

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

Financial Statements

December 31, 2015



**City of Big Lake
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**City of Big Lake
Elected Officials and Administration
December 31, 2015**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Raeanne Danielowski	Mayor	December 31, 2016
Duane Langsdorf	Council Member	December 31, 2018
Nick Christenson	Council Member	December 31, 2016
Seth Hansen	Council Member	December 31, 2016
Mike Wallen	Council Member	December 31, 2018
<u>Administration</u>		
Clay Wilfahrt	City Administrator	Appointed
Deb Wegeleben	Finance Director	Appointed



Independent Auditor's Report

BerganKDV, Ltd.

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

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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, 2015, 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.



Auditor's Responsibility (Continued)

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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of December 31, 2015, 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.

Implementation of GASB 68 and GASB 71

As discussed in Note 12 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 the Schedule of City's Proportionate Share of Net Pension Liability GERS Retirement Fund on page 62, Schedule of City's Proportionate Share of Net Pension Liability PEPFF Retirement Fund on page 62, Schedule of City Contributions GERS Retirement Fund on page 63, Schedule of City Contributions PEPFF Retirement Fund on page 63, Schedule of Changes in Net Pension Liability and Related Ratios – Fire Relief Association on page 64, and the Schedule of Employer Contributions and Non-Employer Contributing Entities – Fire Relief Association on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Matters (Continued)

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 8, 2016, 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 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 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
April 8, 2016

City of Big Lake Management's Discussion And Analysis

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, 2015. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$51,597,326. Of this amount, \$4,167,337 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased \$1,233,548, from the prior year. Of the decrease, 58 % was attributable to governmental activities and 42% to business-type activities. The decrease was due to a change in accounting principle (Note 12) referring to pension liability. Prior to the change in accounting principle the City's net assets increased \$868,361 from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,251,862, an increase of \$4,726,569 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,529,125 or 51%, of the total General Fund expenditures and transfers out.
- The City's total bonded debt increased by \$2,540,000 during the current fiscal year. In 2015, the City issued one advance refunding bond to refinance existing city debt and take advantage of lower interest rates. The General Obligation Bonds, Series 2015A refunded the City's GO Improvement Bond, Series 2007A, GO Public Utility Revenue Bond, Series 2007B, GO Capital Improvement Bond, Series 2007C, GO Public Utility Revenue Bond, Series 2007F, GO Improvement Bond, Series 2008A, and the GO Public Utilities Revenue Bond, Series 2008B. The savings due to the refunding is estimated to be \$1,082,918.

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 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 and deferred outflows of resources and 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.

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).

City of Big Lake Management's Discussion And Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements (Continued)

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 43 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund as it is considered a major fund and for the Debt Service/Refunding Bond 2015A and the Capital Project/Street Improvement Funds. Data from the other 40 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

City of Big Lake Management's Discussion And Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

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 24-26 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 27-59 of this report.

Other Information

Required supplementary information pertaining to the net pension liability can be found on pages 61-65 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. Combining and individual fund statements and schedules can be found on pages 68-83 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$51,597,326 at the close of the most recent fiscal year.

Approximately 82% of the City's net assets reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, 11%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$4,167,337 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.

City of Big Lake Management's Discussion And Analysis

City of Big Lake's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 15,589,562	\$ 11,482,215	\$ 9,794,244	\$ 6,525,976	\$ 25,383,806	\$ 18,008,191
Capital Assets	30,657,275	31,792,265	53,643,059	55,399,614	84,300,334	87,191,879
Total Assets	\$ 46,246,837	\$ 43,274,480	\$ 63,437,303	\$ 61,925,590	\$ 109,684,140	\$ 105,200,070
Deferred Outflows of Resources	\$ 469,302	\$ -	\$ 114,207	\$ -	\$ 583,509	\$ -
Noncurrent Liabilities Outstanding	\$ 18,458,548	\$ 18,697,451	\$ 24,549,207	\$ 25,072,351	\$ 43,007,755	\$ 43,769,802
Other Liabilities	7,679,006	3,522,210	7,618,830	5,077,183	15,297,836	8,599,393
Total Liabilities	\$ 26,137,554	\$ 22,219,661	\$ 32,168,037	\$ 30,149,534	\$ 58,305,591	\$ 52,369,195
Deferred Inflows of Resources	\$ 244,581	\$ -	\$ 120,151	\$ -	\$ 364,732	\$ -
NET POSITION:						
Invested in Capital Assets,						
Net of Related Debt	\$ 13,875,975	\$ 13,014,790	\$ 28,039,804	\$ 28,350,414	\$ 41,915,779	\$ 41,365,204
Restricted	5,514,210	7,243,632	-	149,720	5,514,210	7,393,352
Unrestricted	943,819	796,397	3,223,518	3,275,921	4,167,337	4,072,318
Total Net Assets	\$ 20,334,004	\$ 21,054,819	\$ 31,263,322	\$ 31,776,055	\$ 51,597,326	\$ 52,830,874

The City's net position decreased by \$1,233,548 during the current fiscal year. Net position related to governmental activity decreased by \$720,815. Net position related to the results of the business-type activities decreased by \$512,733 due to the change in accounting principles (Note 12).

City of Big Lake Management's Discussion And Analysis

Governmental Activities

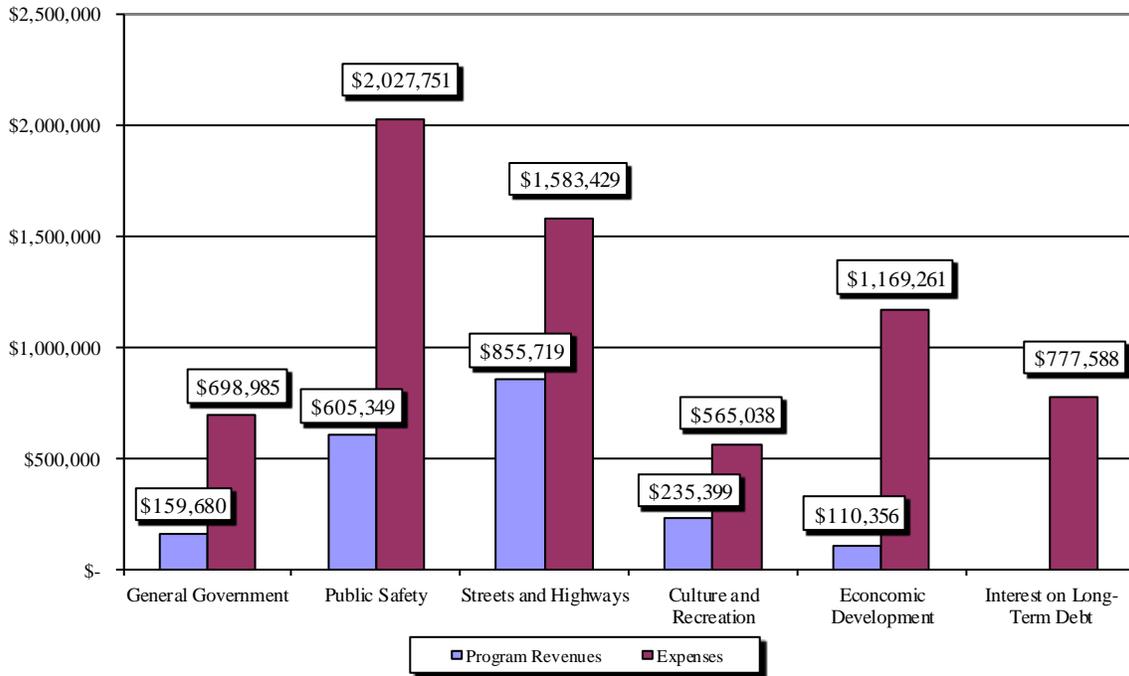
City of Big Lake's Change in Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUE:						
Program Revenues:						
Charges for Services	\$ 679,364	\$ 829,899	\$ 8,659,056	\$ 7,738,984	\$ 9,338,420	\$ 8,568,883
Operating Grants and Contributions	429,703	377,430	10,130	-	439,833	377,430
Capital Grants and Contributions	857,436	653,389	359,021	-	1,216,457	653,389
General Revenues:						
Property Taxes, and Tax Increment and Franchise Fees	4,397,797	3,706,309	-	-	4,397,797	3,706,309
State Aids	529,010	494,979	-	-	529,010	494,979
Unrestricted Investment Earnings	44,919	14,773	99,661	116,184	144,580	130,957
Other Income	26,519	943	-	-	26,519	943
Total Revenues	\$6,964,748	6,077,722	\$9,127,868	7,855,168	16,092,616	13,932,890
EXPENSES:						
General Government	698,985	579,886	-	-	698,985	579,886
Public Safety	2,027,751	1,959,729	-	-	2,027,751	1,959,729
Streets and Highways	1,583,429	1,526,119	-	-	1,583,429	1,526,119
Culture and Recreation	565,038	588,639	-	-	565,038	588,639
Economic Development	1,169,261	765,879	-	-	1,169,261	765,879
Interest on Long-Term Debt	777,588	720,896	-	-	777,588	720,896
Water	-	-	1,901,628	1,935,061	1,901,628	1,935,061
Sewer	-	-	2,611,429	2,531,591	2,611,429	2,531,591
Municipal Liquor	-	-	3,457,356	3,281,787	3,457,356	3,281,787
Storm Sewer	-	-	431,790	396,863	431,790	396,863
Total Expenses	6,822,052	6,141,148	8,402,203	8,145,302	15,224,255	14,286,450
Increase (Decrease) in Net Position before Transfers	142,696	(63,426)	725,665	(290,134)	868,361	(353,560)
Transfers	424,267	358,192	(424,267)	(358,192)	-	-
Increase (Decrease) in Net Position	566,963	294,766	301,398	(648,326)	868,361	(353,560)
Net Position - Beginning	21,054,819	20,760,053	31,776,055	32,424,381	52,830,874	53,184,434
Change in Accounting Principle	(1,287,778)	-	(814,131)	-	(2,101,909)	-
Net Position - Beginning, Restated	19,767,041	20,760,053	30,961,924	32,424,381	50,728,965	53,184,434
Net Position - Ending	\$ 20,334,004	\$ 21,054,819	\$ 31,263,322	\$ 31,776,055	\$ 51,597,326	\$ 52,830,874

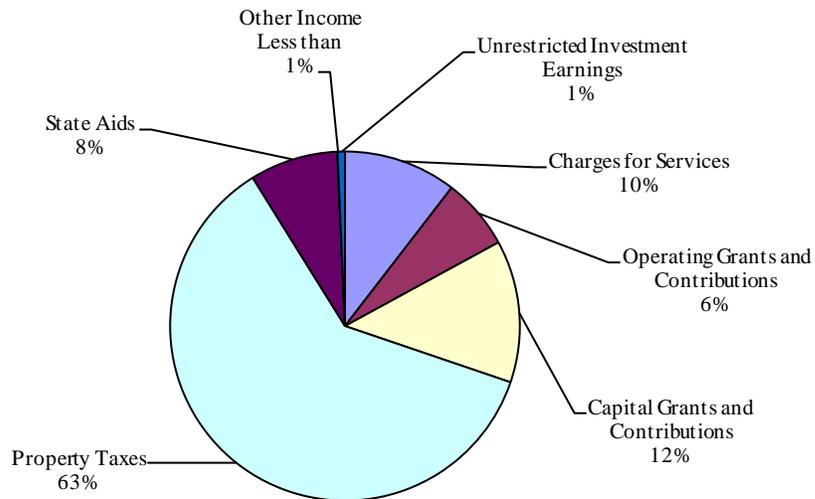
Governmental activities when including interest earnings and transfers increased the City's net position by \$566,963; business-type activities increased the City's net assets by \$301,398.

