent years	-	-	807,147	-	807,147
Total deferred inflows of resources	<u>105,717</u>	<u>3,180</u>	<u>809,773</u>	<u>2,041,300</u>	<u>2,959,970</u>
Fund Balances					
Nonspendable	103,486	-	-	795,545	899,031
Restricted	-	271,140	-	4,685,439	4,956,579
Assigned	147,167	-	1,682,311	1,190,546	3,020,024
Unassigned	2,965,325	(29,000)	-	(735,712)	2,200,613
Total fund balances	<u>3,215,978</u>	<u>242,140</u>	<u>1,682,311</u>	<u>5,935,818</u>	<u>11,076,247</u>
	<u>\$ 3,603,739</u>	<u>\$ 408,915</u>	<u>\$ 2,498,594</u>	<u>\$ 9,408,021</u>	<u>\$ 15,919,269</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,603,739</u>	<u>\$ 408,915</u>	<u>\$ 2,498,594</u>	<u>\$ 9,408,021</u>	<u>\$ 15,919,269</u>

(THIS PAGE LEFT BLANK INTENTIONALLY)

City of Big Lake
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2018

Total fund balances - governmental funds \$ 11,076,247

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

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

Cost of capital assets	58,547,298
Less accumulated depreciation	(27,362,329)

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

Long-term liabilities at year-end consist of:

G.O. bonds principal payable	(16,018,173)
Unamortized bond premiums	(309,115)
Notes payable	(1,519,000)
Capital lease payable	(23,930)
Compensated absences payable	(276,463)
Severance payable	(42,332)
Net pension liability	(1,798,275)

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	152,314
Special assessments	149,656

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(2,074,277)
Deferred outflows of resources related to pensions	1,598,112

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

Special assessments	1,390,853
Notes receivable	460,000

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

(200,652)

Total net position - governmental activities \$ 23,749,934

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2018

	General (101)	Capital Projects			Total Governmental Funds
		Street Improvement (175)	Infrastructure Improvement Fund (198)	Other Governmental Funds	
Revenues					
Property taxes	\$ 2,873,459	\$ -	\$ -	\$ 1,284,637	\$ 4,158,096
Tax increments	-	-	-	188,976	188,976
Franchise fees	422,562	-	-	75,015	497,577
Special assessments	2,955	-	-	637,361	640,316
Licenses and permits	536,720	-	-	2,225	538,945
Intergovernmental	450,858	-	440,121	795,915	1,686,894
Charges for services	260,659	-	-	34,979	295,638
Fines and forfeitures	53,063	-	-	19,609	72,672
Miscellaneous					
Investment and other interest income	(30,464)	236	33,348	74,843	77,963
Contributions and donations	65,227	-	-	36,612	101,839
Other	7,323	-	-	8,845	16,168
Total revenues	<u>4,642,362</u>	<u>236</u>	<u>473,469</u>	<u>3,159,017</u>	<u>8,275,084</u>
Expenditures					
Current					
General government	741,459	-	-	94,770	836,229
Public safety	2,226,953	-	-	35,223	2,262,176
Streets and highways	594,754	383	24,370	5,273	624,780
Culture and recreation	597,755	-	-	35,544	633,299
Economic development	169,696	-	-	124,846	294,542
Debt service					
Principal	8,722	-	-	1,974,846	1,983,568
Interest and other charges	1,795	-	-	524,342	526,137
Capital outlay					
General government	-	-	-	18,030	18,030
Public safety	19,101	-	-	247,426	266,527
Streets and highways	-	2,496,637	-	13,500	2,510,137
Culture and recreation	42,250	-	-	30,709	72,959
Economic development	-	-	-	161,080	161,080
Total expenditures	<u>4,402,485</u>	<u>2,497,020</u>	<u>24,370</u>	<u>3,265,589</u>	<u>10,189,464</u>
Excess of revenues over (under) expenditures	239,877	(2,496,784)	449,099	(106,572)	(1,914,380)
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	6,671	-	-	53,913	60,584
Issuance of debt	-	2,274,521	-	75,479	2,350,000
Bond premium	-	-	-	23,384	23,384
Insurance recoveries	3,417	-	-	-	3,417
Transfers in	375,000	580,561	474,123	423,269	1,852,953
Transfers out	(637,874)	(28,000)	(580,561)	(93,455)	(1,339,890)
Total other financing sources (uses)	<u>(252,786)</u>	<u>2,827,082</u>	<u>(106,438)</u>	<u>482,590</u>	<u>2,950,448</u>
Net change in fund balances	(12,909)	330,298	342,661	376,018	1,036,068
Fund Balances					
Beginning of year	<u>3,228,887</u>	<u>(88,158)</u>	<u>1,339,650</u>	<u>5,559,800</u>	<u>10,040,179</u>
End of year	<u>\$ 3,215,978</u>	<u>\$ 242,140</u>	<u>\$ 1,682,311</u>	<u>\$ 5,935,818</u>	<u>\$ 11,076,247</u>

City of Big Lake
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended December 31, 2018

Total net change in fund balances - governmental funds \$ 1,036,068

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	2,776,108
Depreciation expense	(1,420,663)
Disposal of Capital Assets	(25,586)

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (60,314)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 1,983,568

Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 10,830

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (23,364)

Proceeds from long-term debt are recognized as another financing source in the governmental funds but have no impact on the changes in net position in the Statement of Activities. (2,350,000)

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

Special assessments	73,504
Long-term notes receivable	(86,000)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. (178,672)

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. (55,060)

Change in net position - governmental activities \$ 1,680,419

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 2,726,289	\$ 2,761,272	\$ 2,873,459	\$ 112,187
Franchise fees	392,000	392,000	422,562	30,562
Special assessments	1,500	1,500	2,955	1,455
Licenses and permits	474,800	484,800	536,720	51,920
Intergovernmental	387,584	430,577	450,858	20,281
Charges for services	266,669	266,669	260,659	(6,010)
Fines and forfeitures	41,350	41,350	53,063	11,713
Miscellaneous revenues				
Investment income	25,000	25,000	(30,464)	(55,464)
Contributions and donations	4,200	15,800	65,227	49,427
Other	2,000	2,000	7,323	5,323
Total revenues	<u>4,321,392</u>	<u>4,420,968</u>	<u>4,642,362</u>	<u>221,394</u>
Expenditures				
Current				
General government	759,925	760,800	741,459	(19,341)
Public safety	2,216,098	2,249,449	2,226,953	(22,496)
Streets and highways	637,137	637,737	594,754	(42,983)
Culture and recreation	635,260	657,760	597,755	(60,005)
Economic development	175,145	175,145	169,696	(5,449)
Debt service				
Principal	8,722	8,722	8,722	-
Interest and other charges	1,795	1,795	1,795	-
Capital outlay				
Public safety	10,300	10,300	19,101	8,801
Culture and recreation	-	42,250	42,250	-
Total expenditures	<u>4,444,382</u>	<u>4,543,958</u>	<u>4,402,485</u>	<u>(141,473)</u>
Excess of revenues over (under) expenditures	(122,990)	(122,990)	239,877	362,867
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	1,000	1,000	6,671	5,671
Insurance recoveries	-	-	3,417	3,417
Transfers in	375,000	375,000	375,000	-
Transfers out	(253,010)	(253,010)	(637,874)	(384,864)
Total other financing sources (uses)	<u>122,990</u>	<u>122,990</u>	<u>(252,786)</u>	<u>(375,776)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(12,909)	<u>\$ (12,909)</u>
Fund Balances				
Beginning of year			<u>3,228,887</u>	
End of year			<u>\$ 3,215,978</u>	

City of Big Lake
Statement of Net Position - Proprietary Funds
December 31, 2018

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 661,859	\$ 3,318,424	\$ 1,174,884	\$ 290,152	\$ 5,445,319
Accounts receivable	138,960	216,885	1,471	24,459	381,775
Due from other governments	5,490	3,614	-	767	9,871
Special assessment receivable					
Delinquent	13,403	5,880	-	912	20,195
Deferred	74,010	85,380	-	1,306	160,696
Inventories	-	-	382,584	-	382,584
Prepaid items	20,030	16,274	8,770	4,000	49,074
Total current assets	<u>913,752</u>	<u>3,646,457</u>	<u>1,567,709</u>	<u>321,596</u>	<u>6,449,514</u>
Noncurrent assets					
Restricted cash and cash equivalents	-	125,222	-	-	125,222
Advances to other funds - after one year	-	1,320,110	-	-	1,320,110
Capital assets					
Land	277,006	1,257,023	-	291	1,534,320
Construction in progress	-	28,097	-	-	28,097
Buildings	9,651,417	15,996,156	1,915,613	84,905	27,648,091
Collection and distribution systems	16,750,392	22,811,429	-	6,718,991	46,280,812
Leasehold improvements	166,068	-	57,765	-	223,833
Machinery and equipment	317,158	528,850	218,745	301,727	1,366,480
Total capital assets	<u>27,162,041</u>	<u>40,621,555</u>	<u>2,192,123</u>	<u>7,105,914</u>	<u>77,081,633</u>
Less accumulated depreciation	<u>(10,818,656)</u>	<u>(14,399,180)</u>	<u>(958,706)</u>	<u>(3,811,216)</u>	<u>(29,987,758)</u>
Net capital assets	<u>16,343,385</u>	<u>26,222,375</u>	<u>1,233,417</u>	<u>3,294,698</u>	<u>47,093,875</u>
Total noncurrent assets	<u>16,343,385</u>	<u>27,667,707</u>	<u>1,233,417</u>	<u>3,294,698</u>	<u>48,539,207</u>
Total assets	<u>17,257,137</u>	<u>31,314,164</u>	<u>2,801,126</u>	<u>3,616,294</u>	<u>54,988,721</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to city pensions	78,710	78,710	65,194	19,943	242,557
Total assets and deferred outflows of resources	<u>\$ 17,335,847</u>	<u>\$ 31,392,874</u>	<u>\$ 2,866,320</u>	<u>\$ 3,636,237</u>	<u>\$ 55,231,278</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 52,800	\$ 174,466	\$ 75,162	\$ 905	\$ 303,333
Salaries and benefits payable	10,939	10,939	8,554	2,690	33,122
Interest payable	52,514	140,438	5,325	-	198,277
Unearned revenue	-	13,065	-	-	13,065
Due to other governments	629	-	38,448	-	39,077
Current compensated absences	45,582	45,582	29,527	12,596	133,287
Amount due within one year	677,788	1,315,212	72,670	-	2,065,670
Total current liabilities	<u>840,252</u>	<u>1,699,702</u>	<u>229,686</u>	<u>16,191</u>	<u>2,785,831</u>
Noncurrent liabilities					
Advances from other funds	353,920	-	-	-	353,920
G.O. Revenue Bonds, net of unamortized premium	1,863,913	4,534,281	580,132	-	6,978,326
PFA G.O. Revenue note	3,190,000	9,376,000	-	-	12,566,000
Net pension liability	314,216	314,215	260,261	79,615	968,307
Less amount due within one year	<u>(677,788)</u>	<u>(1,315,212)</u>	<u>(72,670)</u>	<u>-</u>	<u>(2,065,670)</u>
Total noncurrent liabilities	<u>5,044,261</u>	<u>12,909,284</u>	<u>767,723</u>	<u>79,615</u>	<u>18,800,883</u>
Total liabilities	<u>5,884,513</u>	<u>14,608,986</u>	<u>997,409</u>	<u>95,806</u>	<u>21,586,714</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to city pensions	75,813	75,813	62,795	19,209	233,630
Net Position					
Net investment in capital assets	11,289,472	12,312,094	653,285	3,294,698	27,549,549
Unrestricted	86,049	4,395,981	1,152,831	226,524	5,861,385
Total net position	<u>11,375,521</u>	<u>16,708,075</u>	<u>1,806,116</u>	<u>3,521,222</u>	<u>33,410,934</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,335,847</u>	<u>\$ 31,392,874</u>	<u>\$ 2,866,320</u>	<u>\$ 3,636,237</u>	<u>\$ 55,231,278</u>

City of Big Lake
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2018

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Totals
Sales and cost of sales					
Sales	\$ -	\$ -	\$ 4,239,809	\$ -	\$ 4,239,809
Cost of sales	-	-	3,061,062	-	3,061,062
Gross profit	-	-	1,178,747	-	1,178,747
Operating revenues					
Charges for services	1,815,313	2,201,964	-	252,566	4,269,843
Operating expenses					
Wages and salaries	398,157	398,156	334,091	100,254	1,230,658
Employee benefits	142,688	144,122	114,145	36,378	437,333
Materials and supplies	50,190	68,342	5,998	584	125,114
Repairs and maintenance	19,738	44,852	16,767	10,603	91,960
Professional services	81,852	44,887	86,266	7,413	220,418
Insurance	26,014	21,920	12,903	2,491	63,328
Utilities and refuse	124,987	209,088	27,319	1,503	362,897
Depreciation	865,728	1,284,262	66,905	222,632	2,439,527
Travel	9,498	11,221	338	1,915	22,972
Bad debt expense	1,411	1,648	821	173	4,053
Equipment	126	3,948	3,282	-	7,356
Advertising	1,379	707	11,296	671	14,053
Dues, memberships, and training	9,119	6,986	4,928	979	22,012
Telephone	4,155	9,584	6,024	602	20,365
Postage	11,100	5,830	253	1,200	18,383
Water meters	23,442	-	-	-	23,442
Uniforms	1,607	2,108	397	328	4,440
Miscellaneous	-	-	1,023	-	1,023
Total operating expenses	1,771,191	2,257,661	692,756	387,726	5,109,334
Operating income (loss)	44,122	(55,697)	485,991	(135,160)	339,256
Nonoperating revenues (expenses)					
Investment and other interest income	8,139	111,576	15,065	4,610	139,390
Refunds and reimbursements	3,061	3,394	8,923	73	15,451
Trunk and access charges	188,250	291,000	-	15,000	494,250
Interest expense	(147,672)	(349,752)	(13,281)	-	(510,705)
Amortization	4,826	16,410	2,260	-	23,496
Rent	-	23,382	-	-	23,382
Other income	2,037	-	599	-	2,636
Total nonoperating revenues (expenses)	58,641	96,010	13,566	19,683	187,900
Income (loss) before transfers	102,763	40,313	499,557	(115,477)	527,156
Transfers out	(42,067)	(31,355)	(400,000)	(39,641)	(513,063)
Change in net position	60,696	8,958	99,557	(155,118)	14,093
Net position					
Beginning of year	11,314,825	16,699,117	1,706,559	3,676,340	33,396,841
End of year	\$ 11,375,521	\$ 16,708,075	\$ 1,806,116	\$ 3,521,222	\$ 33,410,934

City of Big Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2018

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 1,826,920	\$ 2,242,950	\$ 4,239,319	\$ 255,087	\$ 8,564,276
Payments to suppliers	(349,282)	(421,471)	(3,091,676)	(31,748)	(3,894,177)
Payments to employees	(527,006)	(528,441)	(415,707)	(133,568)	(1,604,722)
Net cash flows - operating activities	<u>950,632</u>	<u>1,293,038</u>	<u>731,936</u>	<u>89,771</u>	<u>3,065,377</u>
Cash Flows - Noncapital					
Financing Activities					
Payment of advances to other funds	-	223,709	-	-	223,709
Receipt of advances from other funds	(100,000)	-	-	-	(100,000)
Refunds and reimbursements	3,061	3,394	8,923	73	15,451
Rent	-	23,382	-	-	23,382
Transfer to other funds	(42,067)	(31,355)	(400,000)	(39,641)	(513,063)
Net cash flows - noncapital financing activities	<u>(139,006)</u>	<u>219,130</u>	<u>(391,077)</u>	<u>(39,568)</u>	<u>(350,521)</u>
Cash Flows - Capital and Related					
Financing Activities					
Trunk and access charges	188,250	291,000	-	15,000	494,250
Principal paid on debt	(670,204)	(1,283,796)	(76,304)	-	(2,030,304)
Interest paid on debt	(154,668)	(362,718)	(13,917)	-	(531,303)
Acquisition of capital assets	-	(28,097)	(19,350)	(370)	(47,817)
Net cash flows - capital and related financing activities	<u>(636,622)</u>	<u>(1,383,611)</u>	<u>(109,571)</u>	<u>14,630</u>	<u>(2,115,174)</u>
Cash Flows - Investing Activities					
Interest and dividends received	<u>8,139</u>	<u>111,576</u>	<u>15,067</u>	<u>4,611</u>	<u>139,393</u>
Net change in cash and cash equivalents	183,143	240,133	246,355	69,444	739,075
Cash and Cash Equivalents, January 1	<u>478,716</u>	<u>3,203,513</u>	<u>928,529</u>	<u>220,708</u>	<u>4,831,466</u>
Cash and Cash Equivalents, December 31	<u>\$ 661,859</u>	<u>\$ 3,443,646</u>	<u>\$ 1,174,884</u>	<u>\$ 290,152</u>	<u>\$ 5,570,541</u>
Reconciliation of Operating					
Income (Loss) to Net Cash Flows -					
Operating Activities					
Operating income (loss)	\$ 44,122	\$ (55,697)	\$ 485,991	\$ (135,160)	\$ 339,256
Adjustments to reconcile operating income (loss) to net cash flows - Operating activities					
Other revenues	2,037	-	599	-	2,636
Depreciation expense	865,728	1,284,262	66,905	222,632	2,439,527
Net pension liability expense	5,283	5,281	20,013	1,248	31,825
Accounts receivable	10,552	31,264	(1,089)	3,423	44,150
Special assessments receivable	4,344	22,421	-	(174)	26,591
Due from other governments	(5,326)	(3,409)	-	(728)	(9,463)
Prepaid items	(296)	416	(263)	(2,796)	(2,939)
Inventory	-	-	128,982	-	128,982
Accounts payable	15,624	9,234	16,345	(490)	40,713
Due to other governmental units	8	-	1,937	-	1,945
Salaries payable	2,700	2,700	1,318	581	7,299
Unearned revenue	-	(9,290)	-	-	(9,290)
Compensated absences payable	5,856	5,856	11,198	1,235	24,145
Total adjustments	<u>906,510</u>	<u>1,348,735</u>	<u>245,945</u>	<u>224,931</u>	<u>2,726,121</u>
Net cash flows - operating activities	<u>\$ 950,632</u>	<u>\$ 1,293,038</u>	<u>\$ 731,936</u>	<u>\$ 89,771</u>	<u>\$ 3,065,377</u>

**City of Big Lake
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018**

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 185,200</u>
Liabilities	
Accounts payable	<u>\$ 185,200</u>

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

1. Blended Component Unit

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Town of Big Lake and the Town of Orrock, Minnesota.

On January 1, 2018, the City entered into an agreement with the Town of Big Lake to establish a joint powers agreement for fire protections services. The Big Lake Fire Department Joint Powers Board is a legal entity separate from the City. Each party appoints two members of the governing body. Separate audited financial statements are issued for the Fire Department and annual financial statements are submitted to the State of Minnesota.

The City and the Town shall each contribute 50% of the total operating budget to the department. For the year ended December 31, 2018, the City contributed \$183,417 to the department.

B. Government-Wide and Fund Financial Statements

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Governmental Fund:

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 all the costs associated with street improvements within the City.

Infrastructure Improvement Capital Projects Fund – This fund accounts for all the costs associated with infrastructure improvements within the City.

Proprietary Funds:

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

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

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

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

Fiduciary Funds:

Seed, Sod, and Tree Preservation Escrow Agency Fund – This fund accounts for the amounts related to funds used to ensure lots have been seeded or sodded upon completion of project. The balance in this fund is to be returned to the developer once the project is completed.

Temp Sign Permit Escrow Agency Fund – This fund accounts for the amounts related to funds used for temporary sign permits. The balance in this fund is to be returned to the developer once the project is completed.

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds (Continued):

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Further, the City's applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

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

1. Cash and Investments

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

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

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.

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days' interest on the amount withdrawn.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Cash with Fiscal Agent

Certain resources from the 2016A Taxable G.O. Refunding Bonds are set aside for their repayment of the 2004C G.O. Tax Increment Bonds in accordance with the refunding bond documents. Additionally, certain resources from the 2016C G.O. Improvement Crossover Refunding Bonds are set aside for their repayment of the 2010A G.O. Improvement Bonds in accordance with the refunding bond documents. Finally, proceeds from the 2018A G.O. improvement bonds are set aside for expenditures as outlined in the bond document.

3. Restricted Cash

Resources are restricted within the Sewer Fund for the solar garden decomposition escrow deposit.

4. Receivables/Property Taxes

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

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

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

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.

5. Inventory and Prepaid Items

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

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

**City of Big Lake
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets

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

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

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has five types of items that qualify for reporting in this category. Four of the items reported arise under the modified accrual basis of accounting and are reported in the Governmental Funds Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from four sources: notes receivable, property taxes, special assessments and state aid received for subsequent years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related state aid received for subsequent years and to pensions for various estimate differences that will be amortized and recognized over future years.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Compensated Absences

Employees who retire are compensated for their unused sick leave. After 800 hours have accrued, employees can either take vacation or get paid for half of every hour earned in excess of 800 hours on an annual basis. Upon separation from the City, employees are eligible to 20 days of sick leave to be paid out, if they have 10 years of employment.

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

10. Severance

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Long-Term Obligations

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

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

12. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority). The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fund Equity (Continued)

a. Classification (Continued)

- Assigned fund balance – these are amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments may be made by the city's finance director based on the city council's delegation.

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

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

13. Net Position

Net Position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

14. Use of Estimates

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

15. 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 Fund and the EDA Special Revenue Fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through G.O. bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. The budgets for the General Fund and the EDA Special Revenue Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

The following Funds had deficit fund balances at December 31, 2018:

Non-major Governmental Funds

Veterans Memorial Special Revenue Fund	\$ 8,595
Industrial Park Expansion Land Purchase Capital Projects Fund	31,223

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.

City of Big Lake
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (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. At December 31, 2018, the

City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by pledging financial institutions trust department or agent and in the City's name.

Savings	\$ 20,042
Certificates of deposit	<u>1,951,200</u>
Total	<u><u>\$ 1,971,242</u></u>

B. Investments

At December 31, 2018, the City had the following investments:

Investment Type	Total Fair Value	Investment Maturities			
		Less Than One Year	1-2 Years	2-5 years	5+ years
Pooled Investments					
Brokered Certificates of Deposit	\$ 3,837,778	\$ 641,551	\$ 535,341	\$ 2,660,886	\$ -
Cash and Brokered Money Market Accounts	12,363	12,363	-	-	-
4M Fund	5,204,754	5,204,754	-	-	-
4M Plus	4,599,623	4,599,623	-	-	-
Total	<u>13,654,518</u>	<u>10,458,291</u>	<u>535,341</u>	<u>2,660,886</u>	<u>-</u>
Non-Pooled Investments					
4M Fund	125,222	125,222	-	-	-
Northland Money Market Accounts	614	614	-	-	-
FNMA	549,703	-	549,703	-	-
Treasury Notes	97,935	97,935	-	-	-
U.S. Treasury State and Local Government Series Time Deposit	1,837,319	-	1,837,319	-	-
Total	<u>2,610,793</u>	<u>223,771</u>	<u>2,387,022</u>	<u>-</u>	<u>-</u>
Total Investments	<u><u>\$ 16,265,311</u></u>	<u><u>\$ 10,682,062</u></u>	<u><u>\$ 2,922,363</u></u>	<u><u>\$ 2,660,886</u></u>	<u><u>\$ -</u></u>

The City has the following recurring fair value measurements as of December 31, 2018:

- \$2,484,957 of investments are valued using quoted market prices (Level 1 inputs)
- \$3,837,758 of investments are valued using a matrix pricing model (Level 2 inputs)

City of Big Lake
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will minimize interest rate risk by reviewing cash flow requirements and making investments to meet the shorter cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity. It also includes specific limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. The average maturity of the overall portfolio is to be consistent with the risk profile of the City not to extend beyond seven years.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy limits its investments to those specified in these Statutes, and furthermore specified based on the list in their investment policy. As of December 31, 2018, the City's investment in FNMA was rated Aaa by Moody's.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The City's investment policy states that they will diversify the investment portfolio so the impact of potential losses from any one type of security or from any individual issuer will be minimized. As of December 31, 2018, the City's investments in FNMA were 21.1% of the total nonpooled investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that the City Finance Director shall maintain a list of financial institutions authorized to provide investment services. Financial service providers who wish to offer investments must provide the City Finance Director with a list of items before they become authorized.

Summary of cash, deposits, and investments as of December 31, 2018:

Petty cash	\$ 2,895
Deposits (Note 3.A.)	1,971,242
Investments (Note 3.B.)	<u>16,265,311</u>
 Total deposits and investments	 <u><u>\$ 18,239,448</u></u>

**City of Big Lake
Notes to Financial Statements**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Cash, deposits, and investments are presented in the December 31, 2018, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 15,124,820
Cash with fiscal agent	2,804,206
Restricted cash	<u>125,222</u>
Statment of Fiduciary Net Position	
Cash and investments	<u>185,200</u>
Total	<u><u>\$ 18,239,448</u></u>

NOTE 4 – NOTES RECEIVABLE

Governmental funds notes receivable includes receivables from the Big Lake Township for their portion of debt payments on the Taxable G.O. Refunding Bonds, Series 2016A, for \$410,000, and the G.O. Capital Improvement Bonds of 2012A for fire hall funding amounting to \$50,000, for a grand total of notes receivable of \$460,000.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2018, was as follows:

	Advances to		
	Infrastructure Improvement Fund	Sewer Fund	Total
Advances from			
Other Governmental Funds	\$ 8,595	\$ 966,190	\$ 974,785
Water Fund	<u>-</u>	<u>353,920</u>	<u>353,920</u>
Total	<u><u>\$ 8,595</u></u>	<u><u>\$ 1,320,110</u></u>	<u><u>\$ 1,328,705</u></u>

The amounts due to the Sewer Fund represent interfund loans to absorb temporary negative cash balances and to temporarily fund capital projects. The amounts due to the Infrastructure Improvement Fund represent a loan to cover the Veterans Memorial.

City of Big Lake
Notes to Financial Statements

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2018, was as follows:

	Transfers In				Total
	General Fund	Street Improvement	Infrastructure Improvement Fund	Other Governmental Funds	
Transfers out					
General Fund	\$ -	\$ -	\$ 420,000	\$ 217,874	\$ 637,874
Street Improvement	-	-	28,000	-	28,000
Infrastructure Improvement Fund	-	580,561	-	-	580,561
Other Governmental Funds	-	-	1,123	92,332	93,455
Water Fund	-	-	-	42,067	42,067
Sewer Fund	-	-	-	31,355	31,355
Liquor Fund	375,000	-	25,000	-	400,000
Storm Sewer Fund	-	-	-	39,641	39,641
	<u>\$ 375,000</u>	<u>\$ 580,561</u>	<u>\$ 474,123</u>	<u>\$ 423,269</u>	<u>\$ 1,852,953</u>
Total					

The above transfers were made for the following reasons: debt service payments, operating transfers to cover Tax Increment Financing (TIF) administrative expenditures, capital projects, closing funds, and other administrative items.

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,025,819	\$ 19,600	\$ -	\$ 8,045,419
Construction in progress	1,326,354	2,579,732	-	3,906,086
Total capital assets not being depreciated	<u>9,352,173</u>	<u>2,599,332</u>	<u>-</u>	<u>11,951,505</u>
Capital assets being depreciated				
Infrastructure	37,164,549	-	-	37,164,549
Buildings	4,979,619	-	-	4,979,619
Leasehold improvements	71,543	29,678	35,537	65,684
Machinery and equipment	4,246,343	147,098	7,500	4,385,941
Total capital assets being depreciated	<u>46,462,054</u>	<u>176,776</u>	<u>43,037</u>	<u>46,595,793</u>
Less accumulated depreciation for				
Infrastructure	20,424,549	1,051,561	-	21,476,110
Buildings	1,999,665	165,781	-	2,165,446
Leasehold improvements	36,580	2,419	13,326	25,673
Machinery and equipment	3,498,323	200,902	4,125	3,695,100
Total accumulated depreciation	<u>25,959,117</u>	<u>1,420,663</u>	<u>17,451</u>	<u>27,362,329</u>
Total capital assets being depreciated, net	<u>20,502,937</u>	<u>(1,243,887)</u>	<u>25,586</u>	<u>19,233,464</u>
Governmental activities capital assets, net	<u>\$ 29,855,110</u>	<u>\$ 1,355,445</u>	<u>\$ 25,586</u>	<u>\$ 31,184,969</u>

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,534,320	\$ -	\$ -	\$ 1,534,320
Construction in progress	-	28,097	-	28,097
Total capital assets not being depreciated	<u>1,534,320</u>	<u>28,097</u>	<u>-</u>	<u>1,562,417</u>
Capital assets being depreciated				
Buildings	27,648,091	-	-	27,648,091
Collection and distribution systems	46,280,812	-	-	46,280,812
Leasehold improvements	223,833	-	-	223,833
Machinery and equipment	<u>1,347,130</u>	<u>19,350</u>	<u>-</u>	<u>1,366,480</u>
Total capital assets being depreciated	<u>75,499,866</u>	<u>19,350</u>	<u>-</u>	<u>75,519,216</u>
Less accumulated depreciation for				
Buildings	5,564,439	921,603	-	6,486,042
Collection and distribution systems	20,889,637	1,458,221	-	22,347,858
Leasehold improvements	132,009	6,042	-	138,051
Machinery and equipment	<u>962,145</u>	<u>53,662</u>	<u>-</u>	<u>1,015,807</u>
Total accumulated depreciation	<u>27,548,230</u>	<u>2,439,528</u>	<u>-</u>	<u>29,987,758</u>
Total capital assets being depreciated, net	<u>47,951,636</u>	<u>(2,420,178)</u>	<u>-</u>	<u>45,531,458</u>
Business-type activities capital assets, net	<u>\$ 49,485,956</u>	<u>\$ (2,392,081)</u>	<u>\$ -</u>	<u>\$ 47,093,875</u>

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 28,989
Public safety	153,348
Streets and highways	1,040,351
Culture and recreation	148,841
Economic development	<u>49,134</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,420,663</u></u>
Business-type activities	
Water	\$ 865,728
Sewer	1,284,262
Liquor	66,905
Storm sewer	<u>222,632</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,439,527</u></u>

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

On April 27, 2016, the City issued \$2,885,000 Taxable G.O. Refunding Bonds, Series 2016A for the crossover refunding of a portion of the \$795,000 G.O. Tax Increment Bonds, Series 2004C, current refunding of the \$1,055,000 Taxable G.O. Tax Increment Refunding Bonds, Series 2013A, and current refunding of the \$2,220,000 Taxable G.O. Tax Abatement Bonds, Series 2013B. The principal balances of both the refunded and refunding bonds are reported as long-term debt of the City until the call date of the refunded bonds, at which time the refunded bonds will be considered defeased and the related liability will be removed from the Statement of Net Position. The call date for the 2004C Bonds is February 1, 2019, while the 2013A, and 2013B bonds was February 1, 2016. These bonds were refunded on April 27, 2016. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$208,809. The net present value cash flow savings from the transaction was \$178,839.

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

A. General Obligation Bonds (Continued)

On September 15, 2016, the City issued \$1,875,000 G.O. Improvement Crossover Refunding Bonds, Series 2016C for the crossover refunding of a portion of the \$3,590,000 G.O. Improvement Bonds, Series 2010A. The principal balances of both the refunded and refunding bonds are reported as long-term debt of the City until the call date of the refunded bonds, at which time the refunded bonds will be considered defeased and the related liability will be removed from the Statement of Net Position. The call date for the 2010A bonds is February 1, 2019. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$77,711. The net present value cash flow savings from the transaction was \$70,029.

B. Components of Long-Term Liabilities

	Issue Year	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
G.O. Bonds, including Refunding bonds						
G.O. Improvement Bonds of 2010A	2010	2.00% - 3.80%	\$ 3,590,000	2026	\$ 2,090,000	\$ 2,090,000
G.O. Refunding Improvement Bonds of 2011A	2011	0.40% - 2.45%	2,095,000	2020	720,000	310,000
G.O. Refunding Improvement Bonds of 2011B	2011	2.00% - 2.80%	3,415,000	2022	1,490,000	415,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	1,040,000	2026	275,000	95,000
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,330,000	2029	3,370,000	500,000
G.O. Capital Improvement Bonds of 2016B	2016	1.00%-2.25%	590,000	2028	500,000	45,000
G.O. Refunding Improvement Bonds of 2016C	2016	2.00%	1,875,000	2026	1,875,000	-
G.O. Improvement Bonds of 2018A	2018	3%-3.30%	2,350,000	2034	2,350,000	-
Tax Abatement Bonds						
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	296,530	2025	213,173	27,330
G.O. Tax Increment Bonds						
G.O. Tax Increment Bonds of 2004	2004	5.00%-5.90%	795,000	2030	675,000	675,000
Taxable G.O. Refunding Bonds						
Taxable G.O. Refunding Bond of 2016A	2016	0.90%-3.10%	2,885,000	2030	2,460,000	210,000
Notes payable						
Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	1,519,000	127,000
					<u>17,537,173</u>	<u>4,494,330</u>
Premium on bonds payable					309,115	-
Capital Lease					23,930	7,548
Severance					42,332	-
Compensated absences					276,463	276,463
Total governmental activities					<u>18,189,013</u>	<u>4,778,341</u>
Business-type activities						
G.O. Revenue Bonds and Notes, including Refunding Bonds						
Public Facility Authority Drinking						
Water G.O. Revenue Note	2004	2.53%	9,787,000	2024	3,190,000	499,000
Public Facility Authority Clean						
Sewer Revenue Note of 2009	2009	2.41%	13,470,120	2024	9,376,000	754,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	3,745,000	2026	566,826	72,670
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	788,470	2025	1,890,000	405,000
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,955,000	2029	4,310,000	335,000
					<u>19,332,826</u>	<u>2,065,670</u>
Premium on bonds payable					211,500	-
Compensated absences					133,287	133,287
Total business-type activities					<u>19,677,613</u>	<u>2,198,957</u>
Total all long-term liabilities					<u>\$ 37,866,626</u>	<u>\$ 6,977,298</u>

**City of Big Lake
Notes to Financial Statements**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Improvement Bonds	\$ 11,910,000	\$ 2,350,000	\$ 1,590,000	\$ 12,670,000	\$ 3,455,000
G.O. Revenue /Tax Abatement Bonds	241,870	-	28,697	213,173	27,330
Taxable G.O. Refunding Bonds	2,665,000	-	205,000	2,460,000	210,000
G.O. Tax Increment Bonds	695,000	-	20,000	675,000	675,000
Notes payable	1,643,000	-	124,000	1,519,000	127,000
Capital lease	39,801	-	15,871	23,930	7,548
Premium on bonds	319,945	23,384	34,214	309,115	-
Total bonds payable	<u>17,514,616</u>	<u>2,373,384</u>	<u>2,017,782</u>	<u>17,870,218</u>	<u>4,501,878</u>
Compensated absences	218,860	357,618	300,015	276,463	276,463
Severance	39,621	2,711	-	42,332	-
Total governmental activities	<u>17,773,097</u>	<u>2,733,713</u>	<u>2,317,797</u>	<u>18,189,013</u>	<u>4,778,341</u>
Business-type activities					
Bonds payable					
G.O. Revenue Bonds	7,573,130	-	806,304	6,766,826	812,670
PFA G.O. Revenue Notes	13,790,000	-	1,224,000	12,566,000	1,253,000
Premium on bonds	234,995	-	23,495	211,500	-
Total bonds payable	<u>21,598,125</u>	<u>-</u>	<u>2,053,799</u>	<u>19,544,326</u>	<u>2,065,670</u>
Compensated absences	109,142	63,272	39,127	133,287	133,287
Total business-type activities	<u>21,707,267</u>	<u>63,272</u>	<u>2,092,926</u>	<u>19,677,613</u>	<u>2,198,957</u>
Total long-term liabilities	<u>\$ 39,480,364</u>	<u>\$ 2,796,985</u>	<u>\$ 4,410,723</u>	<u>\$ 37,866,626</u>	<u>\$ 6,977,298</u>