City of Big Lake Management's Discussion And Analysis

Expenses and Program Revenues - Governmental Activities

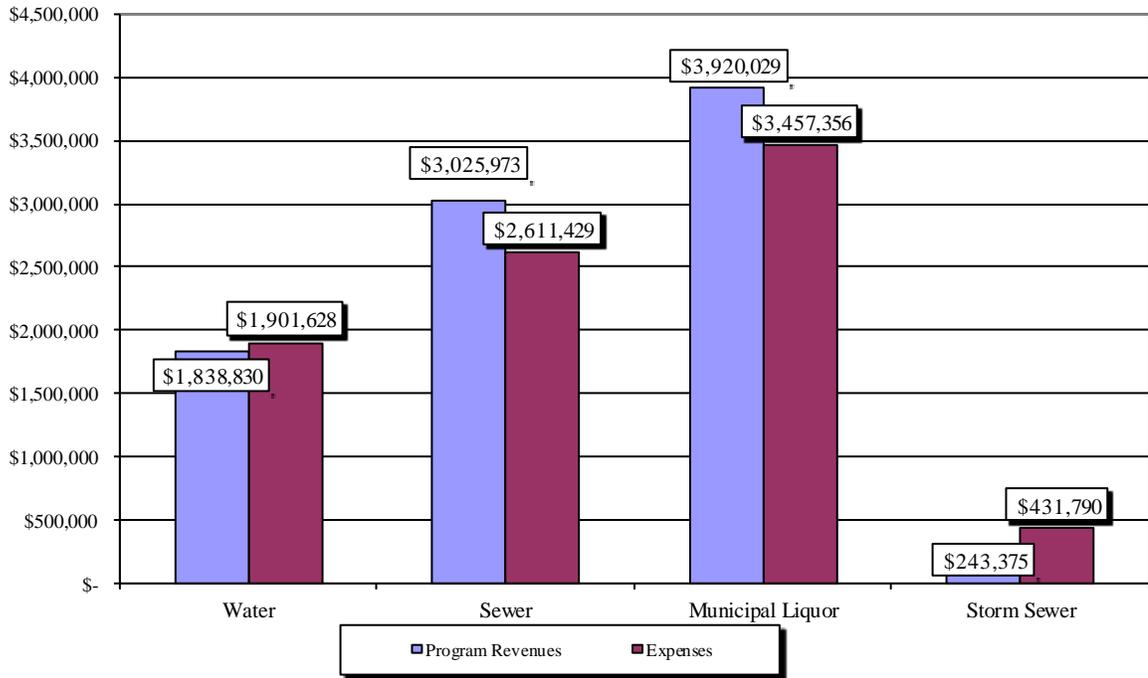


Revenues by Source - Governmental Activities

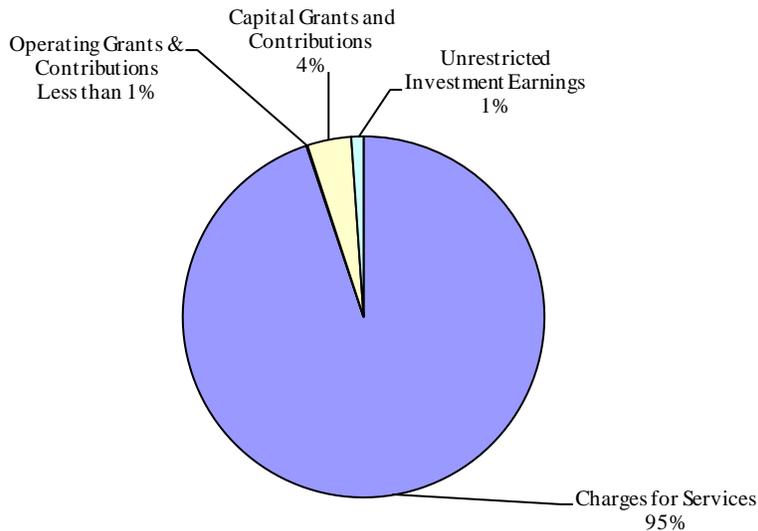


City of Big Lake Management's Discussion And Analysis

Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



Business-Type Activities

Business-type activities increased the City's net assets by \$301,398, resulting in 35% of the total increase in the government's net assets.

City of Big Lake Management's Discussion And Analysis

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 \$11,251,862, an increase of \$4,726,569 from the previous year. Approximately 34% of this total amount, \$3,794,781 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 \$2,529,125, while total fund balance reached \$2,703,689. 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 51% of the total General Fund expenditures and transfers out, while total fund balance represents 55% of that same amount.

The fund balance of the City's General Fund increased by \$102,274 during the current fiscal year. Total revenues and transfers in were \$1,110,857 over budget due to the receipt of unbudgeted Local Government Aid payments as well as increase revenues for Building permits, Street Light Revenues, Franchise Fees, Fines and Forfeitures, Donations and unbudgeted excess Tax Increment revenues. Expenditures and transfers out ended 2015 over budget by \$1,008,583 primarily due to the CR 5 Trail, the remodel of the new Police Station, the Eagle Lake Quiet Zone project, the one-time expenditure to the Street Improvement Fund to cover the prior year's deficit fund balance and the one-time expenditure for payment of the Interfund Loan due to the Sewer Fund from TIF 1-3 as required by the Office of the State Auditor.

The TIF 2-1, TIF 2-2, TIF 2-3, TIF 2-4, and TIF 2-5 funds were closed and remaining balance returned to the County as these Tax Increment districts are decertified. Industrial Park Street Assessment Fund was closed as the assessment payable is completed and the funds transferred to the Capital Infrastructure replacement fund for future capital expenditures. The GO Capital Equipment Note 2005 fund was closed as the debt is paid in full and remaining funds transferred to the GO Improvement Bond, Series 2004B debt service fund.

**City of Big Lake
Management's Discussion And Analysis**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

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 amounted to \$(817,563), those for the sewer operations amounted to \$3,180,396, and the storm sewer operations were \$58,776, those for the liquor operations amounted to \$801,909. The changes in net position for each of the utility funds were as follows: water a decrease of \$(124,234), sewer an increase of \$512,582, and storm sewer a decrease of \$(277,264). The Liquor Fund saw an increase of \$190,314. 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 \$465,314. With an operating transfer of \$275,000 to the General Fund.

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, 2015, amounts to \$84,300,334 (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	
	2015	2014	2015	2014	2015	2014
Land	\$ 8,025,819	\$ 7,973,665	\$ 1,534,320	\$ 1,533,956	\$ 9,560,139	\$ 9,507,621
Construction in Progress	122,763	74,909	749,234	94,456	871,997	169,365
Leasehold Improvements	42,117	45,694	103,908	109,950	146,025	155,644
Infrastructure	18,511,642	19,474,478	-	-	18,511,642	19,474,478
Collection and Distribution Systems	-	-	27,243,447	28,699,305	27,243,447	28,699,305
Buildings	3,519,910	3,743,457	23,926,858	24,848,461	27,446,768	28,591,918
Machinery and Equipment	435,024	480,062	85,292	113,484	520,316	593,546
Total	<u>\$ 30,657,275</u>	<u>\$ 31,792,265</u>	<u>\$ 53,643,059</u>	<u>\$ 55,399,612</u>	<u>\$ 84,300,334</u>	<u>\$ 87,191,877</u>

Additional information on the City's capital assets can be found in Note 6 on pages 40-41 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$52,894,000. Of this amount, \$2,940,000 comprises debt backed by the full faith and credit of the government and \$16,060,000 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 Management's Discussion And Analysis

City of Big Lake's Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
G.O. Bonds/Notes	\$ 2,940,000	\$ 3,198,000	\$ -	\$ -	\$ 2,940,000	\$ 3,198,000
G.O. Tax Increment Bonds	1,735,000	1,840,000	-	-	1,735,000	1,840,000
G.O. Special Assessment Bonds	16,060,000	13,120,000	-	-	16,060,000	13,120,000
EDA Lease Revenue Bonds	-	2,045,000	-	-	-	2,045,000
PFA Drinking Water Revolving Loan	-	-	4,615,000	5,066,000	4,615,000	5,066,000
PFA Clean Water Revolving Loan	-	-	11,534,000	12,220,000	11,534,000	12,220,000
G.O. Taxable Tax Abatement Bonds	2,216,530	296,530	788,470	-	3,005,000	296,530
G.O. Revenue Bonds/Notes	-	-	13,005,000	11,273,470	13,005,000	11,273,470
Public Project Revenue Bonds	-	353,924	-	941,075	-	1,294,999
Total	\$ 22,951,530	\$ 20,853,454	\$ 29,942,470	\$ 29,500,545	\$ 52,894,000	\$ 50,353,999

Total bonded debt increased by \$2,540,001 during the current fiscal year due to the advance refunding of City's outstanding obligations to realize a future interest savings of approximately \$1,082,918.

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

Additional information on the City's long-term debt can be found in Note 7 on pages 42-46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Budgeted spending for the City's General Fund remained the same for an overall expenditure budget of \$3,939,974.
- The 2016 total levy amount of \$3,890,938 was a 2.69% increase over the 2015 amount.
- In 2016, the City anticipates receiving approximately \$538,948 in LGA, as compared to \$525,629 received in 2015. The City has decided to budget the LGA in the Capital Improvement/Equipment replacement fund 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 rates were not increased in 2015, however based on a rate study conducted by Progressive Consulting Engineers in 2015; the city will be implementing a new rate structure in the first quarter of 2016. These rates will be monitored on an annual basis and recommended changes brought to council for approval.