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

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

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

Year Ending December 31,	Governmental Activities					
	G.O. Bonds			G.O. Tax Abatement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 3,455,000	\$ 295,433	\$ 3,750,433	\$ 27,330	\$ 4,544	\$ 31,874
2020	1,780,000	217,136	1,997,136	30,063	3,970	34,033
2021	1,390,000	176,142	1,566,142	30,063	3,368	33,431
2022	1,205,000	141,434	1,346,434	30,063	2,730	32,793
2023	1,110,000	110,519	1,220,519	31,430	1,999	33,429
2024-2028	2,665,000	295,582	2,960,582	64,224	1,623	65,847
2029-2033	875,000	102,296	977,296	-	-	-
2034	190,000	3,135	193,135	-	-	-
Total	\$ 12,670,000	\$ 1,341,677	\$ 14,011,677	\$ 213,173	\$ 18,234	\$ 231,407

Year Ending December 31,	Governmental Activities					
	G.O. Tax Increment Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 675,000	\$ 19,621	\$ 694,621	\$ 127,000	\$ 26,218	\$ 153,218
2020	-	-	-	129,000	24,026	153,026
2021	-	-	-	131,000	21,800	152,800
2022	-	-	-	133,000	19,538	152,538
2023	-	-	-	135,000	17,242	152,242
2024-2028	-	-	-	714,000	50,346	764,346
2029	-	-	-	150,000	2,590	152,590
Total	\$ 675,000	\$ 19,621	\$ 694,621	\$ 1,519,000	\$ 161,760	\$ 1,680,760

Year Ending December 31,	Taxable G.O. Refunding Bond			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2019	\$ 210,000	\$ 54,958	\$ 264,958	\$ 4,494,330	\$ 400,774
2020	250,000	51,477	301,477	2,189,063	296,609	2,485,672
2021	270,000	46,917	316,917	1,821,063	248,227	2,069,290
2022	270,000	41,720	311,720	1,638,063	205,422	1,843,485
2023	280,000	35,940	315,940	1,556,430	165,700	1,722,130
2024-2028	1,005,000	94,998	1,099,998	4,448,224	442,549	4,890,773
2029-2033	175,000	5,502	180,502	1,200,000	110,388	1,310,388
2034	-	-	-	190,000	3,135	193,135
Total	\$ 2,460,000	\$ 331,512	\$ 2,791,512	\$ 17,537,173	\$ 1,872,804	\$ 19,409,977

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

Year Ending December 31,	Business-Type Activities					
	G.O. Revenue Bonds			Public Facility G.O. Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 812,670	\$ 160,058	\$ 972,728	\$ 1,253,000	\$ 307,044	\$ 1,560,044
2020	854,937	139,958	994,895	1,285,000	276,218	1,561,218
2021	599,937	121,679	721,616	1,316,000	244,602	1,560,602
2022	614,937	105,411	720,348	1,348,000	212,226	1,560,226
2023	638,571	88,367	726,938	1,381,000	179,060	1,560,060
2024-2028	2,780,774	219,249	3,000,023	5,025,000	458,060	5,483,060
2029	465,000	6,394	471,394	958,000	23,126	981,126
Total	<u>\$ 6,766,826</u>	<u>\$ 841,116</u>	<u>\$ 7,607,942</u>	<u>\$ 12,566,000</u>	<u>\$ 1,700,336</u>	<u>\$ 14,266,336</u>

Year Ending December 31,	Business-Type Activities		
	Total Business-Type Activities		
	Principal	Interest	Total
2019	\$ 2,065,670	\$ 467,102	\$ 2,532,772
2020	2,139,937	416,176	2,556,113
2021	1,915,937	366,281	2,282,218
2022	1,962,937	317,637	2,280,574
2023	2,019,571	267,427	2,286,998
2024-2028	7,805,774	677,309	8,483,083
2029	1,423,000	29,520	1,452,520
Total	<u>\$ 19,332,826</u>	<u>\$ 2,541,452</u>	<u>\$ 21,874,278</u>

E. Capital Lease

On September 15, 2016, the City entered into a lease purchase agreement for portable radios. The capital lease obligation totaled \$39,746. The capital lease agreement includes annual principal and interest payment ranging from \$4,205 to \$8,883 and final payment on September 15, 2021.

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

E. Capital Lease (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending December 31,	Total
2019	8,883
2020	8,883
2021	8,883
Total minimum lease payments	26,649
Less amount representing interest	(2,719)
Present value of net minimum lease payments	\$ 23,930

The assets purchased through the 2016 lease for portable radios did not meet the threshold for capitalization and are not included in capital assets, therefore there is no depreciation or net value to report.

**City of Big Lake
Notes to Financial Statements**

NOTE 8 – FUND BALANCE DETAIL

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

	General	Street Improvement	Infrastructure Improvement	Nonmajor Governmental Fund	Total
Nonspendable					
Land held for resale	\$ -	\$ -	\$ -	\$ 794,975	\$ 794,975
Prepaid items	103,486	-	-	570	104,056
Total nonspendable	<u>103,486</u>	<u>-</u>	<u>-</u>	<u>795,545</u>	<u>899,031</u>
Restricted					
Debt service	-	-	-	4,325,890	4,325,890
Street improvement	-	271,140	-	-	271,140
Park development	-	-	-	143,137	143,137
TIF	-	-	-	193,136	193,136
Police traffic safety	-	-	-	368	368
DWI forfeiture	-	-	-	5,912	5,912
Farmers market	-	-	-	15,390	15,390
Narcotic forfeiture	-	-	-	1,606	1,606
Total restricted	<u>-</u>	<u>271,140</u>	<u>-</u>	<u>4,685,439</u>	<u>4,956,579</u>
Assigned					
Local development	-	-	-	133,179	133,179
Capital infrastructure replacement	-	-	1,682,311	-	1,682,311
Police capital purchases	33,297	-	-	-	33,297
Equipment and building replacements	-	-	-	1,057,367	1,057,367
Parks capital purchases	51,560	-	-	-	51,560
Wellness program	1,789	-	-	-	1,789
ECFE - Reading in the park program	46,044	-	-	-	46,044
Movie in the park program	3,948	-	-	-	3,948
Administrative purchases	10,529	-	-	-	10,529
Total assigned	<u>147,167</u>	<u>-</u>	<u>1,682,311</u>	<u>1,190,546</u>	<u>3,020,024</u>
Unassigned	<u>2,965,325</u>	<u>(29,000)</u>	<u>-</u>	<u>(735,712)</u>	<u>2,200,613</u>
Total	<u>\$ 3,215,978</u>	<u>\$ 242,140</u>	<u>\$ 1,682,311</u>	<u>\$ 5,935,818</u>	<u>\$ 11,076,247</u>

NOTE 9 – RISK MANAGEMENT

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

City of Big Lake
Notes to Financial Statements

NOTE 9 – RISK MANAGEMENT (CONTINUED)

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2018 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2018, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2018 was \$357,926. The components of pension expense are noted in the following plan summaries.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Employees Plan, accounted for in the General Employees Fund)

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan (Police and Fire Plan, accounted for in the Police and Fire Fund)

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

City of Big Lake
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio of two consecutive years. If the adjustment is increased to 2.5% and the funded ration falls below 80% for one year or 85% for two consecutive years, the post-retirement benefit increase will be lowered to 1%. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

CITY OF BIG LAKE
Notes to Financial Statements

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2018. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2018. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$169,709. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary and the City was required to contribute 16.2% of pay for members in fiscal year 2018. The City's contributes to the Police and Fire Fund for the year ended December 31, 2018, were \$160,720. The City's contributions were equal to the required contributions as set by the state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2018, the City reported a liability of \$1,841,800 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$60,434. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.0332%, which was an increase of 0.0019% from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	\$ 1,841,800
State of Minnesota's proportionate share of net pension liability associated with the City	<u>60,434</u>
Total	<u><u>\$ 1,902,234</u></u>

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

E. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2018, the City recognized pension expense of \$246,502 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$14,093 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 46,083	\$ 49,349
Changes in actuarial assumptions	161,630	198,839
Difference between projected and actual investment earnings	-	196,198
Changes in proportion	168,797	-
Contributions paid to PERA subsequent to the measurement date	84,855	-
	<u> </u>	<u> </u>
Total	<u>\$ 461,365</u>	<u>\$ 444,386</u>

\$84,855 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2019	\$ 137,641
2020	(53,102)
2021	(113,974)
2022	(38,441)
	<u> </u>
Total	<u>\$ (67,876)</u>

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$924,782 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.0875%, which was an increase of 0.0065% from its proportion measured as of June 30, 2017. The City also recognized \$7,875 for the year ended December 31, 2018 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City recognized pension expense of \$111,424 for its proportionate share of the Police and Fire Fund pension expense.

At December 31, 2018, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the sources below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 35,978	\$ 229,374
Changes in actuarial assumptions	1,166,154	1,273,322
Difference between projected and actual investment earnings	-	173,545
Changes in proportion	96,812	187,280
Contributions paid to PERA subsequent to the measurement date	80,360	-
Total	\$ 1,379,304	\$ 1,863,521

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

\$80,360 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2019	\$ (10,041)
2020	(53,099)
2021	(132,109)
2022	(380,882)
2023	<u>11,552</u>
Total	<u>\$ (564,579)</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employee Plan, 1.0% per year for the Police and Fire Plan.

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

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

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% thereafter, to 1.0% for all years with no trigger

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36 %	5.10 %
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	0.00
	<hr/>	
Total	<u>100 %</u>	

**City of Big Lake
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proprionate share of the General Employees Fund net pension liability	\$ 2,993,161	\$ 1,841,800	\$ 891,384
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proprionate share of the Police and Fire Fund net pension liability	\$ 1,999,681	\$ 924,782	\$ 50,278

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**City of Big Lake
Notes to Financial Statements**

NOTE 11 – COMMITMENTS

	<u>Project Authorization</u>	<u>Expended Through 12/31/2018</u>	<u>Remaining Commitment</u>
CR5 trail and road improvement	\$ 1,301,383	\$ 1,242,040	\$ 59,343
CR5 trail - signal	748,354	509,831	238,523
2018 street project	2,367,123	2,062,245	304,878
Sanford Select Park equipment	132,689	30,710	101,979
Fire water tender	134,938	47,434	87,504
WWTP expansion	161,790	28,097	133,693
	<u>\$ 4,846,277</u>	<u>\$ 3,920,357</u>	<u>\$ 925,920</u>
Totals			

NOTE 12 – TAX INCREMENT FINANCING

The City has entered into three (3) Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2018, the City generated \$188,976 in tax increment revenue and made \$78,308 in payments to developers.

The City has the following TIF Districts:

- TIF District No. 5 was established in 2009 for the purpose of constructing a banking building. Under the agreement, up to \$127,025 of development costs will be reimbursed through tax increment over a 17 year period. During the year ended December 31, 2018, the City generated \$13,048 of tax increment revenue and made payments on the pay-as-you-go note of \$12,234. The note's balance at year end was \$127,025.
- TIF District No. 6 was established in 2014 for the purpose of establishing a new 20-unit rate assisted living and advanced care facility. Under the agreement, up to \$195,000 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2018, the City generated \$31,505 of tax increment revenue and made payments on the pay-as-you-go note of \$13,261. The note's balance at year end was \$87,897.

City of Big Lake
Notes to Financial Statements

NOTE 12 – TAX INCREMENT FINANCING (CONTINUED)

- TIF District No. 7 was established in 2012 for the purpose of establishing a new 38-unit income based housing apartment. Under the agreement, up to \$490,000 of development costs will be reimbursed through tax increment over a 7 year period. During the year ended December 31, 2018, the City generated \$68,578 of tax increment revenue and made payments on the pay-as-you-go note of \$52,813. The note's balance at year end was \$433,318.

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

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 85, Omnibus 2017 addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and post employment benefits. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. This statement will be effective for the year ending December 31, 2018.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements improves the information that is disclosed in the notes to the financial statements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement will be effective for the year ending December 31, 2019.

City of Big Lake
Notes to Financial Statements

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

City of Big Lake
Schedule of City's Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0270%	\$ 1,399,280	\$ -	\$ 1,399,280	\$ 1,562,440	89.56%	78.19%
2016	0.0305%	2,476,449	32,345	2,508,794	1,893,227	130.81%	68.91%
2017	0.0313%	1,998,171	25,092	2,023,263	2,013,733	99.23%	75.90%
2018	0.0332%	1,841,800	60,434	1,902,234	2,232,853	82.49%	79.53%

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

Schedule of City's Proportionate Share
of Net Pension Liability - Public Employees Police and Fire Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0870%	\$ 988,524	\$ 773,321	127.83%	86.61%
2016	0.0880%	3,531,593	848,407	416.26%	63.88%
2017	0.0810%	1,093,596	834,926	130.98%	85.43%
2018	0.0875%	932,660	922,562	101.09%	88.84%

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

**City of Big Lake
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years***

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 123,699	\$ 123,699	\$ -	\$ 1,649,320	7.50%
2016	146,423	146,423	-	1,952,307	7.50%
2017	158,725	158,725	-	2,116,333	7.50%
2018	169,709	169,709	-	2,262,787	7.50%

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

**Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years***

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 133,141	\$ 133,141	\$ -	\$ 821,858	16.20%
2016	131,713	131,713	-	813,043	16.20%
2017	141,471	141,471	-	873,278	16.20%
2018	160,720	160,720	-	992,099	16.20%

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

City of Big Lake
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2018 Changes

Changes in Actuarial Assumptions

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

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

POLICE AND FIRE FUND

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by the statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064, and 2.5% per year thereafter, to 1.0% for all years with no trigger.

City of Big Lake
Notes to Required Supplementary Information

POLICE AND FIRE FUND (CONTINUED)

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTARY INFORMATION

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Assets				
Cash and investments	\$ 50,407	\$ 2,844	\$ 5,912	\$ 871
Cash with fiscal agent	-	-	-	-
Taxes receivable - delinquent	1,165	-	-	-
Accounts receivable	5,992	-	-	-
Due from other governments	902	-	-	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	112,975	-	-	-
Prepaid expenses	315	-	-	-
	<u>\$ 171,756</u>	<u>\$ 2,844</u>	<u>\$ 5,912</u>	<u>\$ 871</u>
Total assets	<u>\$ 171,756</u>	<u>\$ 2,844</u>	<u>\$ 5,912</u>	<u>\$ 871</u>
Liabilities				
Accounts payable	\$ 311	\$ 1,238	\$ -	\$ 503
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	70,884	-	-	-
Total liabilities	<u>71,195</u>	<u>1,238</u>	<u>-</u>	<u>503</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	1,165	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>1,165</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	113,290	-	-	-
Restricted	-	1,606	5,912	368
Assigned	-	-	-	-
Unassigned	(13,894)	-	-	-
Total fund balances	<u>99,396</u>	<u>1,606</u>	<u>5,912</u>	<u>368</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 171,756</u>	<u>\$ 2,844</u>	<u>\$ 5,912</u>	<u>\$ 871</u>

Special Revenue		Debt Service			
Farmers Market (280)	Veterans Memorial Fund (281)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)	G.O. Tax Increment Bonds of 2004C (250)
\$ 15,867	\$ -	\$ 315,198	\$ 11,943	\$ 19,633	\$ 18,436
-	-	648,252	-	1,837,319	-
-	-	5,157	1,254	147	502
-	-	-	-	-	-
-	-	4,491	1,018	350	891
-	-	410,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
255	-	-	-	-	-
<u>\$ 16,122</u>	<u>\$ -</u>	<u>\$ 1,383,098</u>	<u>\$ 14,215</u>	<u>\$ 1,857,449</u>	<u>\$ 19,829</u>
\$ 460	\$ -	\$ -	\$ -	\$ -	\$ -
17	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,595	314,852	-	-	-
477	8,595	314,852	-	-	-
-	-	410,000	-	-	-
-	-	5,157	1,254	147	502
-	-	-	-	-	-
-	-	415,157	1,254	147	502
255	-	-	-	-	-
15,390	-	653,089	12,961	1,857,302	19,327
-	-	-	-	-	-
-	(8,595)	-	-	-	-
15,645	(8,595)	653,089	12,961	1,857,302	19,327
<u>\$ 16,122</u>	<u>\$ -</u>	<u>\$ 1,383,098</u>	<u>\$ 14,215</u>	<u>\$ 1,857,449</u>	<u>\$ 19,829</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018**