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
Sherburne County, Minnesota
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 6,495,516	\$ 2,251,524	\$ 8,747,040
Cash with fiscal agent	4,572,747	4,621,200	9,193,947
Receivables			
Property tax receivable	260,346	-	260,346
Accounts receivable	125,351	538,377	663,728
Interest receivable	8,702	-	8,702
Notes receivable	799,838	-	799,838
Special assessments receivable			
Delinquent	59,181	31,404	90,585
Deferred	2,347,168	28,956	2,376,124
Due from other governments	520,923	91,795	612,718
Advances to other funds (internal balances)			
Within one year	(26,359)	26,359	-
After one year	(1,455,823)	1,455,823	-
Inventories	-	689,658	689,658
Land held for resale	1,651,938	-	1,651,938
Prepaid items	101,344	59,148	160,492
Net pension asset - Fire Relief Association	128,690	-	128,690
Capital assets not being depreciated			
Land	8,025,819	1,534,320	9,560,139
Construction in progress	122,763	749,234	871,997
Capital assets being depreciated			
Infrastructure	36,842,898	-	36,842,898
Buildings	5,364,426	27,648,091	33,012,517
Leasehold improvements	71,543	223,833	295,376
Machinery and equipment	3,901,797	1,078,713	4,980,510
Collection and distribution systems	-	45,175,302	45,175,302
Less accumulated depreciation	(23,671,971)	(22,766,434)	(46,438,405)
Total assets	46,246,837	63,437,303	109,684,140
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	469,302	114,207	583,509
Total assets and deferred outflows of resources	\$ 46,716,139	\$ 63,551,510	\$ 110,267,649

City of Big Lake
Sherburne County, Minnesota
Statement of Net Position
December 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 165,055	\$ 544,281	\$ 709,336
Salaries and benefits payable	53,519	17,582	71,101
Escrow payable	320,076	-	320,076
Contracts payable	15,800	28,209	44,009
Due to other governments	186,911	35,152	222,063
Interest payable	343,046	398,252	741,298
Unearned revenue	3,116	5,370	8,486
Net G.O. Bonds principal payable			
Payable within one year	6,145,000	-	6,145,000
Payable after one year	13,036,667	-	13,036,667
G.O. Revenue Bonds payable			
Payable within one year	157,330	6,497,670	6,655,000
Payable after one year	2,059,200	23,726,785	25,785,985
Notes payable			
Payable within one year	120,000	-	120,000
Payable after one year	1,765,000	-	1,765,000
Compensated absences payable			
Payable within one year	169,153	92,314	261,467
Net pension liability	1,565,384	822,422	2,387,806
Severance payable			
Payable after one year	32,297	-	32,297
Total liabilities	<u>26,137,554</u>	<u>32,168,037</u>	<u>58,305,591</u>
Deferred inflows of resources			
Deferred inflows of resources related to pensions	<u>244,581</u>	<u>120,151</u>	<u>364,732</u>
Net position			
Net investment of capital assets	13,875,975	28,039,804	41,915,779
Restricted for			
Debt service	5,119,837	-	5,119,837
Tax increment	108,235	-	108,235
Neighborhood stabilization	123,729	-	123,729
Parkland dedication	152,578	-	152,578
Other purposes	9,831	-	9,831
Unrestricted	943,819	3,223,518	4,167,337
Total net position	<u>20,334,004</u>	<u>31,263,322</u>	<u>51,597,326</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 46,716,139</u>	<u>\$ 63,551,510</u>	<u>\$ 110,267,649</u>

**City of Big Lake
Sherburne County, Minnesota
Statement of Activities
Year Ended December 31, 2015**

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	\$ 698,985	\$ 112,415	\$ 47,265	\$ -	\$ (539,305)	\$ -	\$ (539,305)
Public safety	2,027,751	297,269	308,080	-	(1,422,402)	-	(1,422,402)
Streets and highways	1,583,429	165,496	16,054	674,169	(727,710)	-	(727,710)
Culture and recreation	565,038	101,521	48,378	85,500	(329,639)	-	(329,639)
Economic development	1,169,261	2,663	9,926	97,767	(1,058,905)	-	(1,058,905)
Interest on long-term debt	777,588	-	-	-	(777,588)	-	(777,588)
Total governmental activities	<u>6,822,052</u>	<u>679,364</u>	<u>429,703</u>	<u>857,436</u>	<u>(4,855,549)</u>	<u>-</u>	<u>(4,855,549)</u>
Business-type activities							
Water	1,901,628	1,837,340	1,490	-	-	(62,798)	(62,798)
Sewer	2,611,429	2,660,659	6,293	359,021	-	414,544	414,544
Liquor	3,457,356	3,918,017	2,012	-	-	462,673	462,673
Storm sewer	431,790	243,040	335	-	-	(188,415)	(188,415)
Total business-type activities	<u>8,402,203</u>	<u>8,659,056</u>	<u>10,130</u>	<u>359,021</u>	<u>-</u>	<u>626,004</u>	<u>626,004</u>
Total governmental and business-type activities	<u>\$ 15,224,255</u>	<u>\$ 9,338,420</u>	<u>\$ 439,833</u>	<u>\$ 1,216,457</u>	<u>(4,855,549)</u>	<u>626,004</u>	<u>(4,229,545)</u>
General revenues							
Property taxes					3,810,665	-	3,810,665
Franchise Fees					432,771	-	432,771
Tax increments					154,361	-	154,361
State aids					529,010	-	529,010
Unrestricted investment and other interest income					44,919	99,661	144,580
Other general revenue					24,894	-	24,894
Gain on sale of assets					1,625	-	1,625
Transfers					424,267	(424,267)	-
Total general revenues and transfers					<u>5,422,512</u>	<u>(324,606)</u>	<u>5,097,906</u>
Change in net position					566,963	301,398	868,361
Net position - beginning					21,054,819	31,776,055	52,830,874
Change in accounting principle (Note 12)					(1,287,778)	(814,131)	(2,101,909)
Net position - beginning restated					<u>19,767,041</u>	<u>30,961,924</u>	<u>50,728,965</u>
Net position - ending					<u>\$ 20,334,004</u>	<u>\$ 31,263,322</u>	<u>\$ 51,597,326</u>

City of Big Lake
Balance Sheet - Governmental Funds
December 31, 2015

	General (101)	Debt Service Refunding Bond 2015A (222)	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 2,785,805	\$ -	\$ 20,331	\$ 3,689,380	\$ 6,495,516
Cash with fiscal agent	-	4,572,747	-	-	4,572,747
Taxes receivable - delinquent	167,820	-	-	92,526	260,346
Accounts receivable	115,505	-	-	9,846	125,351
Interest receivable	8,702	-	-	-	8,702
Due from other governments	92,385	-	371,988	56,550	520,923
Notes receivable	-	-	-	799,838	799,838
Special assessment receivable					
Delinquent	1,465	-	3,180	54,536	59,181
Deferred	3,671	-	30,272	2,313,225	2,347,168
Land held for resale	-	-	-	1,651,938	1,651,938
Prepaid items	101,344	-	-	-	101,344
Total assets	\$ 3,276,697	\$ 4,572,747	\$ 425,771	\$ 8,667,839	\$ 16,943,054
Liabilities					
Accounts payable	\$ 84,763	\$ -	\$ 66,201	\$ 14,091	\$ 165,055
Salaries and benefits payable	53,519	-	-	-	53,519
Escrow payable	122,228	-	10,000	187,848	320,076
Contracts payable	-	-	-	15,800	15,800
Due to other governments	54,143	-	-	132,768	186,911
Advances from other funds	82,283	-	292,849	1,107,050	1,482,182
Unearned revenue	3,116	-	-	-	3,116
Total liabilities	400,052	-	369,050	1,457,557	2,226,659
Deferred Inflows of Resources					
Unavailable revenue - notes receivables	-	-	-	797,838	797,838
Unavailable revenue - property taxes	167,820	-	-	92,526	260,346
Unavailable revenue - special assessments	5,136	-	33,452	2,367,761	2,406,349
Total deferred inflows of resources	172,956	-	33,452	3,258,125	3,464,533
Fund Balances					
Nonspendable	101,344	-	-	104,100	205,444
Restricted	-	4,572,747	-	2,678,890	7,251,637
Assigned	73,220	-	23,269	1,784,050	1,880,539
Unassigned	2,529,125	-	-	(614,883)	1,914,242
Total fund balances	2,703,689	4,572,747	23,269	3,952,157	11,251,862
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,276,697	\$ 4,572,747	\$ 425,771	\$ 8,667,839	\$ 16,943,054

**City of Big Lake
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2015**

Total fund balances - governmental funds \$ 11,251,862

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	54,329,246
Less accumulated depreciation	(23,671,971)

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	(21,066,530)
Unamortized bond premiums	(331,667)
Notes payable	(1,885,000)
Compensated absences payable	(169,153)
Severance payable	(32,297)
Net pension liability	(1,565,384)
Net pension asset	128,690

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	260,346
Special assessments	59,181

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	(244,581)
Deferred outflows of resources related to pensions	469,302

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

Special assessments	2,347,168
Notes receivable	797,838

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

(343,046)

Total net position - governmental activities

\$ 20,334,004

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2015

	General (101)	Debt Service G.O. Refunding Bond 2015A	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 2,334,854	\$ -	\$ -	\$ 1,518,127	\$ 3,852,981
Tax increments	-	-	-	154,361	154,361
Franchise fees	432,771	-	-	-	432,771
Special assessments	2,256	-	23,032	603,526	628,814
Licenses and permits	319,432	-	-	1,650	321,082
Intergovernmental	979,321	-	254,278	369,214	1,602,813
Charges for services	259,280	-	-	89,187	348,467
Fines and forfeitures	36,553	-	-	5,228	41,781
Miscellaneous					
Investment and other interest income	17,203	9,678	71	17,967	44,919
Contributions and donations	33,825	-	-	5,500	39,325
Other	96,144	-	-	10,089	106,233
Total revenues	<u>4,511,639</u>	<u>9,678</u>	<u>277,381</u>	<u>2,774,849</u>	<u>7,573,547</u>
Expenditures					
Current					
General government	631,186	-	-	-	631,186
Public safety	1,918,015	-	-	844	1,918,859
Streets and highways	509,650	-	-	-	509,650
Culture and recreation	422,496	-	-	473	422,969
Economic development	107,138	-	-	300,999	408,137
Debt service					
Principal	-	-	-	2,231,924	2,231,924
Interest and other charges	4,305	47,824	13,285	658,750	724,164
Capital outlay					
General government	1,683	-	-	2,628	4,311
Public safety	81,625	-	-	46,828	128,453
Streets and highways	-	-	70,927	70,499	141,426
Culture and recreation	11,692	-	-	67,264	78,956
Economic development	1,683	-	-	682,045	683,728
Total expenditures	<u>3,689,473</u>	<u>47,824</u>	<u>84,212</u>	<u>4,062,254</u>	<u>7,883,763</u>
Excess of revenues over (under) expenditures	822,166	(38,146)	193,169	(1,287,405)	(310,216)
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	1,625	-	-	-	1,625
Issuance of debt	-	4,330,000	-	-	4,330,000
Bond premium	-	280,893	-	-	280,893
Transfers in	537,567	-	197,325	2,180,817	2,915,709
Transfers out	(1,259,084)	-	-	(1,232,358)	(2,491,442)
Total other financing sources (Uses)	<u>(719,892)</u>	<u>4,610,893</u>	<u>197,325</u>	<u>948,459</u>	<u>5,036,785</u>
Net change in fund balances	102,274	4,572,747	390,494	(338,946)	4,726,569
Fund Balances					
Beginning of year	<u>2,601,415</u>	<u>-</u>	<u>(367,225)</u>	<u>4,291,103</u>	<u>6,525,293</u>
End of year	<u>\$ 2,703,689</u>	<u>\$ 4,572,747</u>	<u>\$ 23,269</u>	<u>\$ 3,952,157</u>	<u>\$ 11,251,862</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, 2015**