	Debt Service			
	G.O. Refunding Bond 2015A (222)	G.O. Improvement Bond 2018A (227)	G.O. State Aid Loan (211)	G.O. Improvement Bond 2010A (212)
Assets				
Cash and investments	\$ 218,218	\$ 219,431	\$ 14,039	\$ 156,015
Cash with fiscal agent	-	47,495	-	-
Taxes receivable - delinquent	15,803	-	-	8,665
Accounts receivable	-	-	-	-
Due from other governments	4,532	-	-	8,696
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	133,623	-	-	1,197
Deferred	638,931	425,323	-	12,944
Land held for resale	-	-	-	-
Prepaid expenses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,011,107</u>	<u>\$ 692,249</u>	<u>\$ 14,039</u>	<u>\$ 187,517</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	15,803	-	-	8,665
Unavailable revenue - special assessments	772,554	425,323	-	14,141
Total deferred inflows of resources	<u>788,357</u>	<u>425,323</u>	<u>-</u>	<u>22,806</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	222,750	266,926	14,039	164,711
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>222,750</u>	<u>266,926</u>	<u>14,039</u>	<u>164,711</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,011,107</u>	<u>\$ 692,249</u>	<u>\$ 14,039</u>	<u>\$ 187,517</u>

Debt Service				Capital Projects
G.O. Refunding Bonds of 2014A (221)	G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)	Neighborhood Stabilization Program (116)
\$ 32,572	\$ 567,104	\$ 303,726	\$ 197,339	\$ -
-	-	-	-	-
505	5,756	11,183	1,422	-
-	-	-	-	888
443	2,575	10,689	337	-
-	-	-	50,000	-
-	2,322	6,545	-	-
-	14,959	193,358	98,654	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 33,520</u>	<u>\$ 592,716</u>	<u>\$ 525,501</u>	<u>\$ 347,752</u>	<u>\$ 888</u>
\$ -	\$ -	\$ -	\$ -	\$ 888
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	888
-	-	-	50,000	-
505	5,756	11,183	1,422	-
-	17,281	199,903	98,654	-
<u>505</u>	<u>23,037</u>	<u>211,086</u>	<u>150,076</u>	<u>-</u>
-	-	-	-	-
33,015	569,679	314,415	197,676	-
-	-	-	-	-
-	-	-	-	-
<u>33,015</u>	<u>569,679</u>	<u>314,415</u>	<u>197,676</u>	<u>-</u>
<u>\$ 33,520</u>	<u>\$ 592,716</u>	<u>\$ 525,501</u>	<u>\$ 347,752</u>	<u>\$ 888</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2018**

	Capital Projects			
	Park Development (120)	Industrial Park Expansion Land Purchase (141)	Local Development (150)	Lake Street Redevelopment TIF 1-3 (165)
Assets				
Cash and investments	\$ 145,588	\$ -	\$ 448,021	\$ 9,861
Cash with fiscal agent	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	1,885	-
Land held for resale	-	682,000	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 145,588	\$ 682,000	\$ 449,906	\$ 9,861
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	299,042	-
Contracts payable	2,451	-	15,800	-
Due to other governments	-	132,769	-	-
Advances from other funds	-	580,454	-	-
Total liabilities	2,451	713,223	314,842	-
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	1,885	-
Total deferred inflows of resources	-	-	1,885	-
Fund Balances				
Nonspendable	-	682,000	-	-
Restricted	143,137	-	-	9,861
Assigned	-	-	133,179	-
Unassigned	-	(713,223)	-	-
Total fund balances	143,137	(31,223)	133,179	9,861
Total liabilities, deferred inflows of resources, and fund balances	\$ 145,588	\$ 682,000	\$ 449,906	\$ 9,861

Capital Projects

Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Northern Star TIF1-7 (173)	Equipment and Building Replacements (199)	Total Other Governmental Funds
\$ 5,732	\$ 6,960	\$ 34,331	\$ 41,092	\$ 1,054,506	\$ 3,895,646
-	-	-	-	-	2,533,066
-	-	-	-	-	51,559
-	-	-	-	5,500	12,380
-	-	-	-	-	34,924
-	-	-	-	-	460,000
-	-	-	-	-	143,687
-	-	-	-	-	1,386,054
95,160	-	-	-	-	890,135
-	-	-	-	-	570
<u>\$ 100,892</u>	<u>\$ 6,960</u>	<u>\$ 34,331</u>	<u>\$ 41,092</u>	<u>\$ 1,060,006</u>	<u>\$ 9,408,021</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,639	6,039
-	-	-	-	-	17
-	-	-	-	-	299,042
-	-	-	-	-	18,251
-	-	-	-	-	132,769
-	-	-	-	-	974,785
-	-	-	-	2,639	1,430,903
-	-	-	-	-	460,000
-	-	-	-	-	51,559
-	-	-	-	-	1,529,741
-	-	-	-	-	2,041,300
-	-	-	-	-	795,545
100,892	6,960	34,331	41,092	-	4,685,439
-	-	-	-	1,057,367	1,190,546
-	-	-	-	-	(735,712)
<u>100,892</u>	<u>6,960</u>	<u>34,331</u>	<u>41,092</u>	<u>1,057,367</u>	<u>5,935,818</u>
<u>\$ 100,892</u>	<u>\$ 6,960</u>	<u>\$ 34,331</u>	<u>\$ 41,092</u>	<u>\$ 1,060,006</u>	<u>\$ 9,408,021</u>

City of Big Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2018

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Revenues				
Property taxes	\$ 50,073	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Miscellaneous taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	4,000	-	-	-
Charges for services	1,000	-	-	-
Fines and forfeitures	-	7,361	12,248	-
Miscellaneous				
Investment and other interest income	619	80	150	16
Contributions and donations	1,500	-	-	-
Other	-	-	-	-
Total revenues	<u>57,192</u>	<u>7,441</u>	<u>12,398</u>	<u>16</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	1,440	3,348	503
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	28,127	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	3,927	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	7,313	8,313	-
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>32,054</u>	<u>8,753</u>	<u>11,661</u>	<u>503</u>
Excess of revenues over (under) expenditures	25,138	(1,312)	737	(487)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	25,000	-	-	-
Issuance of debt	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	50,138	(1,312)	737	(487)
Fund Balances				
Beginning balance	<u>49,258</u>	<u>2,918</u>	<u>5,175</u>	<u>855</u>
End of year	<u>\$ 99,396</u>	<u>\$ 1,606</u>	<u>\$ 5,912</u>	<u>\$ 368</u>

Special Revenue		Debt Service			
Farmers Market (280)	Veterans Memorial Fund (281)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)	G.O. Tax Increment Bonds of 2004C (250)
\$ -	\$ -	\$ 251,096	\$ 56,686	\$ 19,554	\$ 50,099
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,225	-	-	-	-	-
437	-	44,739	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
295	117	15,102	(370)	13,118	(343)
11,275	10,887	-	-	-	-
47	-	-	-	-	-
<u>14,279</u>	<u>11,004</u>	<u>310,937</u>	<u>56,316</u>	<u>32,672</u>	<u>49,756</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,708	500	-	-	-	-
-	-	-	-	-	-
-	-	205,000	45,000	-	20,000
-	-	70,068	9,320	37,996	40,523
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,708</u>	<u>500</u>	<u>275,068</u>	<u>54,320</u>	<u>37,996</u>	<u>60,523</u>
5,571	10,504	35,869	1,996	(5,324)	(10,767)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	35,171	-	-	33,943
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>35,171</u>	<u>-</u>	<u>-</u>	<u>33,943</u>
5,571	10,504	71,040	1,996	(5,324)	23,176
10,074	(19,099)	582,049	10,965	1,862,626	(3,849)
<u>\$ 15,645</u>	<u>\$ (8,595)</u>	<u>\$ 653,089</u>	<u>\$ 12,961</u>	<u>\$ 1,857,302</u>	<u>\$ 19,327</u>

City of Big Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2018

	Debt Service			
	G.O. Refunding Bond 2015A (222)	G.O. Improvement Bond 2018A (227)	G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)
Revenues				
Property taxes	\$ 231,561	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Miscellaneous taxes	-	-	-	-
Special assessments	148,698	218,868	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	151,288
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	423	8,017	3	356
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>380,682</u>	<u>226,885</u>	<u>3</u>	<u>151,644</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	485,000	-	-	124,000
Interest and other charges	102,873	58,822	-	28,358
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>587,873</u>	<u>58,822</u>	<u>-</u>	<u>152,358</u>
Excess of revenues over (under) expenditures	(207,191)	168,063	3	(714)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Issuance of debt	-	75,479	-	-
Bond premium	-	23,384	-	-
Transfers in	113,063	-	-	-
Transfers out	(23,218)	-	(1,123)	-
Total other financing sources (uses)	<u>89,845</u>	<u>98,863</u>	<u>(1,123)</u>	<u>-</u>
Net change in fund balances	(117,346)	266,926	(1,120)	(714)
Fund Balances				
Beginning balance	<u>340,096</u>	<u>-</u>	<u>1,120</u>	<u>14,753</u>
End of year	<u>\$ 222,750</u>	<u>\$ 266,926</u>	<u>\$ -</u>	<u>\$ 14,039</u>

		Debt Service			Capital Projects		
G.O. Improvement Bond 2010A (212)	G.O. Refunding Bonds of 2014A (221)	G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)	Neighborhood Stabilization Program (116)	Small Cities Development Program (118)	
\$ 202,072	\$ 24,750	\$ 101,167	\$ 282,183	\$ 15,396	\$ -	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
97,931	-	39,846	100,628	31,390	-	-	
-	-	-	-	-	-	-	
-	-	-	-	51,500	-	71,980	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
(198)	51	8,717	1,475	3,030	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	5,843	-	
<u>299,805</u>	<u>24,801</u>	<u>149,730</u>	<u>384,286</u>	<u>101,316</u>	<u>5,843</u>	<u>71,980</u>	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
255,000	28,697	210,000	400,000	195,000	-	-	
73,803	5,232	19,414	41,146	7,908	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	5,843	71,980	
<u>328,803</u>	<u>33,929</u>	<u>229,414</u>	<u>441,146</u>	<u>202,908</u>	<u>5,843</u>	<u>71,980</u>	
(28,998)	(9,128)	(79,684)	(56,860)	(101,592)	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	7,010	-	-	-	-	-	
-	-	-	-	-	-	-	
-	<u>7,010</u>	-	-	-	-	-	
(28,998)	(2,118)	(79,684)	(56,860)	(101,592)	-	-	
<u>193,709</u>	<u>35,133</u>	<u>649,363</u>	<u>371,275</u>	<u>299,268</u>	<u>-</u>	<u>-</u>	
<u>\$ 164,711</u>	<u>\$ 33,015</u>	<u>\$ 569,679</u>	<u>\$ 314,415</u>	<u>\$ 197,676</u>	<u>\$ -</u>	<u>\$ -</u>	

City of Big Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2018

	Capital Projects			
	Park Development (120)	Industrial Park Expansion Land Purchase (141)	Local Development (150)	Lake Street Redevelopment TIF 1-3 (165)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	36,766
Miscellaneous taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	46,361	-	-
Charges for services	33,979	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	2,772	(616)	8,077	144
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	36,751	45,745	8,077	36,910
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	92,722	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	23,218	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	30,709	-	-	-
Economic development	-	-	-	990
Total expenditures	30,709	115,940	-	990
Excess of revenues over (under) expenditures	6,042	(70,195)	8,077	35,920
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Issuance of debt	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	68,082	-	-
Transfers out	-	-	-	(33,943)
Total other financing sources (uses)	-	68,082	-	(33,943)
Net change in fund balances	6,042	(2,113)	8,077	1,977
Fund Balances				
Beginning balance	137,095	(29,110)	125,102	7,884
End of year	\$ 143,137	\$ (31,223)	\$ 133,179	\$ 9,861

Capital Projects

Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Northern Star TIF1-7 (173)	Equipment and Building Replacements (199)	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,284,637
39,079	13,048	31,505	68,578	-	188,976
-	-	-	-	75,015	75,015
-	-	-	-	-	637,361
-	-	-	-	-	2,225
-	-	-	-	425,610	795,915
-	-	-	-	-	34,979
-	-	-	-	-	19,609
64	23	116	166	13,439	74,843
-	-	-	-	12,950	36,612
-	-	-	-	2,955	8,845
<u>39,143</u>	<u>13,071</u>	<u>31,621</u>	<u>68,744</u>	<u>529,969</u>	<u>3,159,017</u>
-	-	-	-	94,770	94,770
-	-	-	-	29,932	35,223
-	-	-	-	5,273	5,273
-	-	-	-	26,336	35,544
-	-	-	-	3,997	124,846
-	-	-	-	7,149	1,974,846
-	-	-	-	1,734	524,342
-	-	-	-	18,030	18,030
-	-	-	-	231,800	247,426
-	-	-	-	13,500	13,500
-	-	-	-	-	30,709
990	13,224	14,251	53,802	-	161,080
<u>990</u>	<u>13,224</u>	<u>14,251</u>	<u>53,802</u>	<u>432,521</u>	<u>3,265,589</u>
38,153	(153)	17,370	14,942	97,448	(106,572)
-	-	-	-	28,913	53,913
-	-	-	-	-	75,479
-	-	-	-	-	23,384
-	-	-	-	166,000	423,269
(35,171)	-	-	-	-	(93,455)
<u>(35,171)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,913</u>	<u>482,590</u>
2,982	(153)	17,370	14,942	292,361	376,018
<u>97,910</u>	<u>7,113</u>	<u>16,961</u>	<u>26,150</u>	<u>765,006</u>	<u>5,559,800</u>
<u>\$ 100,892</u>	<u>\$ 6,960</u>	<u>\$ 34,331</u>	<u>\$ 41,092</u>	<u>\$ 1,057,367</u>	<u>\$ 5,935,818</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 2,726,289	\$ 2,761,272	\$ 2,873,459	\$ 112,187
Franchise fees	392,000	392,000	422,562	30,562
Special assessments	1,500	1,500	2,955	1,455
Licenses and permits	474,800	484,800	536,720	51,920
Intergovernmental revenue				
Market value credit	-	-	111	111
PERA aid	3,106	3,106	3,106	-
Fire aid	96,000	102,393	102,393	-
Police aid	122,500	129,500	136,134	6,634
Federal grants	18,848	18,848	12,177	(6,671)
Other grants and aids	147,130	176,730	196,937	20,207
Total intergovernmental revenue	<u>387,584</u>	<u>430,577</u>	<u>450,858</u>	<u>20,281</u>
Charges for services				
General government	65,204	65,204	62,507	(2,697)
Public safety	40,006	40,006	32,206	(7,800)
Public works	160,184	160,184	163,259	3,075
Culture and recreation	1,275	1,275	2,687	1,412
Total charges for services	<u>266,669</u>	<u>266,669</u>	<u>260,659</u>	<u>(6,010)</u>
Fines and forfeitures	41,350	41,350	53,063	11,713
Miscellaneous revenues				
Investment income	25,000	25,000	(30,464)	(55,464)
Contributions and donations	4,200	15,800	65,227	49,427
Other	2,000	2,000	7,323	5,323
Total miscellaneous revenues	<u>31,200</u>	<u>42,800</u>	<u>42,086</u>	<u>(714)</u>
Total revenues	<u>4,321,392</u>	<u>4,420,968</u>	<u>4,642,362</u>	<u>221,394</u>
Expenditures				
General government				
Mayor and council	33,570	34,445	34,445	-
Administrative and finance	531,664	531,664	525,727	(5,937)
Other general government	194,691	194,691	181,287	(13,404)
Total general government	<u>759,925</u>	<u>760,800</u>	<u>741,459</u>	<u>(19,341)</u>
Public safety				
Police				
Current	1,739,176	1,746,176	1,746,882	706
Capital outlay	10,300	10,300	19,101	8,801
Total police	<u>1,749,476</u>	<u>1,756,476</u>	<u>1,765,983</u>	<u>9,507</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2018

	Budgeted Amounts	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original	Original and Final	Actual Amounts	
Expenditures (Continued)				
Public safety (continued)				
Fire				
Current	\$ 266,328	\$ 292,679	\$ 292,528	\$ (151)
Other:				
Current	210,594	210,594	187,543	(23,051)
Total public safety	<u>2,226,398</u>	<u>2,259,749</u>	<u>2,246,054</u>	<u>(13,695)</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	477,262	477,262	443,077	(34,185)
Street engineering	62,435	63,035	63,331	296
Street lighting	96,000	96,000	86,826	(9,174)
Total streets and highways	<u>635,697</u>	<u>636,297</u>	<u>593,234</u>	<u>(43,063)</u>
Sanitation				
Garbage and other refuse				
Collection and disposal	1,440	1,440	1,520	80
Total public works	<u>637,137</u>	<u>637,737</u>	<u>594,754</u>	<u>(42,983)</u>
Culture and recreation				
Libraries				
Libraries current expenditures	65,625	65,625	61,954	(3,671)
Parks and recreation				
Current expenditures	569,635	592,135	535,801	(56,334)
Capital outlay	-	42,250	42,250	-
Total parks and recreation	<u>569,635</u>	<u>634,385</u>	<u>578,051</u>	<u>(56,334)</u>
Total culture and recreation	<u>635,260</u>	<u>700,010</u>	<u>640,005</u>	<u>(60,005)</u>
Economic Development				
Current expenditures	175,145	175,145	169,696	(5,449)
Debt Service				
Principal	8,722	8,722	8,722	-
Interest and other charges	1,795	1,795	1,795	-
Total debt service	<u>10,517</u>	<u>10,517</u>	<u>10,517</u>	<u>-</u>
Total expenditures	<u>4,444,382</u>	<u>4,543,958</u>	<u>4,402,485</u>	<u>(141,473)</u>
Excess of revenues over (under) expenditures	<u>(122,990)</u>	<u>(122,990)</u>	<u>239,877</u>	<u>362,867</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	1,000	1,000	6,671	5,671
Insurance recoveries	-	-	3,417	3,417
Transfers in	375,000	375,000	375,000	-
Transfers out	(253,010)	(253,010)	(637,874)	(384,864)
Total other financing sources (uses)	<u>122,990</u>	<u>122,990</u>	<u>(252,786)</u>	<u>(375,776)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(12,909)</u>	<u>\$ (12,909)</u>
Fund Balances				
Beginning of year			3,228,887	
End of year			<u>\$ 3,215,978</u>	

City of Big Lake
Combining Statement of Changes in Assets and Liabilities -
Agency Funds
Year Ended December 31, 2018

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31</u>
Seed, Sod, and Tree Preservation Escrow (701)				
Assets				
Cash and investments	<u>\$ 237,670</u>	<u>\$ 102,300</u>	<u>\$ 159,960</u>	<u>\$ 180,010</u>
Liabilities				
Accounts payable	<u>\$ 237,670</u>	<u>\$ 104,160</u>	<u>\$ 161,820</u>	<u>\$ 180,010</u>
 Temp Sign Permit Escrow (702)				
Assets				
Cash and investments	<u>\$ 4,590</u>	<u>\$ 1,300</u>	<u>\$ 700</u>	<u>\$ 5,190</u>
Liabilities				
Accounts payable	<u>\$ 4,590</u>	<u>\$ 1,500</u>	<u>\$ 900</u>	<u>\$ 5,190</u>

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses on Internal Control that we consider to be a significant deficiency, audit finding 2018-001.

Compliance and Other Matters

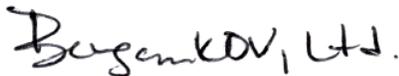
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses on Internal Control. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



St. Cloud, Minnesota
April 1, 2019

Minnesota Legal Compliance

Independent Auditor's Report

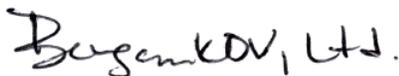
Honorable Mayor and Members
of the City Council
City of Big Lake
Big Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 1, 2019.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Big Lake failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



St. Cloud, Minnesota
April 1, 2019

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Audit Finding 2018-001 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2018, the City had a lack of segregation of accounting duties. In order to have appropriate segregation of duties the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions and financial information, and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

City's Response:

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

PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Audit Finding 2017-001 – Preparation of Financial Statements and Related Note Disclosures

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

The City does not have an internal control system designed to provide for the preparation of the financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America. As auditors, we were requested to draft the financial statements and accompanying note to financial statements. This circumstance is not unusual in a city of your size.

This condition increases the risk that errors could occur which would not be prevented, or detected and corrected, on a timely basis. Even though all management decisions related to financial reporting are made by the City's management and approval of the financial statements and accompanying note disclosures lies with management, it is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

Communications Letter

December 31, 2018

bergankDV

**City of Big Lake
Table of Contents**

Report on Matters Identified as a Result of the Audit of the Financial Statements	1
Significant Deficiency	3
Required Communication	4
Financial Analysis	8
Emerging Issues	25

**Report on Matters Identified as a Result of
the Audit of the Financial Statements**

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

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows: reasonably possible – the chance of the future event or events occurring is more than remote but less than likely; probable – the future event or events are likely to occur. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

The City's written response to the significant deficiency identified in our audit has not been subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated April 1, 2019, on such statements.

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

A handwritten signature in black ink that reads "BergankDV, LTD." The signature is written in a cursive, slightly slanted style.

St. Cloud, Minnesota
April 1, 2019

**City of Big Lake
Significant Deficiency**

LACK OF SEGREGATION OF ACCOUNTING DUTIES

During the year ended December 31, 2018, the City had a lack of segregation of accounting duties. In order to have appropriate segregation of duties the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording, and processing of transactions, reconciliation and reporting of transactions and financial information, and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

City of Big Lake Required Communication

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2018. Professional standards require that we advise you of the following matters related to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic audit financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

PLANNED SCOPE AND TIMING OF THE AUDIT

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City.

**City of Big Lake
Required Communication**

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during the year ended December 31, 2018. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method

Land Held for Resale – Land held for resale is recorded using either the lower of historical cost or estimated resale value.

Net Pension Liability, Deferred Outflows of Resources Relating to Pensions, and Deferred Inflows of Resources Relating to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**City of Big Lake
Required Communication**

UNCORRECTED AND CORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

REPRESENTATIONS REQUESTED FROM MANAGEMENT

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

MANAGEMENT'S CONSULTATIONS WITH OTHER ACCOUNTANTS

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

OTHER SIGNIFICANT MATTERS, FINDINGS, OR ISSUES

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the City, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

OTHER MATTERS

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

**City of Big Lake
Required Communication**

OTHER MATTERS (CONTINUED)

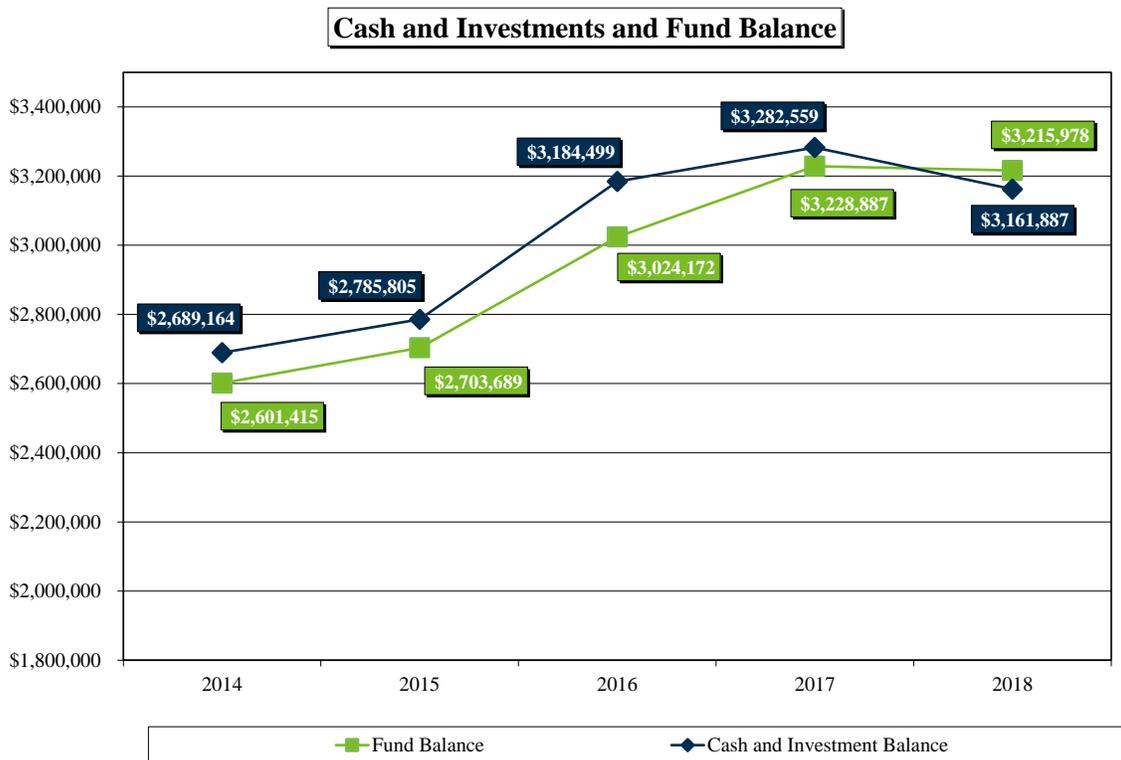
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

City of Big Lake Financial Analysis

The following pages provide graphic representations of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

GENERAL FUND – FUND BALANCE

The following graph illustrates the relationship between cash and investments and fund balance over the past five years. As shown below, the cash balance has increased \$472,723 from 2014 to 2018. The amount of cash decreased at December 31, 2018, after increasing each of the previous three years. The decrease primarily relates to a decrease in payables at year end. The fund balance increased \$614,563 from 2014 to 2018. At December 31, 2018, the General Fund balance consisted of \$103,486 nonspendable, \$147,167 assigned and \$2,965,325 unassigned. The total unassigned fund balance represented just over eight months of expenditures at current levels. The Office of the State Auditor has issued a statement of position recommending cities maintain an unrestricted fund balance of approximately 35% to 50% of fund operating revenues, or no less than five months of operating expenditures. The City's Fund Balance Policy states that the City will maintain an unrestricted fund balance amount not less than 50% of the next year's budgeted expenditures in the General Fund. Based on the 2019 budgeted expenditures of \$4,857,198, the City's unrestricted General Fund balance was at 64% at December 31, 2018.



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

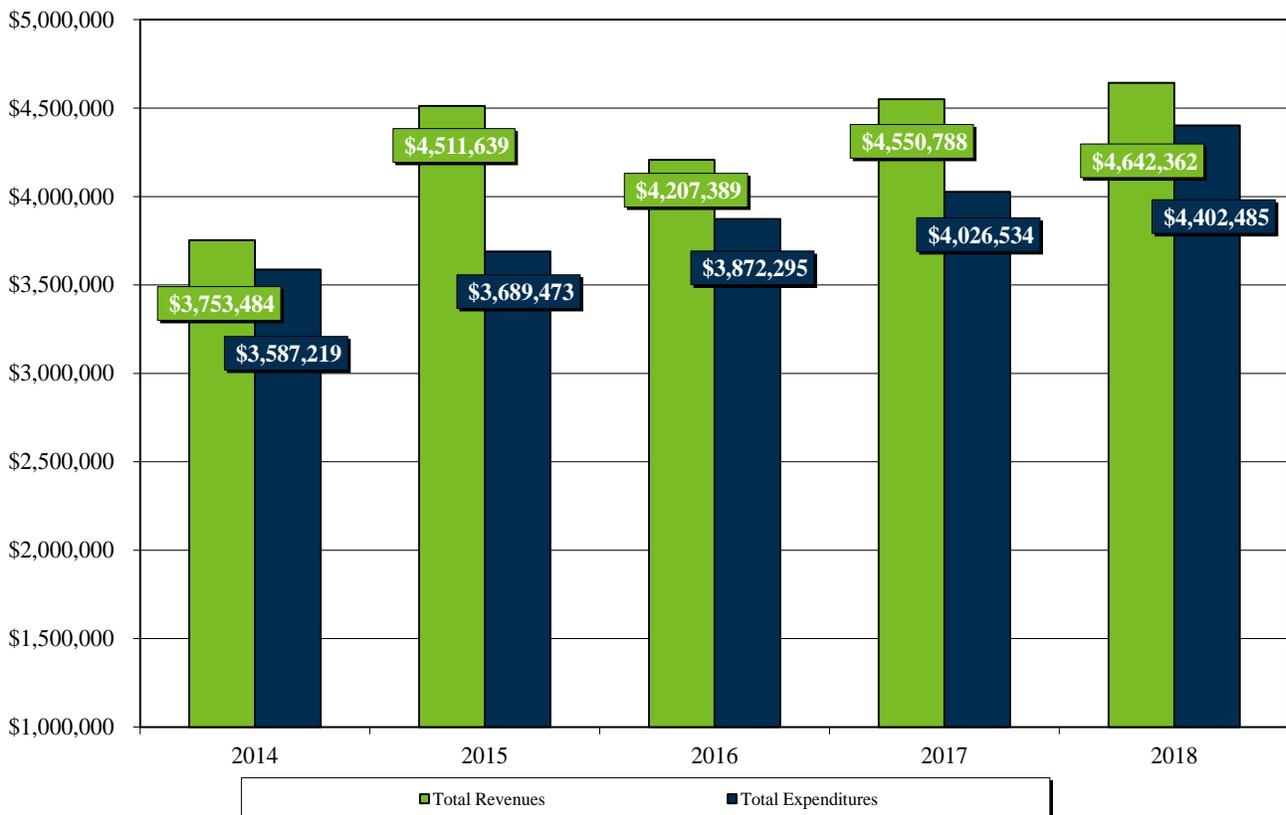
City of Big Lake Financial Analysis

GENERAL FUND – REVENUES AND EXPENDITURES

The following table and graph show the overall operations of the General Fund. Revenues have fluctuated over the five years shown from a high in 2018 of \$4,642,362 to a low of \$3,753,484 in 2014. Overall from 2014 to 2018, revenues have increased \$888,878. Similarly, expenditures have fluctuated over the five years presented. In 2018, expenditures were \$4,402,485, an increase from the prior year of \$375,951. Since 2014, expenditures have increased \$815,266. Transfers out for 2015 through 2018 were made for capital related items. Revenues have exceeded expenditures in each of the five years presented

	2014	2015	2016	2017	2018
Revenues	\$ 3,753,484	\$ 4,511,639	\$ 4,207,389	\$ 4,550,788	\$ 4,642,362
Expenditures	3,587,219	3,689,473	3,872,295	4,026,534	4,402,485
Proceeds from the sale of capital assets	943	1,625	4,947	3,188	6,671
Insurance recoveries	-	-	50,893	25,532	3,417
Proceeds from capital lease	-	-	26,213	-	-
Net transfers	147,007	(721,517)	(96,664)	(348,259)	(262,874)
Net change in fund balance	\$ 314,215	\$ 102,274	\$ 320,483	\$ 204,715	\$ (12,909)

Revenues and Expenditures



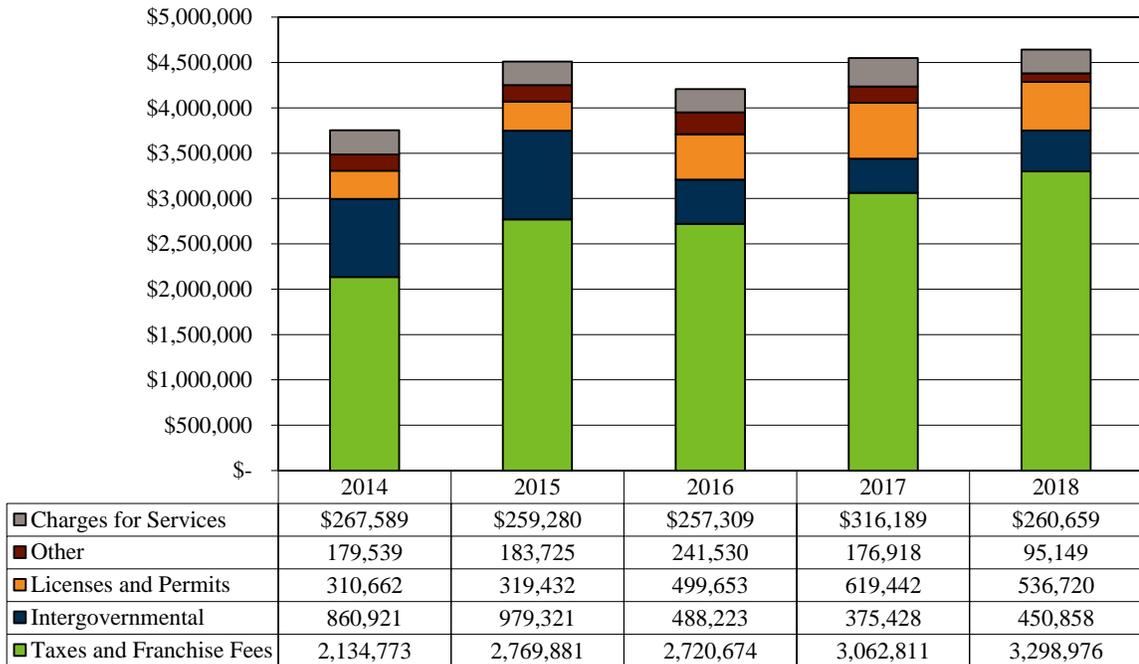
City of Big Lake Financial Analysis

GENERAL FUND – REVENUES

The following graph presents comparisons of revenues by type, illustrating the majority of revenue for the City is from taxes, intergovernmental sources, and licenses and permits. These three sources represent 71.1%, 9.8%, and 11.6% of total General Fund revenues, respectively. Other revenues include items such as fines and forfeitures, investment income and other miscellaneous items.

Revenues of the General Fund increased from 2017 to 2018 by \$91,574. Taxes increased \$236,165 due to an increase in the levy for the General Fund. Intergovernmental revenues increased \$75,430 due to receiving more operating grants compared to the prior year. Licenses and permits decreased \$82,722 in 2018 as a result of less housing development compared to 2017. Charges for services decreased \$55,530 due primarily to a decrease in fire protection revenue, which no longer flows through the City due to the new fire department joint powers agreement. Other sources of revenue decreased \$81,769 due to a decrease in investment income and other miscellaneous revenue sources.