Total net change in fund balances - governmental funds	\$ 4,726,569
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	272,040
Depreciation expense	(1,407,030)
Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the statement of activities.	
	(57,604)
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.	
Bond principal payments	2,231,924
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.	
	(255,746)
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.	
	(78,571)
Proceeds from long-term debt are recognized as another financing source in the governmental funds but have no impact on net position in the statement of activities.	
	(4,330,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Special assessments	(466,421)
Long-term notes receivable	(101,687)
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.	
Pension expense	75,805
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.	
	<u>(42,316)</u>
Change in net position - governmental activities	<u>\$ 566,963</u>

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2015

	Budgeted Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 2,053,268	\$ 2,334,854	\$ 281,586
Franchise fees	340,000	432,771	92,771
Special assessments	2,000	2,256	256
Licenses and permits	279,950	319,432	39,482
Intergovernmental	639,056	979,321	340,265
Charges for services	243,900	259,280	15,380
Fines and forfeitures	30,300	36,553	6,253
Miscellaneous revenues			
Investment income	5,000	17,203	12,203
Contributions and donations	11,000	33,825	22,825
Other	58,000	96,144	38,144
Total revenues	3,662,474	4,511,639	849,165
Expenditures			
Current			
General government	635,131	631,186	(3,945)
Public safety	1,850,017	1,918,015	67,998
Streets and highways	592,639	509,650	(82,989)
Culture and recreation	465,722	422,496	(43,226)
Economic development	124,315	107,138	(17,177)
Debt service			
Interest and other charges	-	4,305	4,305
Capital outlay			
General government	10,000	1,683	(8,317)
Public safety	136,750	81,625	(55,125)
Culture and recreation	-	11,692	11,692
Economic development	-	1,683	1,683
Total expenditures	3,814,574	3,689,473	(125,101)
Excess of revenues over (under) expenditures	(152,100)	822,166	974,266
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	2,500	1,625	(875)
Transfers in	275,000	537,567	262,567
Transfers out	(125,400)	(1,259,084)	(1,133,684)
Total other financing sources (uses)	152,100	(719,892)	(871,992)
Net change in fund balances	\$ -	102,274	\$ 102,274
Fund Balances			
Beginning of year		2,601,415	
End of year		\$ 2,703,689	

City of Big Lake
Sherburne County, Minnesota
Statement of Net Position - Proprietary Funds
December 31, 2015

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 74,301	\$ 1,550,642	\$ 546,944	\$ 79,637	\$ 2,251,524
Cash with fiscal agent	1,140,585	3,480,615	-	-	4,621,200
Accounts receivable	158,695	350,388	-	29,294	538,377
Advances to other funds - within one year	-	26,359	-	-	26,359
Due from other governments	65	91,719	-	11	91,795
Special assessment receivable					
Delinquent	19,907	9,785	-	1,712	31,404
Deferred	13,460	13,000	-	2,496	28,956
Inventories	-	-	689,658	-	689,658
Prepaid items	25,006	21,857	10,172	2,113	59,148
Total current assets	1,432,019	5,544,365	1,246,774	115,263	8,338,421
Noncurrent assets					
Advances to other funds - after one year	-	2,109,743	-	-	2,109,743
Capital assets					
Land	277,006	1,257,023	-	291	1,534,320
Construction in progress	-	749,234	-	-	749,234
Buildings	9,651,417	15,996,156	1,915,613	84,905	27,648,091
Collection and distribution systems	16,750,392	21,705,919	-	6,718,991	45,175,302
Leasehold improvements	166,068	-	57,765	-	223,833
Machinery and equipment	324,073	253,518	199,395	301,727	1,078,713
Total capital assets	27,168,956	39,961,850	2,172,773	7,105,914	76,409,493
Less accumulated depreciation	(8,246,852)	(10,721,672)	(756,312)	(3,041,598)	(22,766,434)
Net capital assets	18,922,104	29,240,178	1,416,461	4,064,316	53,643,059
Total noncurrent assets	18,922,104	31,349,921	1,416,461	4,064,316	55,752,802
Total assets	20,354,123	36,894,286	2,663,235	4,179,579	64,091,223
Deferred Outflows of Resources					
Deferred outflows of resources related to city pensions	37,428	37,428	32,767	6,584	114,207
Total assets and deferred outflows of resources	\$ 20,391,551	\$ 36,931,714	\$ 2,696,002	\$ 4,186,163	\$ 64,205,430
Liabilities, Deferred Inflows of Resources, and Net Position					
Current liabilities					
Accounts payable	\$ 37,631	\$ 363,271	\$ 141,536	\$ 1,843	\$ 544,281
Contracts payable	-	28,209	-	-	28,209
Salaries and benefits payable	5,465	5,465	5,200	1,452	17,582
Interest payable	105,869	285,517	6,866	-	398,252
Unearned revenue	-	5,370	-	-	5,370
Due to other governments	847	-	34,305	-	35,152
Current compensated absences	33,794	33,794	19,293	5,433	92,314
Amount due within one year	1,741,631	4,683,369	72,670	-	6,497,670
Total current liabilities	1,925,237	5,404,995	279,870	8,728	7,618,830
Noncurrent liabilities					
Advances from other funds	653,920	-	-	-	653,920
G.O. Revenue Bonds, net of unamortized premium	3,515,230	9,751,671	808,554	-	14,075,455
PFA G.O. Revenue note	4,615,000	11,534,000	-	-	16,149,000
Net pension liability	269,523	269,523	235,960	47,416	822,422
Less amount due within one year	(1,741,631)	(4,683,369)	(72,670)	-	(6,497,670)
Total noncurrent liabilities	7,312,042	16,871,825	971,844	47,416	25,203,127
Total liabilities	9,237,279	22,276,820	1,251,714	56,144	32,821,957
Deferred inflows of resources					
Deferred inflows of resources related to city pensions	39,376	39,376	34,472	6,927	120,151
Net position					
Net investment in capital assets	11,932,459	11,435,122	607,907	4,064,316	28,039,804
Unrestricted	(817,563)	3,180,396	801,909	58,776	3,223,518
Total net position	11,114,896	14,615,518	1,409,816	4,123,092	31,263,322
Total liabilities, deferred inflows of resources, and net position	\$ 20,391,551	\$ 36,931,714	\$ 2,696,002	\$ 4,186,163	\$ 64,205,430

See notes to financial statements.

City of Big Lake
Sherburne County, Minnesota
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2015

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Totals
Sales and cost of sales					
Sales	\$ -	\$ -	\$ 3,914,782	\$ -	\$ 3,914,782
Cost of sales	-	-	2,847,583	-	2,847,583
Gross profit	-	-	1,067,199	-	1,067,199
Operating revenues					
Charges for services	1,656,658	2,397,109	-	243,040	4,296,807
Operating expenses					
Wages and salaries	347,591	338,644	293,239	61,323	1,040,797
Employee benefits	112,112	119,245	70,271	20,215	321,843
Materials and supplies	43,647	27,679	15,907	3,687	90,920
Repairs and maintenance	13,911	23,944	7,358	11,519	56,732
Professional services	60,475	34,560	67,680	31,138	193,853
Insurance	27,043	22,767	11,090	1,579	62,479
Utilities and refuse	110,604	183,122	26,102	3,529	323,357
Depreciation	862,502	1,213,077	78,030	287,142	2,440,751
Travel	6,505	6,507	418	5,119	18,549
Bad debt expense	214	-	-	-	214
Equipment	-	-	1,488	1,576	3,064
Advertising	717	1,045	9,407	629	11,798
Dues, memberships, and training	23,566	5,234	4,405	259	33,464
Telephone	4,981	6,242	4,788	1,617	17,628
Postage	5,432	5,236	168	2,400	13,236
Water meters	15,829	-	-	-	15,829
Uniforms	1,231	1,747	216	-	3,194
Miscellaneous	-	14,331	926	58	15,315
Total operating expenses	1,636,360	2,003,380	591,493	431,790	4,663,023
Operating income (loss)	20,298	393,729	475,706	(188,750)	700,983
Nonoperating revenues					
(expenses)					
Investment and other interest income	(1,267)	97,495	2,641	792	99,661
Refunds and reimbursements	7,211	1,479	2,012	-	10,702
Trunk and access charges	172,420	258,115	-	-	430,535
Interest expense	(269,480)	(622,512)	(20,540)	-	(912,532)
Amortization expense	4,212	14,463	2,260	-	20,935
Rent	-	5,360	-	-	5,360
Other income	2,541	4,889	3,235	335	11,000
Total nonoperating revenues	(84,363)	(240,711)	(10,392)	1,127	(334,339)
Income (loss) before capital					
Contributions and transfers	(64,065)	153,018	465,314	(187,623)	366,644
Capital contributions	-	359,021	-	-	359,021
Transfers in	-	50,000	-	-	50,000
Transfers out	(60,169)	(49,457)	(275,000)	(89,641)	(474,267)
Change in net position	(124,234)	512,582	190,314	(277,264)	301,398
Net position					
Beginning of year	11,505,936	14,369,742	1,453,083	4,447,294	31,776,055
Change in accounting principle (Note 12)	(266,806)	(266,806)	(233,581)	(46,938)	(814,131)
Beginning balance, restated	11,239,130	14,102,936	1,219,502	4,400,356	30,961,924
End of year	\$ 11,114,896	\$ 14,615,518	\$ 1,409,816	\$ 4,123,092	\$ 31,263,322

See notes to financial statements.