General Fund Revenues

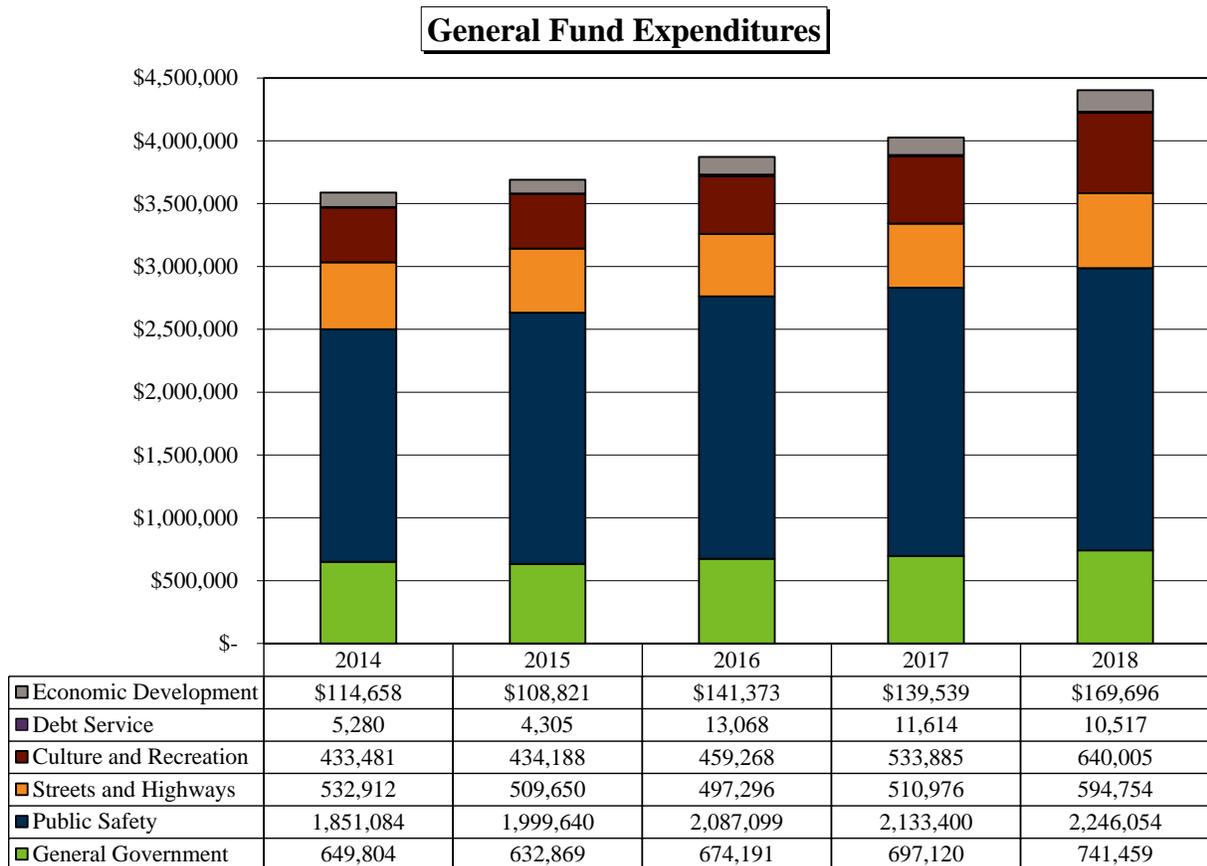


City of Big Lake Financial Analysis

GENERAL FUND – EXPENDITURES

The graph below represents the breakdown of expenditures by department. Public Safety continues to comprise the largest portion of General Fund expenditures, representing 51.0%. Overall, General Fund expenditures increased \$375,951 from 2017.

Public Safety increased \$112,654 due to salary and benefit increases and increased operating expenditures. Culture and recreation increased \$106,120 due to increases to salaries and benefits with an added new position. Also, purchases of water cameras and land were made during 2018. Streets and highways increased \$83,778 due to salary and benefit increases and increased operating expenditures. General government increased \$83,778 primarily due to changes in salary and benefit allocations based on the type of work performed along with pay for election judges in 2018. Other functions were consistent with the prior year.



**City of Big Lake
Financial Analysis**

GENERAL FUND – BUDGETARY COMPARISON

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget -
Revenues				
Taxes	\$ 3,119,789	\$ 3,154,772	\$ 3,298,976	\$ 144,204
Intergovernmental	388,784	431,777	452,858	21,081
Licenses and permits	474,800	484,800	536,720	51,920
Charges for services	266,669	266,669	260,659	(6,010)
Fines	41,350	41,350	53,063	11,713
Miscellaneous	30,000	41,600	40,086	(1,514)
Total revenues	<u>4,321,392</u>	<u>4,420,968</u>	<u>4,642,362</u>	<u>221,394</u>
Expenditures				
General government	759,925	760,800	741,459	(19,341)
Public safety	2,226,398	2,259,749	2,246,054	(13,695)
Streets and highways	637,137	637,737	594,754	(42,983)
Culture and recreation	635,260	700,010	640,005	(60,005)
Economic development	175,145	175,145	169,696	(5,449)
Debt service	10,517	10,517	10,517	-
Total expenditures	<u>4,444,382</u>	<u>4,543,958</u>	<u>4,402,485</u>	<u>(141,473)</u>
Excess of revenues over (under) expenditures	(122,990)	(122,990)	239,877	362,867
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,000	1,000	6,671	5,671
Insurance recoveries	-	-	3,417	3,417
Net transfers	121,990	121,990	(262,874)	(384,864)
Total other financing sources (uses)	<u>122,990</u>	<u>122,990</u>	<u>(252,786)</u>	<u>(375,776)</u>
Net change in fund balances	\$ -	\$ -	\$ (12,909)	\$ (12,909)

Overall, actual revenue was \$221,394, or 5%, over budget. Taxes were \$144,204 over budget due to budgeting conservatively for collections. Licenses and permits were over budget \$51,920 as a result of the increased permits that were not anticipated. All other revenue categories were relatively consistent with the budget.

Overall, actual expenditures were less than budgeted amounts by \$141,473. Culture and recreation was under budget \$60,005 due primarily to budgeting for higher salaries and wages for a new position that was added part way through the year. Streets and highways was under budget \$42,983 due in part to wages and overtime pay coming in under anticipated amounts. All other functions only had minor variances from their budgeted amounts.

City of Big Lake Financial Analysis

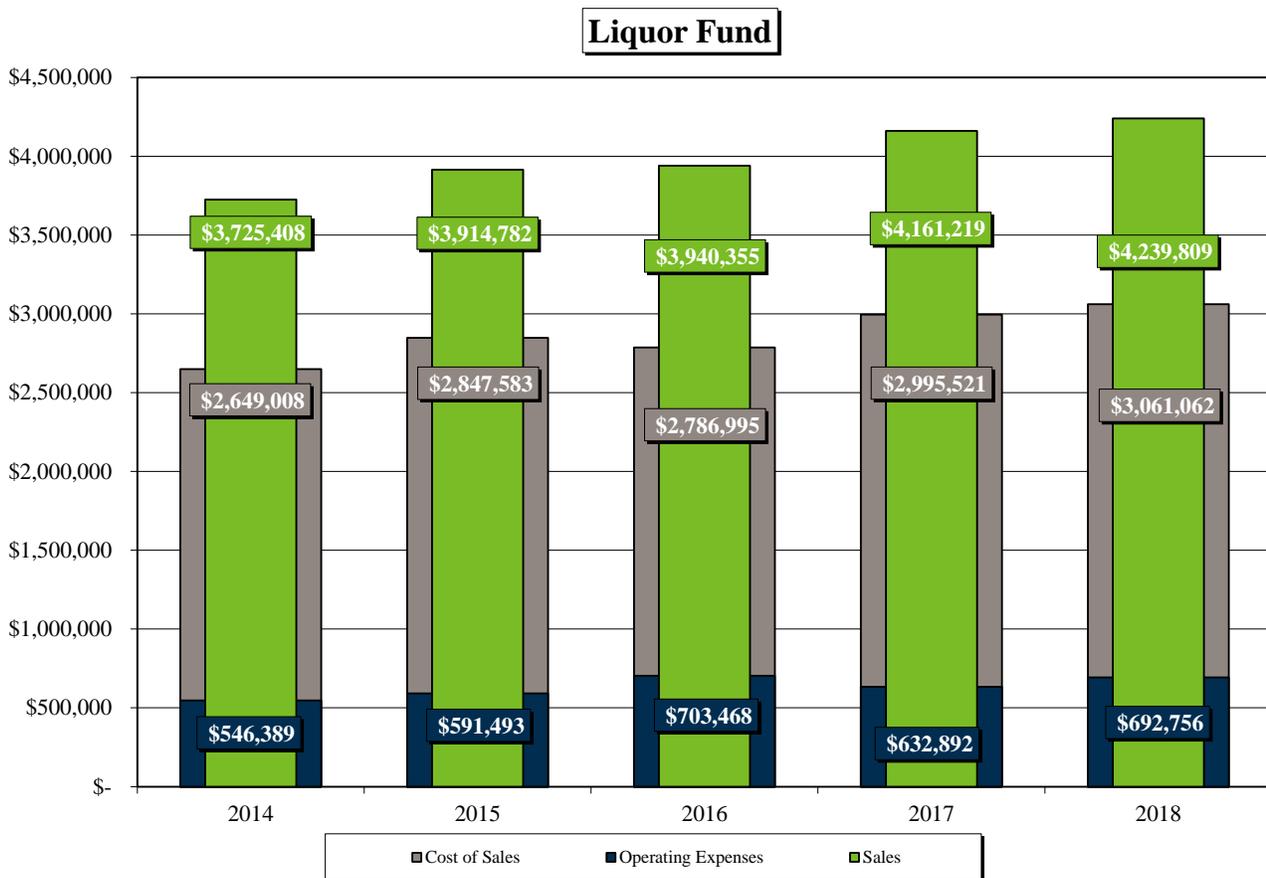
LIQUOR FUND

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

Selected data relating to the City's Liquor Fund operating results for the past five years is displayed in the graphs below and on the following page.

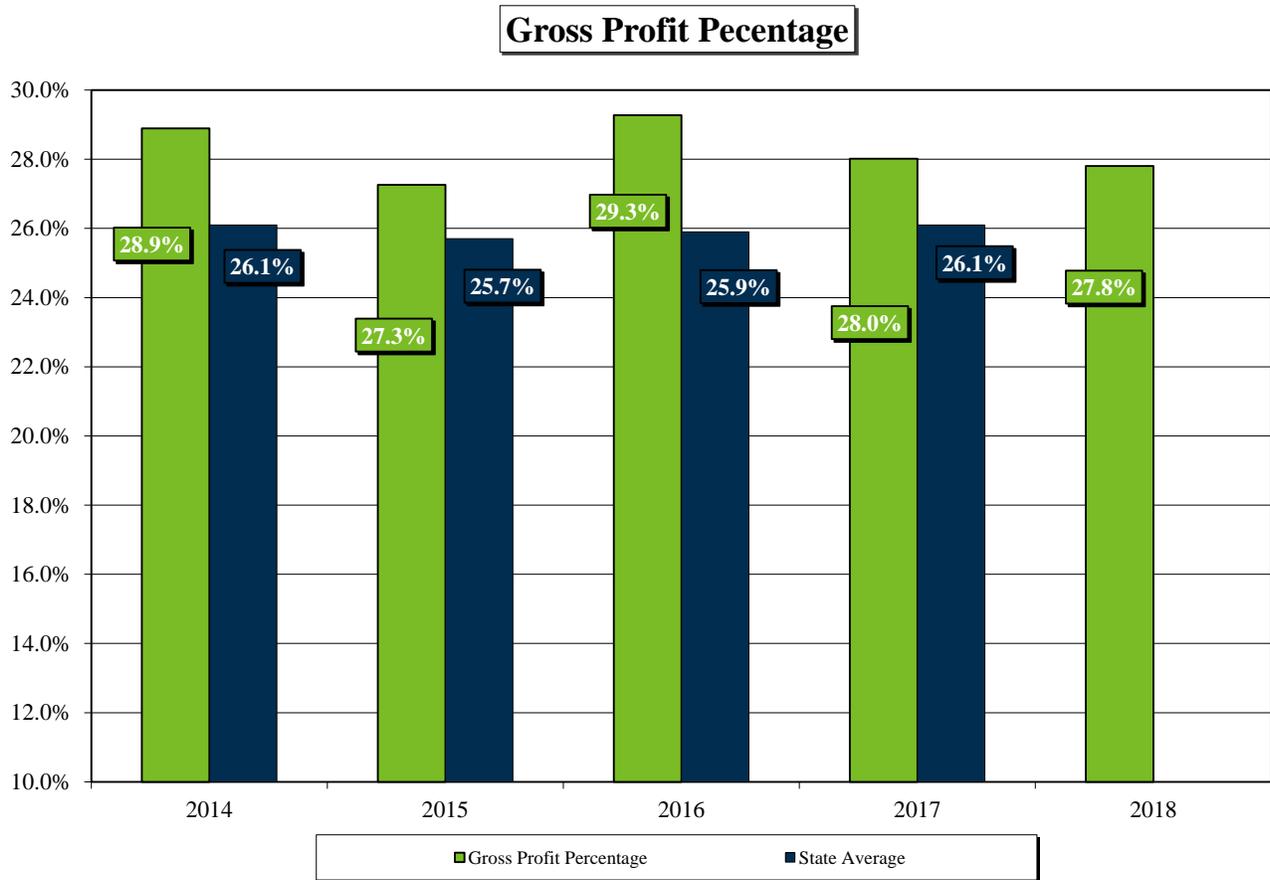
The liquor store sales have increased in each of the last five years. Total sales for 2018 reflected a 1.9% increase from 2017. During this same time period, cost of sales increased 2.2%. The result was a decrease in gross profit of 0.2%, to 27.8% in 2018 from 28.0% in 2017.

As of December 31, 2018, the Liquor Fund had an ending cash and investment balance of \$1,174,884. Unrestricted net position at year-end was \$1,152,831 compared to \$1,084,282 in 2017. The total debt outstanding at December 31, 2018, in the Liquor Fund was \$615,306, including interest of \$48,480.



City of Big Lake Financial Analysis

LIQUOR FUND (CONTINUED)



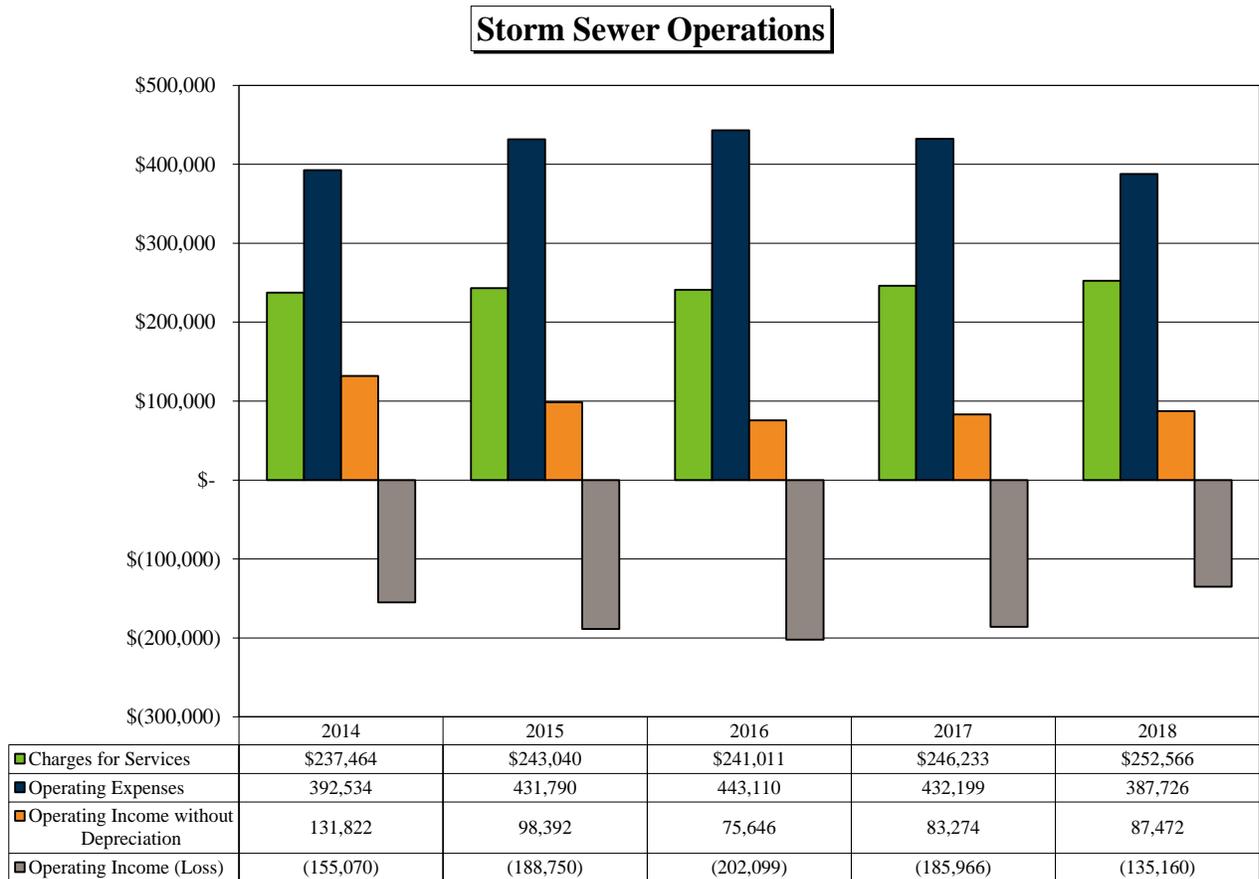
- State averages were taken from the 2014-2017 State of Minnesota "Analysis of Municipal Liquor Store Operations" for off-sale stores. Data for 2018 is not yet available.

City of Big Lake Financial Analysis

STORM SEWER FUND

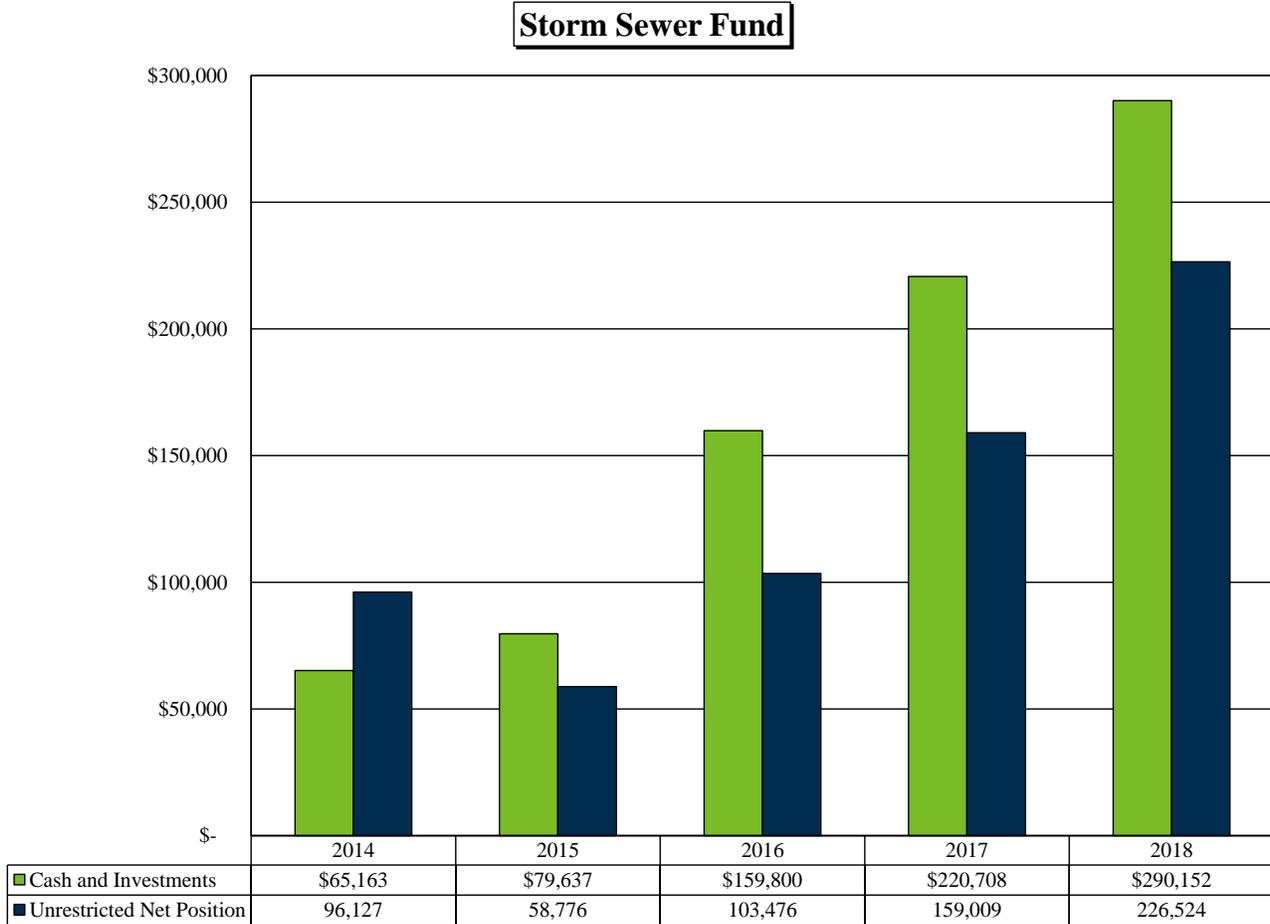
The following graph illustrates the current operations of the Storm Sewer Fund for the past five years. For each of the five years shown, the City's Storm Sewer Fund has generated an operating loss. Charges for services increased \$6,333 or 2.6% while operating expenses decreased \$44,473 or 10.3%, compared to 2017 due in large part to a decrease in depreciation expense as a number of assets became fully depreciated in 2018. The net effect of the changes in revenues and expenses is a net loss of \$135,160. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$87,472.

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



**City of Big Lake
Financial Analysis**

STORM SEWER FUND (CONTINUED)



As of December 31, 2018, the Storm Water Fund had an ending net cash and investment balance of \$290,152. This is an increase of \$69,444 from 2017 levels. Total net position at year-end was \$3,521,222, while unrestricted net position at year-end was \$226,524. Unrestricted net position has increased \$130,397 since 2014.

City of Big Lake Financial Analysis

WATER AND SEWER FUNDS

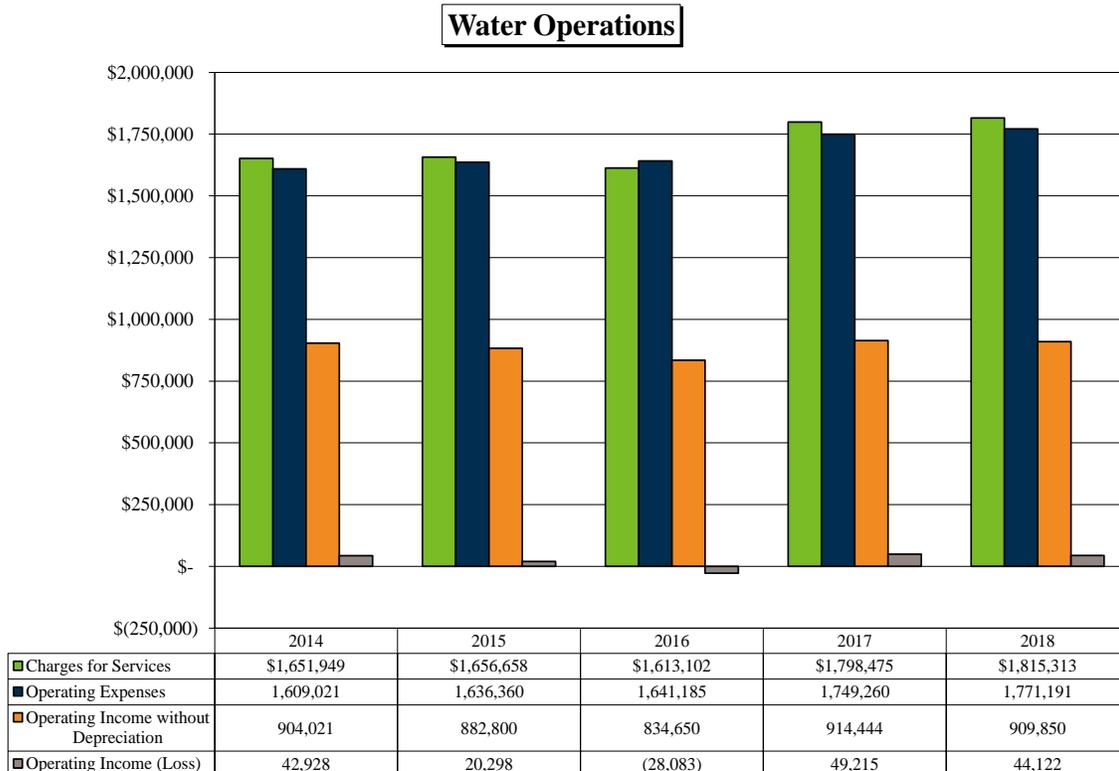
Water Fund

The following graph illustrates the current operations of the Water Fund for the past five years. Charges for services illustrated do not include water connection fees. These fees are not included because the revenue is set aside for future asset replacement costs. Similarly, operating income is shown with and without depreciation as the above connection fees will be covering some of the replacement cost. Therefore, charges for services will not be required to cover all of these costs.

For the five years shown, 2016 is the only year that experienced an operating loss. In 2014 and 2015 and again in 2017 and 2018, the Fund generated an operating income. Charges for services increased \$16,838 or 0.9% from 2017. Operating expenses increased by \$21,931, or 1.3% primarily due to an increase in professional services expenses. The net effect of the increased revenues and increased expenses is operating income of \$44,122. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$909,850.

Enterprise funds may be used to account for any activity in which a fee is charged. It is not required to have the fee support the entire activity; however, the basic premise in establishing an enterprise fund is that the activity will be operated similar to a business. Therefore, it is expected the enterprise fund would at least be able to meet its obligations currently and into the future.

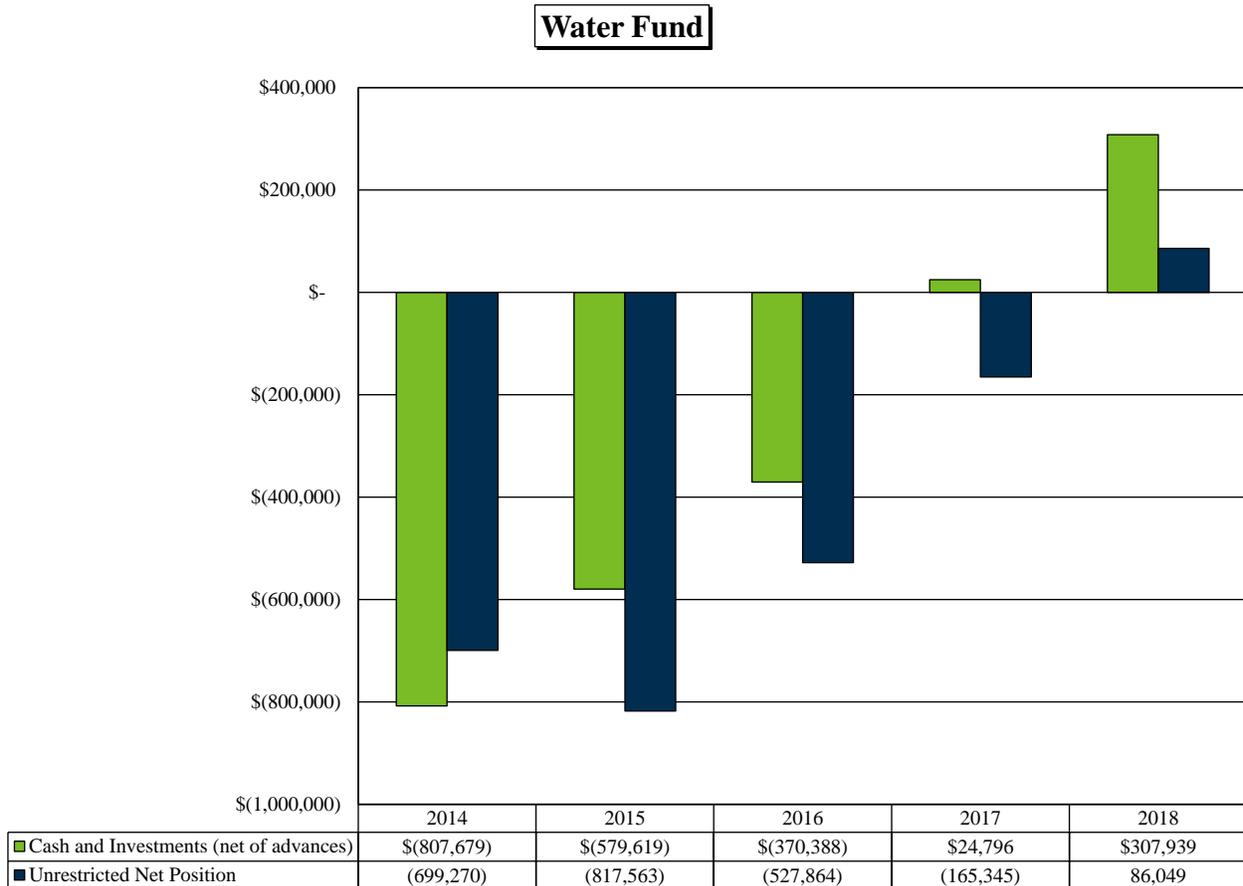
We recommend the City continue to evaluate water rates and monitor related expenditures to generate sufficient operating income in the future.



**City of Big Lake
Financial Analysis**

WATER AND SEWER FUNDS (CONTINUED)

Water Fund (Continued)



The above graph shows the cash and investments (net of advances) and unrestricted net position balances as of December 31 for the last five years. The Water Fund cash and investment balance has increased \$1,115,618 since 2014. A portion of the cash and investments in the Water Fund is currently being advanced from the Sewer Fund. That amount has been removed from the presentation above. Current year interest and principal payments on the Water Fund debt were \$824,872. The total amount of debt outstanding in the Water Fund at December 31, 2018, was \$5,251,049 including principal and interest. Principal and interest due in 2019 totals \$839,126.

**City of Big Lake
Financial Analysis**

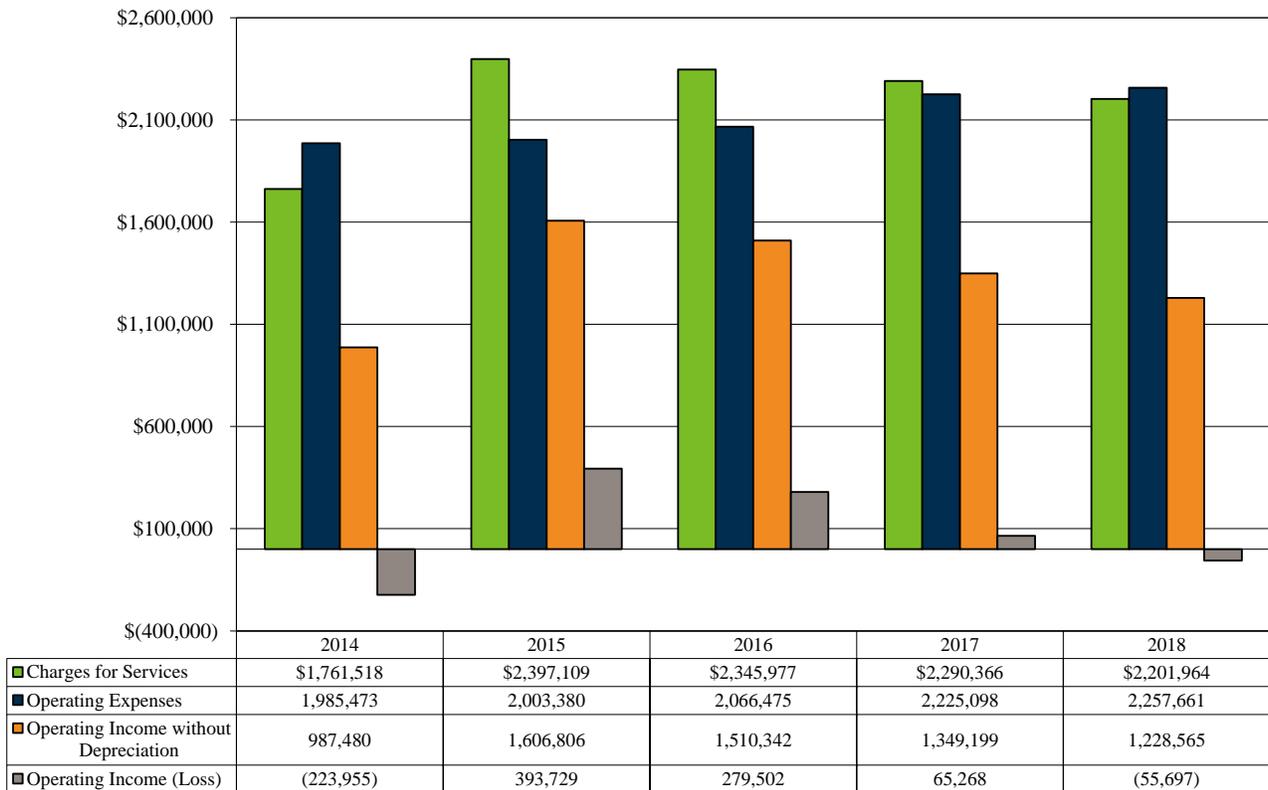
WATER AND SEWER FUNDS (CONTINUED)

Sewer Fund

In three of the past five years, the Sewer Fund has shown an operating income. In 2018, the Fund showed an operating loss of \$55,697. This is a decrease in operating results of \$120,965 from 2017. The Fund experienced a decrease in charges for services of \$88,402, due to less sewer septic dumping charges, while expenses increased \$32,563.

We recommend the City continue to evaluate water and sewer rates to generate sufficient operating income in the future. The significant debt principal and interest obligations of the City are considered non-operating expenses and are not presented with this particular graph. However, the City should consider these obligations when evaluating the sewer rates to ensure the Fund is able to make all future debt payments.

Sewer Operations

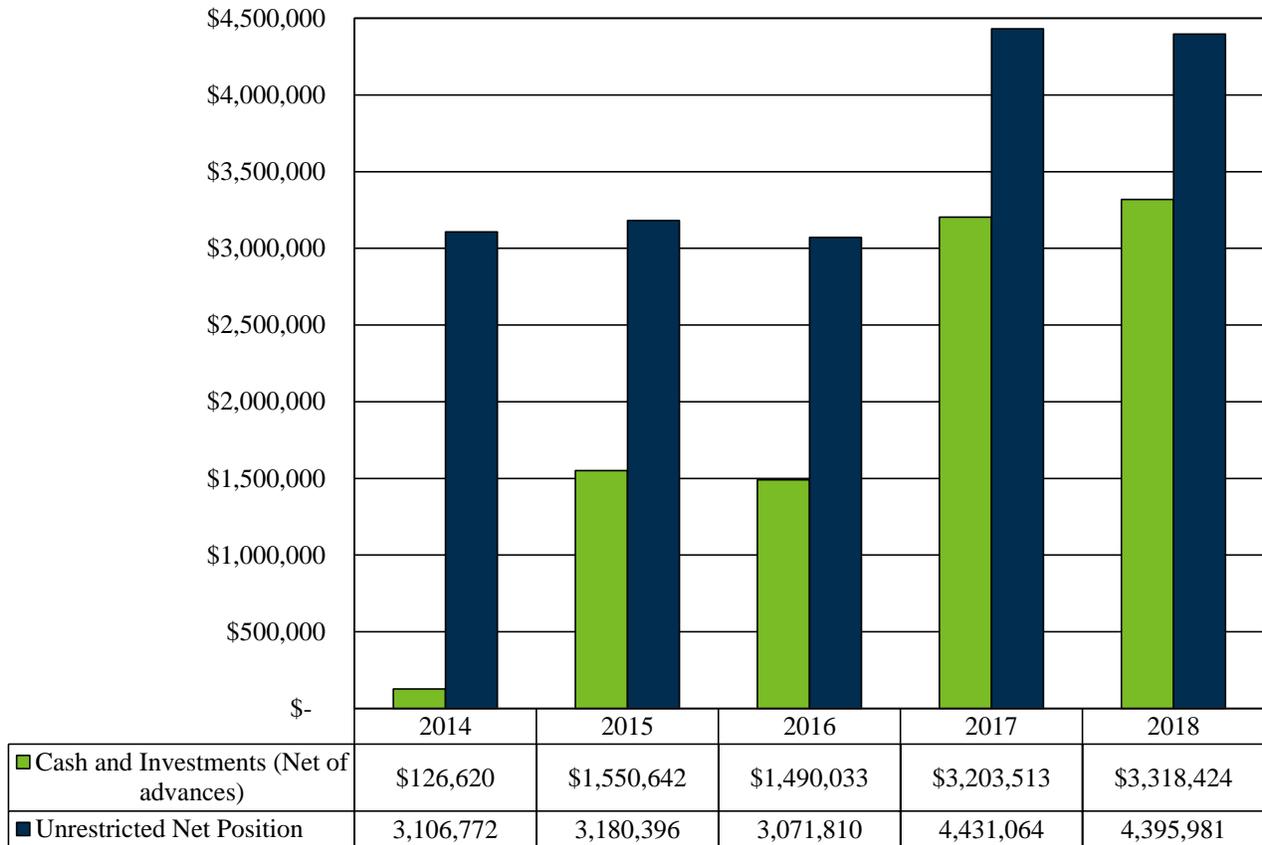


**City of Big Lake
Financial Analysis**

WATER AND SEWER FUNDS (CONTINUED)

Sewer Fund (Continued)

Sewer Fund



The graph above shows the cash and investment and unrestricted net position balances as of December 31 for the last five years. The Sewer Fund cash and investment balance increased \$114,911 in 2018. Starting in 2007, the Sewer Fund was used to finance the cash deficits of the other City's funds. In 2007, the amount of cash used to cover the deficits was \$1.3 million. In 2018, the Fund again used approximately \$1.3 million to cover cash deficits in other funds. The current year interest and principal payments on the Sewer Fund debt were \$1,646,514. The total amount of debt outstanding at December 31, 2018, was \$16,007,923, including principal and interest. Principal and interest due in 2019 totals \$1,608,895 for the Sewer Fund.