City of Big Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2015

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 1,702,959	\$ 2,249,496	\$ 3,918,017	\$ 248,529	\$ 8,119,001
Payments to suppliers	(298,319)	(20,104)	(2,916,552)	(65,053)	(3,300,028)
Payments to employees	(446,476)	(444,662)	(355,555)	(79,862)	(1,326,555)
Net cash flows - operating activities	<u>958,164</u>	<u>1,784,730</u>	<u>645,910</u>	<u>103,614</u>	<u>3,492,418</u>
Cash Flows - Noncapital					
Financing activities					
Payment of advances to other funds	-	820,612	-	-	820,612
Receipt of advances from other funds	(200,000)	-	-	-	(200,000)
Repayment of note receivable	8,153	-	-	-	8,153
Refunds and reimbursements	7,211	1,479	2,012	-	10,702
Rent	-	5,360	-	-	5,360
Transfer from other funds	-	50,000	-	-	50,000
Transfer to other funds	(60,169)	(49,457)	(275,000)	(89,641)	(474,267)
Net cash flows - noncapital financing activities	<u>(244,805)</u>	<u>827,994</u>	<u>(272,988)</u>	<u>(89,641)</u>	<u>220,560</u>
Cash Flows - Capital and Related					
Financing Activities					
Trunk and access charges	172,420	258,115	-	-	430,535
Principal paid on debt	(592,667)	(1,249,333)	(941,077)	-	(2,783,077)
Interest paid on debt	(248,431)	(497,707)	(35,941)	-	(782,079)
Bond proceeds	-	490,000	-	-	490,000
Federal grant proceeds	-	-	-	-	-
Acquisition of capital assets	(13,885)	(641,812)	-	(291)	(655,988)
Net cash flows - capital and related financing activities	<u>(682,563)</u>	<u>(1,640,737)</u>	<u>(977,018)</u>	<u>(291)</u>	<u>(3,300,609)</u>
Cash Flows - Investing Activities					
Interest and dividends received	(2,736)	93,014	2,641	792	93,711
Net change in cash and cash equivalents	28,060	1,065,001	(601,455)	14,474	506,080
Cash and Cash Equivalents, January 1					
Including restricted cash and cash equivalents	<u>46,241</u>	<u>126,620</u>	<u>1,148,399</u>	<u>65,163</u>	<u>1,386,423</u>
Cash and Cash Equivalents, December 31					
	<u>\$ 74,301</u>	<u>\$ 1,191,621</u>	<u>\$ 546,944</u>	<u>\$ 79,637</u>	<u>\$ 1,892,503</u>
Reconciliation of Operating					
Income (Loss) to Net Cash Flows -					
Operating Activities					
Operating income (loss)	\$ 20,298	\$ 393,729	\$ 475,706	\$ (188,750)	\$ 700,983
Adjustments to reconcile operating					
Income (loss) to net cash flows -					
Operating activities					
Other revenues	2,541	4,889	3,235	335	11,000
Depreciation expense	862,502	1,213,077	78,030	287,142	2,440,751
Net pension liability expense	4,665	4,665	4,084	821	14,235
Accounts receivable	28,635	(67,820)	-	3,437	(35,748)
Special assessments receivable	10,258	3,863	-	1,383	15,504
Due from other governments	4,867	(89,554)	-	334	(84,353)
Prepaid items	(652)	(730)	(1,819)	(334)	(3,535)
Inventory	-	-	(50,356)	-	(50,356)
Accounts payable	16,508	313,040	131,515	(1,609)	459,454
Due to other governmental units	(20)	-	1,644	-	1,624
Salaries payable	2,520	2,520	692	1,308	7,040
Unearned revenue	-	1,009	-	-	1,009
Compensated absences payable	6,042	6,042	3,179	(453)	14,810
Total adjustments	<u>937,866</u>	<u>1,391,001</u>	<u>170,204</u>	<u>292,364</u>	<u>2,791,435</u>
Net cash flows - operating activities	<u>\$ 958,164</u>	<u>\$ 1,784,730</u>	<u>\$ 645,910</u>	<u>\$ 103,614</u>	<u>\$ 3,492,418</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 Township of Big Lake and the Town of Orrock, Minnesota. The City currently funds approximately 50% of the Fire Department's budget.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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.

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Description of Funds:

Major Governmental 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.

G.O. Refunding Bond 2015A Debt Service Fund - This Fund accounts for the resources accumulated and payments made for principal and interest on the 2015A long-term debt.

Street Improvement Capital Projects Fund – This Fund accounts for all the costs associated with street construction and improvements within 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: (Continued)

Proprietary Funds:

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

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

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments (Continued)

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 (4M Fund). Investments are stated at fair value.

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

Cash and investments at December 31, 2015, were comprised of deposits, brokered certificates of deposit, money market accounts, U.S. Treasury State and Local Government Series Time Deposits and investments in the 4M Fund.

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

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

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

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments (Continued)

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

2. Cash with Fiscal Agent

Certain resources from the 2015A G.O. Refunding Bonds are set aside for their repayment of the 2007A G.O. Improvement Bonds, 2007B G.O. Utility System Revenue Bonds, 2007C G.O. Capital Improvement Plan Bonds, 2007F G.O. Utility Revenue Bonds, 2008A G.O. Improvement Bonds and the 2008B G.O. Utility Revenue Bonds in accordance with the refunding bond documents.

3. Receivables/Property Taxes

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Inventory and Prepaid Items

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

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

5. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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:

<u>Assets</u>	<u>Years</u>
Buildings	30
Leasehold improvements	10-30
Machinery and equipment	5-10
Utility collection and distribution system	30
Infrastructure	30

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net 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 statement of net position for deferred outflows of resources related to pensions. Deferred outflows of resources related to pensions results from the net effect of the change in proportionate share, the differences between projected and actual investment earnings, and employer contributions paid to PERA subsequent to the measurement date.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. 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 four types of items that qualify for reporting in this category. Three of the items reported only arise under the modified accrual basis of accounting and are reported only in the governmental funds Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: notes receivable, property taxes, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the statements of net position for deferred inflows of resources related to pensions. Deferred inflows of resources related to pensions results from the net difference between expected and actual economic experience and changes in proportion.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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.

8. Compensated Absences

Employees who retire are compensated for their unused sick leave. After 800 hours have accrued, employees can either take vacation or get paid for half of every hour earned in excess of 800 hours on an annual basis.

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.

9. Severance

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Long-Term Obligations

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

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

11. Fund Equity

a. Classification

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

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority).
- Assigned fund balance – these are amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments may be made by the city's finance director based on the city council's delegation

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

11. Fund Equity (Continued)

a. Classification (Continued)

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

b. Minimum Fund Balance

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

12. Net Position

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

13. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Budget requests are submitted by all department heads to the City Administrator and Finance Director. The Finance Director compiles the budget requests into an overall preliminary City budget.

City of Big Lake
Notes to Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

2. The Finance Director presents the proposed budget to the City Council. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.
3. Formal budgetary integration is employed as a management control device during the year for the General 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 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 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

At December 31, 2015, the City's bank balance was \$0 as any remaining deposits at the end of the day are swept into the 4M Fund. At December 31, 2015, the City's deposits had a book balance of \$(15,300).

At December 31, 2015, 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	\$ 2,459,294	\$ -	\$ 296,069	\$ 1,571,571	\$ 591,654
Cash and Brokered Money Market Accounts	25,575	25,575	-	-	-
4M Fund	6,274,371	6,274,371	-	-	-
Total	8,759,240	6,299,946	296,069	1,571,571	591,654
Non-Pooled Investments:					
4M Fund	914	914	-	-	-
U.S. Treasury State and Local Government Series Time Deposit	9,193,033	9,193,033	-	-	-
Total	9,193,947	9,193,947	-	-	-
Total Investments	\$ 17,953,187	\$ 15,493,893	\$ 296,069	\$ 1,571,571	\$ 591,654

City of Big Lake
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk: As of December 31, 2015, none of the City's investments were rated.

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

Summary of cash, deposits, and investments as of December 31, 2015:

Petty cash	\$ 3,100
Deposits (Note 3.A.)	(15,300)
Investments (Note 3.B.)	<u>17,953,187</u>
Total deposits and investments	<u><u>\$ 17,940,987</u></u>

Cash, deposits, and investments are presented in the December 31, 2015, basic financial statements as follows:

Statement of net position	
Cash and investments	\$ 8,747,040
Cash with fiscal agent	<u>9,193,947</u>
Total	<u><u>\$ 17,940,987</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. Tax Abatement Bonds, Series 2013B, for \$527,600 and the G.O. Capital Improvement Bonds of 2012A for fire hall funding amounting to \$200,000. Other receivables due to the Big Lake EDA from local businesses include amounts issued through a grant from the Department of Employment and Economic Development (DEED) and totaled \$72,238, for a grand total of notes receivable of \$799,838.

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

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2015, was as follows:

	Advances from Sewer Fund
Advances to	
General Fund	\$ 82,283
Street Improvement Fund	292,849
Other Governmental Funds	1,107,050
Water Fund	653,920
Total	\$ 2,136,102

The amounts due to the Sewer Fund represent interfund loans to absorb temporary negative cash balances and to temporarily fund capital projects. \$26,359 of this balance is due within one year.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2015, was as follows:

	Transfers In				Total
	General Fund	Street Improvement	Sewer Fund	Other Governmental Funds	
Transfers Out:					
General Fund	\$ -	\$ 197,325	\$ -	\$ 1,061,759	\$ 1,259,084
Other Governmental Funds	262,567	-	-	969,791	1,232,358
Liquor Fund	275,000	-	-	-	275,000
Water Fund	-	-	-	60,169	60,169
Sewer Fund	-	-	-	49,457	49,457
Storm Sewer Fund	-	-	50,000	39,641	89,641
Total	\$ 537,567	\$ 197,325	\$ 50,000	\$ 2,180,817	\$ 2,965,709

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, 2015, follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,018,965	\$ 6,854	\$ -	\$ 8,025,819
Construction in progress	74,909	109,281	61,427	122,763
Total capital assets not being depreciated	<u>8,048,574</u>	<u>116,135</u>	<u>61,427</u>	<u>8,148,582</u>
Capital assets being depreciated				
Infrastructure	36,766,732	76,166	-	36,842,898
Buildings	5,364,426	-	-	5,364,426
Leasehold improvements	71,543	-	-	71,543
Machinery and equipment	3,760,631	141,166	-	3,901,797
Total capital assets being depreciated	<u>45,963,332</u>	<u>217,332</u>	<u>-</u>	<u>46,180,664</u>
Less accumulated depreciation for				
Infrastructure	17,292,318	1,038,936	-	18,331,254
Buildings	1,666,269	178,247	-	1,844,516
Leasehold improvements	25,849	3,577	-	29,426
Machinery and equipment	3,280,505	186,270	-	3,466,775
Total accumulated depreciation	<u>22,264,941</u>	<u>1,407,030</u>	<u>-</u>	<u>23,671,971</u>
Total capital assets being depreciated, net	<u>23,698,391</u>	<u>(1,189,698)</u>	<u>-</u>	<u>22,508,693</u>
Governmental activities capital assets, net	<u>\$ 31,792,265</u>	<u>\$ (1,073,563)</u>	<u>\$ 61,427</u>	<u>\$ 30,657,275</u>

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

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,533,956	\$ 364	\$ -	\$ 1,534,320
Construction in progress	<u>94,456</u>	<u>654,778</u>	<u>-</u>	<u>749,234</u>
Total capital assets not being depreciated	<u>1,628,412</u>	<u>655,142</u>	<u>-</u>	<u>2,283,554</u>
Capital assets being depreciated				
Buildings	27,648,091	-	-	27,648,091
Collection and distribution systems	45,175,302	-	-	45,175,302
Leasehold improvements	223,833	-	-	223,833
Machinery and equipment	<u>1,049,658</u>	<u>29,055</u>	<u>-</u>	<u>1,078,713</u>
Total capital assets being depreciated	<u>74,096,884</u>	<u>29,055</u>	<u>-</u>	<u>74,125,939</u>
Less accumulated depreciation for				
Buildings	2,799,630	921,603	-	3,721,233
Collection and distribution systems	16,475,996	1,455,859	-	17,931,855
Leasehold improvements	113,883	6,042	-	119,925
Machinery and equipment	<u>936,174</u>	<u>57,247</u>	<u>-</u>	<u>993,421</u>
Total accumulated depreciation	<u>20,325,683</u>	<u>2,440,751</u>	<u>-</u>	<u>22,766,434</u>
Total capital assets being depreciated, net	<u>53,771,201</u>	<u>(2,411,696)</u>	<u>-</u>	<u>51,359,505</u>
Business-type activities capital assets, net	<u>\$ 55,399,613</u>	<u>\$ (1,756,554)</u>	<u>\$ -</u>	<u>\$ 53,643,059</u>

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

Governmental activities	
General government	\$ 29,280
Public safety	122,704
Streets and highways	1,020,007
Culture and recreation	152,723
Economic development	<u>82,316</u>
Total depreciation expense - governmental activities	<u>\$ 1,407,030</u>
Business-type activities	
Water	\$ 862,502
Sewer	1,213,077
Liquor	78,030
Storm sewer	<u>287,142</u>
Total depreciation expense - business-type activities	<u>\$ 2,440,751</u>

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

A. G.O. Bonds

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

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

On July 10, 2012, the City issued \$4,785,000 G.O. Refunding Bonds, Series 2012A for the crossover refunding of a portion of the \$1,255,000 G.O. Wastewater Revenue Refunding Bonds, Series 2004A, \$2,625,000 G.O. Utility Revenue Bonds, Series 2005B, \$1,135,000 G.O. Capital Improvement Plan Bonds, Series 2006B, \$2,670,000 G.O. Public Utility Revenue Refunding Bonds, Series 2007D and the \$910,000 G.O. Improvement Bonds, Series 2007E. 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 dates for the 2004A, 2005B, 2006B, 2007D and 2007E refunded bonds was February 1, 2013, February 1, 2015, February 1, 2014, February 1, 2014 and February 1, 2014, respectively. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$268,249. The net present value cash flow savings from the transaction was \$241,589.

On November 20, 2014, the City issued \$1,085,000 G.O. Taxable Tax Abatement Bonds, Series 2014A for the advance refunding of a portion of the Public Project Revenue Bonds, Series 2005A. 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 2005A bond was February 1, 2015. The refunding was done to extend principal payments. The refunding resulted in a decrease in future debt service payments of \$252,349. The net present value cash flow savings from the transaction was \$231,611.

On March 1, 2015, the City issued \$9,285,000 G.O. Bonds, Series 2015A for the crossover refunding of a portion of the \$2,105,000 G.O. Improvement Bonds, Series 2007A, \$2,060,000 G.O. Utility System Revenue Bonds, Series 2007B, \$1,130,000 G.O. Capital Improvement Plan Bonds, Series 2007C, \$1,325,000 G.O. Utility Revenue Bonds, Series 2007F, \$3,655,000 G.O. Improvement Bonds, Series 2008A and the \$3,000,000 G.O. Utility Revenue Bonds, Series 2008B. 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 2007A, 2007B, 2007C, 2007F, 2008A, and 2008B refunded bonds was February 1, 2016. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in future debt service payments of \$1,217,884. The net present value cash flow savings from the transaction was \$1,082,918.

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUE)

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 2007A	2007	4.00%-4.10%	\$ 2,105,000	2016	\$ 1,340,000	\$ 1,340,000
G.O. Capital Improvement Plan Bonds of 2007C	2007	4.00%-4.35%	1,130,000	2016	865,000	865,000
G.O. Improvement Bonds of 2008A	2008	3.25%-4.50%	3,655,000	2016	2,700,000	2,700,000
G.O. Capital Improvement Bonds of 2009A	2009	1.10%-2.90%	620,000	2017	190,000	95,000
G.O. Improvement Bonds of 2010A	2010	2.00% - 3.80%	3,590,000	2026	2,835,000	240,000
G.O. Refunding Improvement Bonds of 2011A	2011	.40% - 2.45%	2,095,000	2020	1,340,000	210,000
G.O. Refunding Improvement Bonds of 2011B	2011	2.00% - 2.80%	3,415,000	2022	2,665,000	385,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	1,040,000	2026	850,000	190,000
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,330,000	2029	4,330,000	-
Tax Abatement Bonds						
Taxable G.O. Tax Abatement Bonds of 2013B	2013	2.00%-4.30%	2,220,000	2028	1,920,000	130,000
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	296,530	2025	296,530	27,330
G.O. Tax Increment Bonds						
G.O. Tax Increment Bonds of 2004	2004	5.00%-5.90%	795,000	2030	725,000	15,000
Taxable G.O. Tax Increment Refunding Bonds of 2013B	2013	2.00%-4.25%	1,055,000	2024	1,010,000	105,000
Notes Payable						
Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	1,885,000	120,000
					<u>22,951,530</u>	<u>6,422,330</u>
Premium on bonds payable					331,667	-
Severance					32,297	-
Compensated absences					169,153	169,153
Total governmental activities					<u>23,484,647</u>	<u>6,591,483</u>
Business-type activities						
G.O. Revenue Bonds, including						
Refunding Bonds:						
Public Facility Authority Drinking						
Water G.O. Revenue Loan	2004	2.53%	9,787,000	2024	4,615,000	463,000
G.O. Utility System Revenue Bonds of 2007B	2007	4.00%-4.35%	2,060,000	2027	1,415,000	1,415,000
G.O. Utility Revenue Bonds of 2007F	2007	4.00%-4.50%	1,325,000	2027	900,000	900,000
G.O. Utility Revenue Bonds of 2008B	2008	3.5%-4.75%	3,000,000	2029	2,450,000	2,450,000
Public Facility Authority Drinking						
Sewer Revenue Note of 2009	2009	2.41%	13,470,120	2024	11,534,000	702,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	3,745,000	2026	3,285,000	495,000
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	788,470	2025	788,470	72,670
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,955,000	2029	4,955,000	-
					<u>29,942,470</u>	<u>6,497,670</u>
Premium on bonds payable					281,985	-
Compensated absences					92,314	92,314
Total business-type activities					<u>30,316,769</u>	<u>6,589,984</u>
Total all long-term liabilities					<u>\$ 53,801,416</u>	<u>\$ 13,181,467</u>

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

NOTE 7 – LONG-TERM DEBT

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
G.O. Improvement Bonds	\$ 14,315,000	\$ 4,330,000	\$ 1,530,000	\$ 17,115,000	\$ 6,025,000
G.O. Revenue /Tax Abatement Bonds	2,695,454	-	478,924	2,216,530	157,330
G.O. Tax Increment Bonds	1,840,000	-	105,000	1,735,000	120,000
Notes Payable	2,003,000	-	118,000	1,885,000	120,000
Premium on bonds	75,921	280,893	25,147	331,667	-
Total bonds payable	<u>20,929,375</u>	<u>4,610,893</u>	<u>2,257,071</u>	<u>23,283,197</u>	<u>6,422,330</u>
Compensated absences	143,846	210,981	185,674	169,153	169,153
Severance	<u>-</u>	<u>32,297</u>	<u>-</u>	<u>32,297</u>	<u>-</u>
Total governmental activities	<u>21,073,221</u>	<u>4,854,171</u>	<u>2,442,745</u>	<u>23,484,647</u>	<u>6,591,483</u>
Business-type activities					
Bonds payable					
G.O. Revenue Bonds	12,214,547	4,955,000	3,376,077	13,793,470	5,332,670
PFA G.O. Revenue Notes	17,286,000	-	1,137,000	16,149,000	1,165,000
Premium on bonds	<u>84,880</u>	<u>218,040</u>	<u>20,935</u>	<u>281,985</u>	<u>-</u>
Total bonds payable	<u>29,585,427</u>	<u>5,173,040</u>	<u>4,534,012</u>	<u>30,224,455</u>	<u>6,497,670</u>
Compensated absences	<u>77,504</u>	<u>123,296</u>	<u>108,486</u>	<u>92,314</u>	<u>92,314</u>
Total business-type activities	<u>29,662,931</u>	<u>5,296,336</u>	<u>4,642,498</u>	<u>30,316,769</u>	<u>6,589,984</u>
Total long-term liabilities	<u>\$ 50,736,152</u>	<u>\$ 10,150,507</u>	<u>\$ 7,085,243</u>	<u>\$ 53,801,416</u>	<u>\$ 13,181,467</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
2016	\$ 6,025,000	\$ 464,750	\$ 6,489,750	\$ 157,330	\$ 68,093	\$ 225,423
2017	1,600,000	280,686	1,880,686	157,330	65,083	222,413
2018	1,545,000	243,408	1,788,408	158,697	61,991	220,688
2019	1,585,000	204,892	1,789,892	157,330	58,181	215,511
2020	1,585,000	163,835	1,748,835	165,063	53,632	218,695
2021-2025	4,215,000	350,836	4,565,836	905,780	186,562	1,092,342
2026-2028	560,000	15,009	575,009	515,000	33,006	548,006
Total	<u>\$ 17,115,000</u>	<u>\$ 1,723,416</u>	<u>\$ 18,838,416</u>	<u>\$ 2,216,530</u>	<u>\$ 526,548</u>	<u>\$ 2,743,078</u>

Year Ending December 31,	Governmental Activities					
	G.O. Tax Increment Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 120,000	\$ 71,698	\$ 191,698	\$ 120,000	\$ 32,536	\$ 152,536
2017	120,000	68,773	188,773	122,000	30,464	152,464
2018	125,000	65,579	190,579	124,000	28,358	152,358
2019	140,000	61,593	201,593	127,000	26,218	153,218
2020	140,000	56,808	196,808	129,000	24,026	153,026
2021-2025	700,000	189,616	889,616	677,000	86,022	763,022
2026-2030	390,000	61,952	451,952	586,000	25,494	611,494
Total	<u>\$ 1,735,000</u>	<u>\$ 576,019</u>	<u>\$ 2,311,019</u>	<u>\$ 1,885,000</u>	<u>\$ 253,118</u>	<u>\$ 2,138,118</u>

Year Ending December 31,	Total Governmental Activities		
	Principal	Interest	Total
2016	\$ 6,422,330	\$ 637,077	\$ 7,059,407
2017	1,999,330	445,006	2,444,336
2018	1,952,697	399,336	2,352,033
2019	2,009,330	350,884	2,360,214
2020	2,019,063	298,301	2,317,364
2021-2025	6,497,780	813,036	7,310,816
2026-2030	2,051,000	135,461	2,186,461
Total	<u>\$ 22,951,530</u>	<u>\$ 3,079,101</u>	<u>\$ 26,030,631</u>

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

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
2016	\$ 5,332,670	\$ 375,616	\$ 5,708,286	\$ 1,165,000	\$ 395,190	\$ 1,560,190
2017	887,670	199,556	1,087,226	1,194,000	366,530	1,560,530
2018	806,304	179,573	985,877	1,224,000	337,156	1,561,156
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
2021-2025	3,169,219	445,221	3,614,440	6,330,000	891,244	7,221,244
2026-2029	1,930,000	95,878	2,025,878	3,698,000	225,830	3,923,830
Total	<u>\$ 13,793,470</u>	<u>\$ 1,595,860</u>	<u>\$ 15,389,330</u>	<u>\$ 16,149,000</u>	<u>\$ 2,799,212</u>	<u>\$ 18,948,212</u>