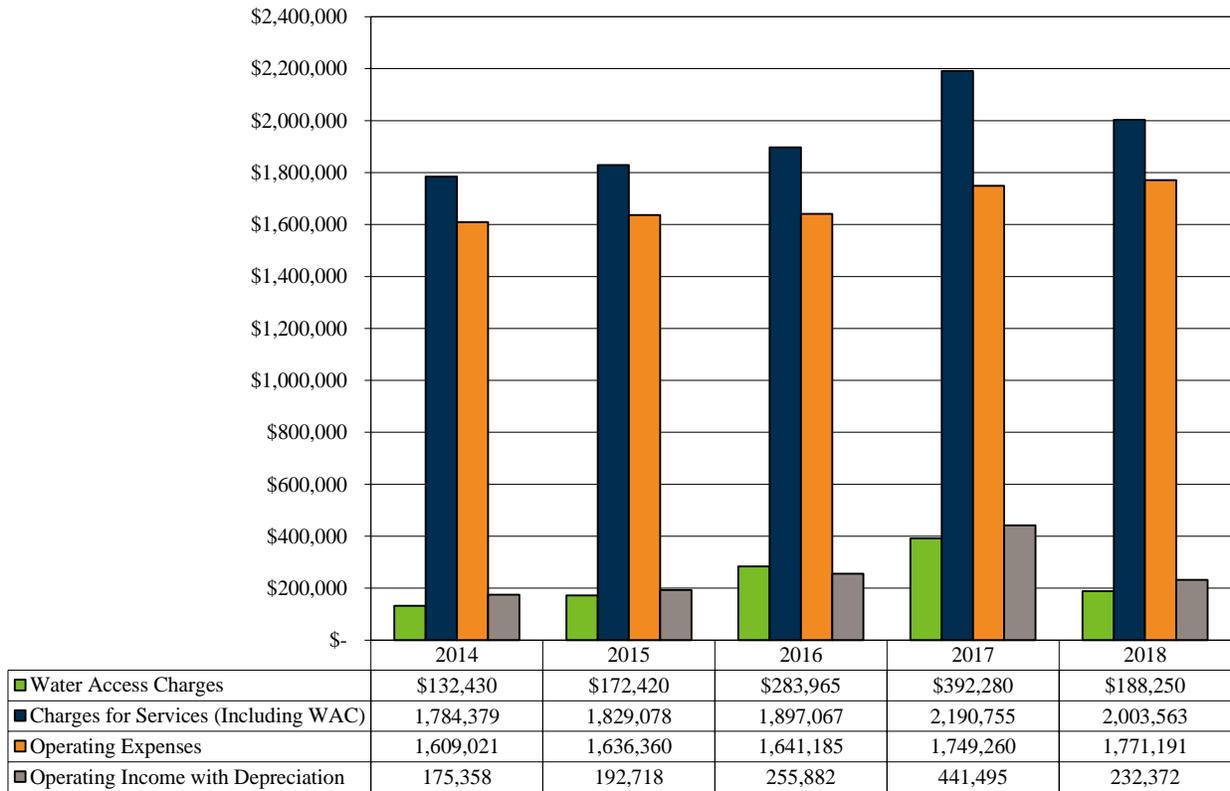
On the following pages, the Water and Sewer Fund operations are shown to include revenue collected for access charges and trunk fees.

**City of Big Lake
Financial Analysis**

WATER AND SEWER FUNDS (CONTINUED)

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

Water Operations

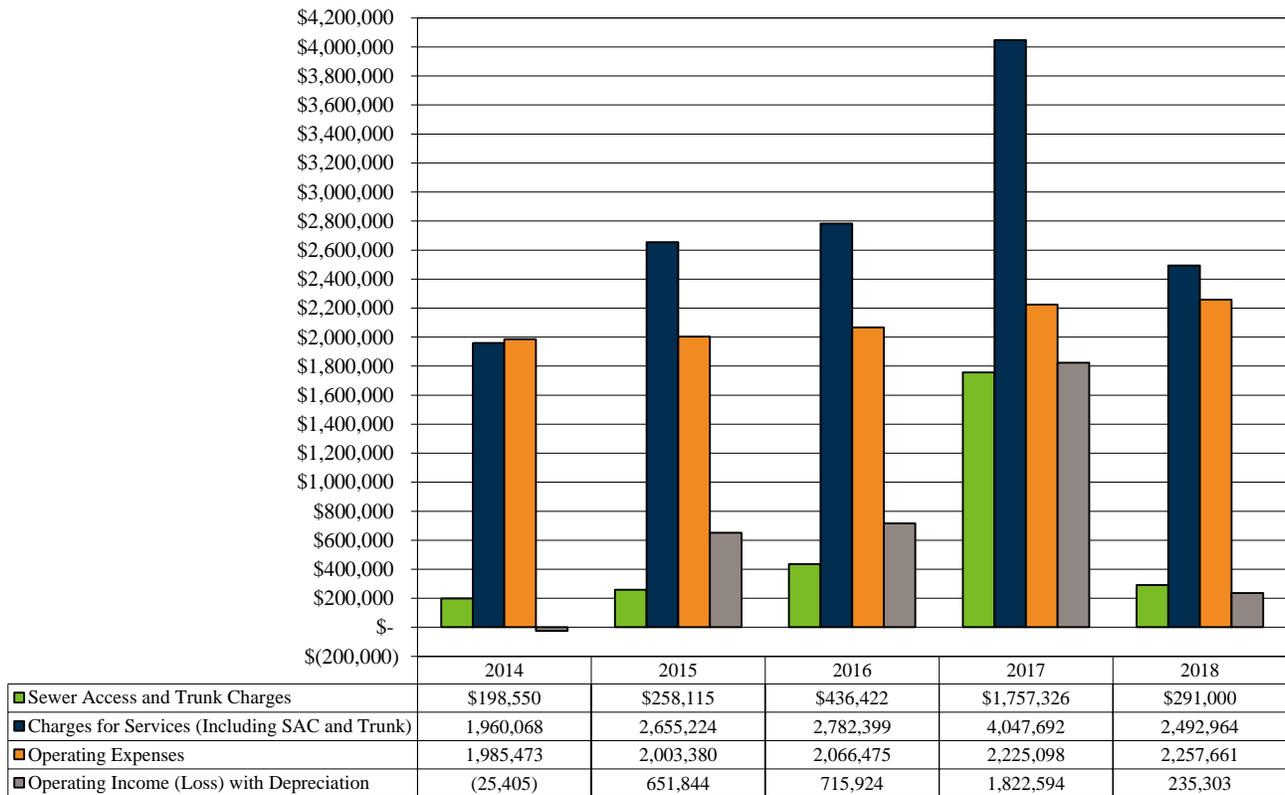


City of Big Lake Financial Analysis

WATER AND SEWER FUNDS (CONTINUED)

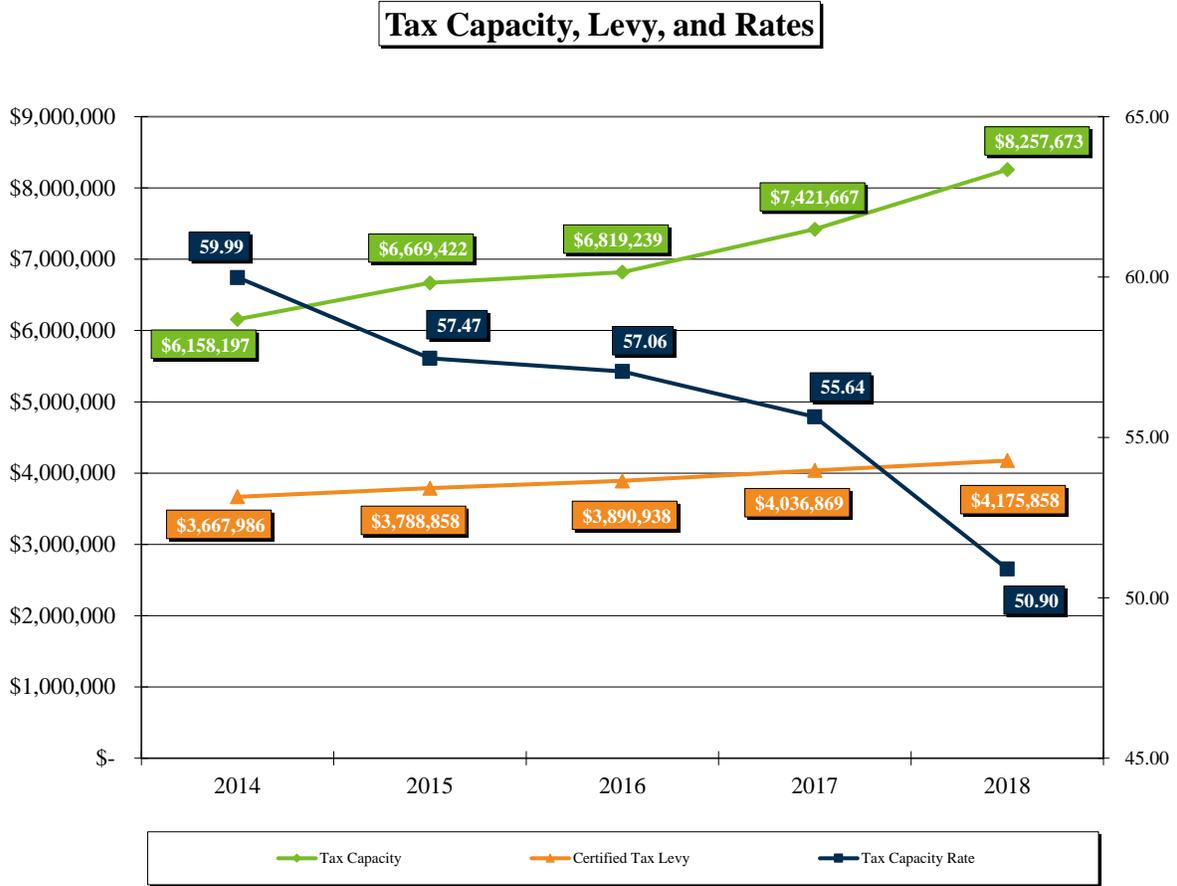
In four out of five years shown, the Sewer Fund did collect sufficient access charges and trunk fees, in addition to charges for services, to finance construction and depreciation. In 2014, sufficient revenues were not collected to cover expenses. Sewer access charges decreased significantly in 2018 compared to 2017 due primarily to a contract agreement with Cargill that brought in around \$1.1 million in 2017.

Sewer Operations



City of Big Lake Financial Analysis

TAX CAPACITY, LEVY, AND RATES



The chart above graphs the tax capacity (not including Tax Increment Financing (TIF) Districts), certified tax levy and tax capacity rate for 2014 through 2018. The tax capacity is based on total tax capacity, prior to adjustments for captured TIF and fiscal disparities. The certified tax levy amount is also prior to fiscal disparity adjustments.

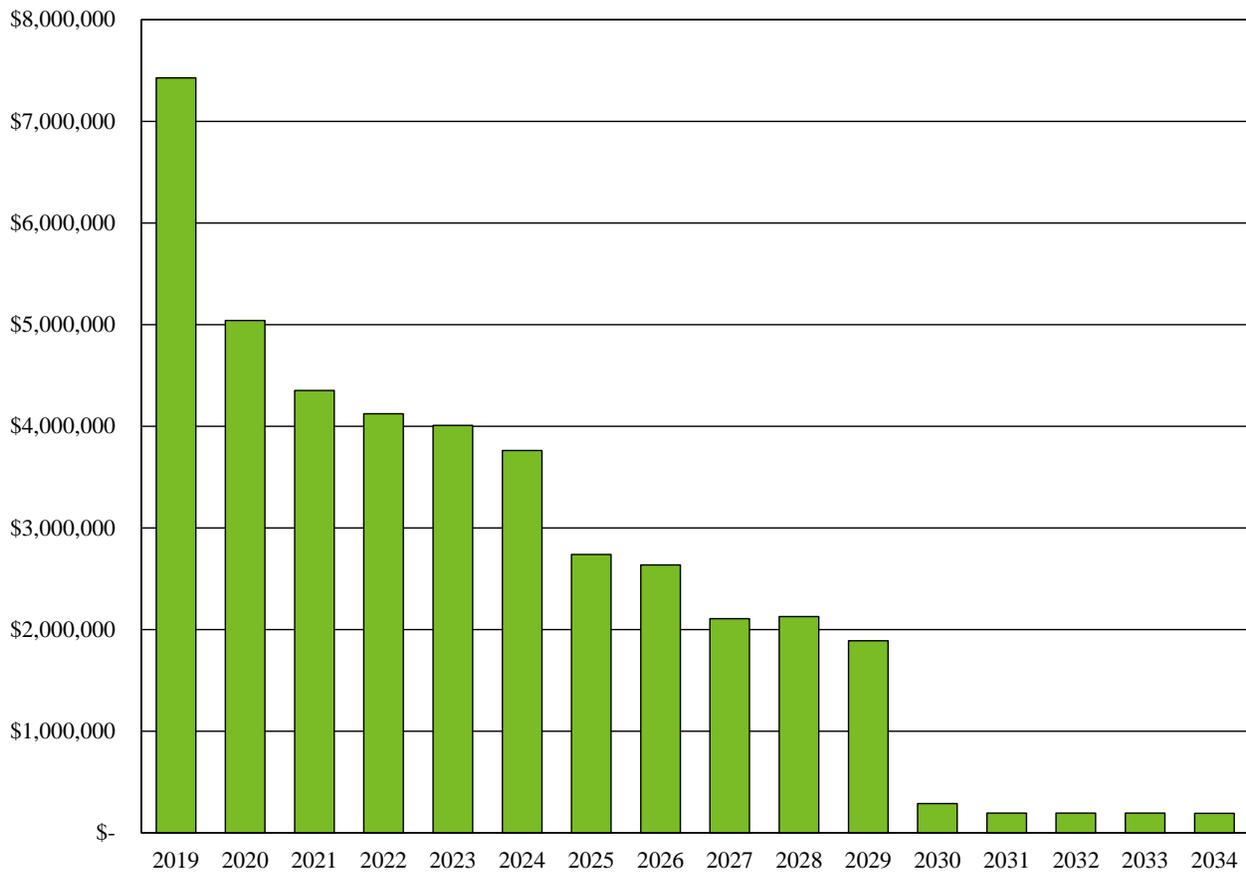
Comparing 2014 through 2018, the City's tax capacity has increased from \$6,158,197 to \$8,257,673 or \$2,099,476. This is a 34.1% increase in tax capacity. The City's certified levy over this same time frame has increased \$507,872, or 13.9%. As a result of the City's certified tax levy increase and the increase in the tax capacity for 2014 through 2018, the City's tax capacity rate decreased from 59.99% in 2014 to 50.90% in 2018.

City of Big Lake Financial Analysis

DEBT SERVICE

The line graph below shows the City's annual debt service obligations for all outstanding bonds. The large decrease in bond payments from 2019 to 2020 is due to refunding bonds maturing. The total debt payments outstanding at December 31, 2018, are \$41,284,255, including interest totaling \$4,414,256.

Annual Debt Service Principal and Interest Payments



City of Big Lake Emerging Issues

Executive Summary

The following is an executive summary of financial and business related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 84 – Fiduciary Activities** – GASB has issued GASB Statement No. 84 relating to accounting and financial reporting for fiduciary activities. This new statement establishes clarity to determine when a government has fiduciary responsibility for a certain activity.
- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

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

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 84 – *FIDUCIARY ACTIVITIES*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB Statement No. 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

**City of Big Lake
Emerging Issues**

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 84 – *FIDUCIARY ACTIVITIES* (CONTINUED)

GASB Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – *LEASES*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

**City of Big Lake
Emerging Issues**

**ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – *LEASES*
(CONTINUED)**

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

GASB Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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