Year Ending December 31,	Business-Type Activities		
	Total Business-Type Activities		
	Principal	Interest	Total
2016	\$ 6,497,670	\$ 770,806	\$ 7,268,476
2017	2,081,670	566,086	2,647,756
2018	2,030,304	516,729	2,547,033
2019	2,065,670	467,102	2,532,772
2020	2,139,937	416,176	2,556,113
2021-2025	9,499,219	1,336,465	10,835,684
2026-2029	5,628,000	321,708	5,949,708
Total	<u>\$ 29,942,470</u>	<u>\$ 4,395,072</u>	<u>\$ 34,337,542</u>

E. Conduit debt

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

As of December 31, 2015, the City's outstanding conduit debt balances consisted of the following:

\$1,950,000 Commercial Facility Revenue Note (Options, Inc. Project), Series 2005	<u>\$ 338,959</u>
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**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	G.O. Improvement Bond 2015A	Street Improvement	Nonmajor Governmental Fund	Total
Nonspendable					
Notes receivable	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,000
Land Held for Resale	-	-	-	102,100	102,100
Prepaid items	101,344	-	-	-	101,344
Total nonspendable	<u>101,344</u>	<u>-</u>	<u>-</u>	<u>104,100</u>	<u>205,444</u>
Restricted					
Debt service	-	4,572,747	-	2,284,517	6,857,264
Park development	-	-	-	152,578	152,578
Neighborhood stabilization Program	-	-	-	123,729	123,729
TIF	-	-	-	108,235	108,235
Police traffic safety	-	-	-	6,910	6,910
DWI forfeiture	-	-	-	896	896
Narcotic forfeiture	-	-	-	2,025	2,025
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,678,890</u>	<u>7,251,637</u>
Assigned					
Local development	-	-	-	117,865	117,865
Industrial park expansion	-	-	-	736,183	736,183
Capital infrastructure replacement	-	-	-	810,203	810,203
Street improvements	-	-	23,269	-	23,269
Farmers market	-	-	-	789	789
Veterans memorial fund	-	-	-	5,501	5,501
Fire capital purchases	19,569	-	-	-	19,569
Police capital purchases	31,324	-	-	-	31,324
Infrastructure Improvements	-	-	-	113,509	113,509
Parks capital purchases	22,327	-	-	-	22,327
Total assigned	<u>73,220</u>	<u>-</u>	<u>23,269</u>	<u>1,784,050</u>	<u>1,880,539</u>
Unassigned	<u>2,529,125</u>	<u>-</u>	<u>-</u>	<u>(614,883)</u>	<u>1,914,242</u>
Total	<u>\$ 2,703,689</u>	<u>\$ 4,572,747</u>	<u>\$ 23,269</u>	<u>\$ 3,952,157</u>	<u>\$ 11,251,862</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 fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2015 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2015, 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

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 Fund (GERF)

All full-time and certain part-time employees of the City are covered by the GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

City of Big Lake
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For 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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

PEPFF Benefits

Benefits for the PEPFF 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 PEPFF 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 PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$123,699. The City's contributions were equal to the required contributions as set by state statute.

PEPPF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPPF members in calendar year 2015. The City's contributions to the PEPPF for the year ended December 31, 2015, were \$133,141. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2015, the City reported a liability of \$1,399,282 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0270%.

For the year ended December 31, 2015, the City recognized pension expense of \$141,895 for its proportionate share of GERF's pension expense.

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

NOTE 10 –PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

At December 31, 2015, the City reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 70,547
Difference between projected and actual investment earnings	132,463	-
Changes in proportion	-	133,879
Contributions paid to PERA subsequent to the measurement date	<u>61,850</u>	<u>-</u>
Total	<u>\$ 194,313</u>	<u>\$ 204,426</u>

\$61,850 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2016	\$ (35,026)
2017	(35,026)
2018	(35,026)
2019	33,115

PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$988,524 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.087 %.

City of Big Lake
Notes to Financial Statements

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$179,346 for its proportionate share of the PEPFF's pension expense. The City also recognized \$7,830 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF'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	\$ -	\$ 160,306
Difference between projected and actual investment earnings	172,234	-
Changes in proportion	45,002	-
Contributions paid to PERA subsequent to the measurement date	66,570	-
Total	\$ 283,806	\$ 160,306

\$66,570 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2016	\$ 14,233
2017	14,233
2018	14,233
2019	14,231

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

NOTE 10 –PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.75 % Per year
Active member payroll growth	3.50 % Per year
Investment rate of return	7.90 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GEF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic 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	45%	5.50 %
International stock	15%	6.00
Bonds	18%	1.45
Alternative assets	20%	6.40
Cash	2%	0.50
	<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 was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	6.9%	7.9%	8.9%
City's proportionate share of the GERS net pension liability	\$ 2,200,166	\$ 1,399,280	\$ 737,872
City's proportionate share of the PEPFF net pension liability	\$ 1,926,643	\$ 988,524	\$ 213,474

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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The City of Big Lake Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the City of Big Lake Fire Department per *Minnesota State Statutes*. Responsibility for the Relief Association is equally split with the Big Lake Township. Due to this split, half of the Relief's pension plan information is shown here.

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

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

A. Plan Description (Continued)

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Big Lake Firefighter's Association, 160 Lake Street North, Big Lake, MN 55309 or by calling 320-263-2107.

B. Benefits Provided

Volunteer firefighters of the City are members of the City of Big Lake Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 5 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Employees Covered by Benefit Terms

At December 31, 2014, the following employees were covered by the benefit terms:

Inactive members entitled to but not yet receiving benefits	13
Active members	<u>35</u>
Total	<u>48</u>

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$90,896 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City of Big Lake
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability (Continued)

Actuarial assumptions.

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Built in to other rate assumptions
Salary increase	2.5 %, average, including inflation
Investment rate of return	5.75 %, net of pensions plan investment expense: including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual funds	82.9%	5.75%
Asset backed securities	3.8%	5.75%
Deposits	0.4%	0.00%
Brokered certificates of deposit	12.6%	5.75%
Brokered money markets	0.2%	5.75%
 Total	 <u>100%</u>	

Discount rate.

The discount rate used to measure the total pension liability was 5.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

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

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2014	\$ 568,017	\$ 673,358	\$ (105,341)
Changes for the year:			
Service cost	21,187	-	21,187
Interest	33,150	-	33,150
Differences between expected and actual experience	-	-	-
Municipal contributions	-	4,000	(4,000)
State contributions	-	45,448	(45,448)
Projected investment return	-	38,702	(38,702)
Gain or loss	-	(8,700)	8,700
Benefit payments, including refunds of employee contributions	(48,257)	(48,257)	-
Administrative expense	-	(1,764)	1,764
Other charges	-	-	-
Net charges	<u>6,080</u>	<u>29,429</u>	<u>(23,349)</u>
Balances at December 31, 2014	<u>\$ 574,097</u>	<u>\$ 702,787</u>	<u>\$ (128,690)</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 5.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Relief's net pension liability	<u>\$ (117,787)</u>	<u>\$ (128,690)</u>	<u>\$ (139,682)</u>

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

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2014, the City recognized pension expense of \$26,309. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 6,960	\$ -
Contributions paid to Volunteer Firefighter's Relief Association subsequent to the measurement date	98,430	-
Total	\$ 105,390	\$ -

\$98,430 reported as deferred outflows of resources related to pensions resulting from State and City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

2016	\$ 1,740
2017	1,740
2018	1,740
2019	1,740
Total	\$ 6,960

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

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

H. Payable to the Pension Plan

At December 31, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015.

NOTE 11 – COMMITMENTS

	<u>Project Authorization</u>	<u>Expended Through 12/13/2015</u>	<u>Remaining Commitment</u>
CR43 trail and road improvement	\$ 757,971	\$ 749,039	\$ 8,932
Phosphorous improvement	1,192,700	746,252	446,448

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$(2,101,909) to add the beginning net pension liability, and an adjustment to the beginning net position on the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds of \$(814,131) to add the beginning net pension liability.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

NOTE 14 – SUBSEQUENT EVENT

A. Bond Issuance

On March 23, 2016, the City approved the issuance of \$2,885,000 G.O. Refunding Bonds, Series 2016A for the advance refunding of the G.O. Tax Increment Bonds Series 2004C, and the current refunding of the G.O. Tax Increment Bonds Series 2013B, and a portion of the G.O. Tax Abatement Bonds Series 2013B. This issuance also includes \$500,000 in funding for a sanitary sewer improvement project. The refunding was done to take advantage of lower interest rates.

On March 23, 2016, the City approved an issuance of \$590,000 G.O. Capital Improvement Plan Bonds, Series 2016B for the current refunding of a portion of the G.O. Tax Abatement Bonds Series 2013B .

B. Property Sale

On January 29, 2016, the City sold a city building for \$150,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0270%	\$ 1,399,280	\$ 1,562,440	89.6%	78.2%

**Schedule of City's Proportionate Share
of Net Pension Liability - PEPFF Retirement Fund
Last Ten Years***

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0870%	\$ 988,524	\$ 773,321	127.8%	86.6%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

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

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 117,183	\$ 117,183	\$ -	\$ 1,562,440	7.50%

**Schedule of City Contributions -
PEPFF Retirement Fund
Last Ten Years***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 125,278	\$ 125,278	\$ -	\$ 773,321	16.2%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

City of Big Lake
Schedule of Changes in Net Pension Liability
and Related Ratios - Fire Relief Association

	2014
Total Pension Liability (TPL)	
Service cost	\$ 21,187
Interest	33,150
Differenced between expected and actual experience	-
Changes of assumptions	-
Changes of benefit terms	-
Benefit payments, including refunds or member contributions	(48,257)
Net change in total pension liability	6,080
 Beginning of year (1)	568,017
 End of year	\$ 574,097
 Plan Fiduciary Net Pension (FNP)	
Contributions - employer	\$ 49,448
Contributions - employee	-
Net investment income	30,001
Benefit payments, including refunds of member contributions	(48,257)
Administrative expense	(1,764)
Other	-
Net change in plan fiduciary net position	29,429
 Beginning of year	673,358
 End of year	\$ 702,787
 Net Pension Liability (NPL)	\$ (128,690)

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2014. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

**City of Big Lake
Schedule of Employer Contributions
and Non-Employer Contributing
Entities - Fire Relief Association**

	2014
Employer	
Statutorily determined contribution (SDC)	\$ -
Contribution deficiency SDC	4,000
Contribution deficiency (excess)	\$ (4,000)
Non-employer	
2% aid	\$ 90,896

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2014. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

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SUPPLEMENTARY INFORMATION

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2015**

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Assets				
Cash and investments	\$ 7,711	\$ 2,025	\$ 896	\$ 6,910
Taxes receivable - delinquent	1,225	-	-	-
Accounts receivable	9,846	-	-	-
Due from other governments	558	-	-	-
Notes receivable	72,238	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	102,100	-	-	-
	<u>102,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 193,678</u>	<u>\$ 2,025</u>	<u>\$ 896</u>	<u>\$ 6,910</u>
Liabilities				
Accounts payable	\$ 36	\$ -	\$ -	\$ -
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	208,884	-	-	-
Total liabilities	<u>208,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - notes receivables	70,238	-	-	-
Unavailable revenue - property taxes	1,225	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>71,463</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	104,100	-	-	-
Restricted	-	2,025	896	6,910
Assigned	-	-	-	-
Unassigned	(190,805)	-	-	-
Total fund balances	<u>(86,705)</u>	<u>2,025</u>	<u>896</u>	<u>6,910</u>
	<u>\$ 193,678</u>	<u>\$ 2,025</u>	<u>\$ 896</u>	<u>\$ 6,910</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 193,678</u>	<u>\$ 2,025</u>	<u>\$ 896</u>	<u>\$ 6,910</u>

Special Revenue			Debt Service		
Farmers Market (280)	Veterans Memorial Fund (281)	Total	G.O. Tax Increment Bonds of 2004C (250)	G.O. Improvement Bonds of 2004B (245)	G.O. Improvement Bonds of 2007A (215)
\$ 789	\$ 5,501	\$ 23,832	\$ 3,624	\$ 1,068	\$ 30,837
-	-	1,225	-	328	7,274
-	-	9,846	-	-	-
-	-	558	-	20,036	2,210
-	-	72,238	-	-	-
-	-	-	-	-	274
-	-	-	-	-	113,119
-	-	102,100	-	-	-
<u>\$ 789</u>	<u>\$ 5,501</u>	<u>\$ 209,799</u>	<u>\$ 3,624</u>	<u>\$ 21,432</u>	<u>\$ 153,714</u>
\$ -	\$ -	\$ 36	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	208,884	-	1,561	-
-	-	208,920	-	1,561	-
-	-	70,238	-	-	-
-	-	1,225	-	328	7,274
-	-	-	-	-	113,393
-	-	71,463	-	328	120,667
-	-	104,100	-	-	-
-	-	9,831	3,624	19,543	33,047
789	5,501	6,290	-	-	-
-	-	(190,805)	-	-	-
<u>789</u>	<u>5,501</u>	<u>(70,584)</u>	<u>3,624</u>	<u>19,543</u>	<u>33,047</u>
<u>\$ 789</u>	<u>\$ 5,501</u>	<u>\$ 209,799</u>	<u>\$ 3,624</u>	<u>\$ 21,432</u>	<u>\$ 153,714</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2015**

	Debt Service			
	G.O. Capital Improvement Bonds 2007C (235)	G.O. Improvement Bonds of 2008A (208)	G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)
Assets				
Cash and investments	\$ 39,551	\$ 152,734	\$ 27,674	\$ 16,888
Taxes receivable - delinquent	6,296	16,231	5,167	-
Accounts receivable	-	-	-	-
Due from other governments	1,585	6,555	1,325	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	33,337	-	-
Deferred	-	924,394	-	-
Land held for resale	-	-	-	-
Total assets	\$ 47,432	\$ 1,133,251	\$ 34,166	\$ 16,888
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	6,296	16,231	5,167	-
Unavailable revenue - special assessments	-	957,731	-	-
Total deferred inflows of resources	6,296	973,962	5,167	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	41,136	159,289	28,999	16,888
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	41,136	159,289	28,999	16,888
Total liabilities, deferred inflows of resources, and fund balances	\$ 47,432	\$ 1,133,251	\$ 34,166	\$ 16,888

Debt Service

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)	G.O. Temporary Taxable Tax Increment Bond 2013A (218)	G.O. Taxable Tax Abatement Bonds 2013B (219)
\$ 186,930	\$ 38,965	\$ 707,402	\$ 358,792	\$ 311,727	\$ 358,838	\$ -
14,841	579	11,436	18,310	3,471	2,950	4,418
-	-	-	-	-	-	-
6,914	548	4,013	4,645	861	2,356	2,822
-	-	-	-	200,000	-	527,600
2,476	-	5,255	5,558	-	-	-
291,616	-	145,499	450,894	385,818	-	-
-	-	-	-	-	-	-
<u>\$ 502,777</u>	<u>\$ 40,092</u>	<u>\$ 873,605</u>	<u>\$ 838,199</u>	<u>\$ 901,877</u>	<u>\$ 364,144</u>	<u>\$ 534,840</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	413,342
-	-	-	-	-	-	413,342
-	-	-	-	200,000	-	527,600
14,841	579	11,436	18,310	3,471	2,950	4,418
294,092	-	150,754	456,452	385,818	-	-
<u>308,933</u>	<u>579</u>	<u>162,190</u>	<u>474,762</u>	<u>589,289</u>	<u>2,950</u>	<u>532,018</u>
-	-	-	-	-	-	-
193,844	39,513	711,415	363,437	312,588	361,194	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(410,520)
<u>193,844</u>	<u>39,513</u>	<u>711,415</u>	<u>363,437</u>	<u>312,588</u>	<u>361,194</u>	<u>(410,520)</u>
<u>\$ 502,777</u>	<u>\$ 40,092</u>	<u>\$ 873,605</u>	<u>\$ 838,199</u>	<u>\$ 901,877</u>	<u>\$ 364,144</u>	<u>\$ 534,840</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2015**

	<u>Debt Service</u>	<u>Capital Projects</u>		
	Total	Neighborhood Stabilization Program (116)	Park Development (120)	Industrial Park Expansion Land Purchase (141)
Assets				
Cash and investments	\$ 2,235,030	\$ 3,673	\$ 153,203	\$ -
Taxes receivable - delinquent	91,301	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	53,870	-	-	-
Notes receivable	727,600	-	-	-
Special assessment receivable				
Delinquent	46,900	-	-	-
Deferred	2,311,340	-	-	-
Land held for resale	-	150,038	-	1,304,640
Total assets	\$ 5,466,041	\$ 153,711	\$ 153,203	\$ 1,304,640
Liabilities				
Accounts payable	\$ -	\$ 182	\$ 625	\$ -
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	132,768
Advances from other funds	414,903	29,800	-	435,689
Total liabilities	414,903	29,982	625	568,457
Deferred inflows of resources				
Unavailable revenue - notes receivables	727,600	-	-	-
Unavailable revenue - property taxes	91,301	-	-	-
Unavailable revenue - special assessments	2,358,240	-	-	-
Total deferred inflows of resources	3,177,141	-	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	2,284,517	123,729	152,578	-
Assigned	-	-	-	736,183
Unassigned	(410,520)	-	-	-
Total fund balances	1,873,997	123,729	152,578	736,183
Total liabilities, deferred inflows of resources and fund balances	\$ 5,466,041	\$ 153,711	\$ 153,203	\$ 1,304,640

Capital Projects

Local Development (150)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Northern Star TIF1-7 (173)
\$ 322,039	\$ 6,286	\$ 4,667	\$ -	\$ -	\$ 4,966
-	-	-	-	-	-
-	-	2,122	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,885	-	-	-	-	-
-	-	95,160	-	-	-
<u>\$ 323,924</u>	<u>\$ 6,286</u>	<u>\$ 101,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,966</u>
\$ 526	\$ -	\$ -	\$ -	\$ -	\$ 750
187,848	-	-	-	-	-
15,800	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4,005	144	13,625
<u>204,174</u>	<u>-</u>	<u>-</u>	<u>4,005</u>	<u>144</u>	<u>14,375</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,885	-	-	-	-	-
<u>1,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	6,286	101,949	-	-	-
117,865	-	-	-	-	-
-	-	-	(4,005)	(144)	(9,409)
<u>117,865</u>	<u>6,286</u>	<u>101,949</u>	<u>(4,005)</u>	<u>(144)</u>	<u>(9,409)</u>
<u>\$ 323,924</u>	<u>\$ 6,286</u>	<u>\$ 101,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,966</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2015**

	Capital Projects			
	Infrastructure Improvement Fund (198)	Equipment and Building Replacements (199)	Total	Total Other Governmental Funds
Assets				
Cash and investments	\$ 810,203	\$ 125,481	\$ 1,430,518	\$ 3,689,380
Taxes receivable - delinquent	-	-	-	92,526
Accounts receivable	-	-	-	9,846
Due from other governments	-	-	2,122	56,550
Notes receivable	-	-	-	799,838
Special assessment receivable				
Delinquent	7,636	-	7,636	54,536
Deferred	-	-	1,885	2,313,225
Land held for resale	-	-	1,549,838	1,651,938
Total assets	\$ 817,839	\$ 125,481	\$ 2,991,999	\$ 8,667,839
Liabilities				
Accounts payable	\$ -	\$ 11,972	\$ 14,055	\$ 14,091
Escrow payable	-	-	187,848	187,848
Contracts payable	-	-	15,800	15,800
Due to other governments	-	-	132,768	132,768
Advances from other funds	-	-	483,263	1,107,050
Total liabilities	-	11,972	833,734	1,457,557
Deferred inflows of resources				
Unavailable revenue - notes receivables	-	-	-	797,838
Unavailable revenue - property taxes	-	-	-	92,526
Unavailable revenue - special assessments	7,636	-	9,521	2,367,761
Total deferred inflows of resources	7,636	-	9,521	3,258,125
Fund balances				
Nonspendable	-	-	-	104,100
Restricted	-	-	384,542	2,678,890
Assigned	810,203	113,509	1,777,760	1,784,050
Unassigned	-	-	(13,558)	(614,883)
Total fund balances	810,203	113,509	2,148,744	3,952,157
Total liabilities, deferred inflows of resources, and fund balances	\$ 817,839	\$ 125,481	\$ 2,991,999	\$ 8,667,839

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City of Big Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2015

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Revenues				
Property taxes	\$ 21,087	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	2,500	-	-	-
Charges for services	16,687	-	-	-
Fines and forfeitures	-	1,141	4,087	-
Miscellaneous				
Investment and other interest income	2,410	12	54	56
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>42,684</u>	<u>1,153</u>	<u>4,141</u>	<u>56</u>
Expenditures				
Current				
Public safety	-	342	502	-
Culture and recreation	-	-	-	-
Economic development	70,908	-	-	-
Debt service				
Principal	353,924	-	-	-
Interest and other charges	18,676	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	9,568	-
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	4,764	-	-	-
Total expenditures	<u>448,272</u>	<u>342</u>	<u>10,070</u>	<u>-</u>
Excess of revenues over (under) expenditures	(405,588)	811	(5,929)	56
Other Financing				
Sources (Uses)				
Transfers in	332,060	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>332,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(73,528)	811	(5,929)	56
Fund Balances				
Beginning balance	<u>(13,177)</u>	<u>1,214</u>	<u>6,825</u>	<u>6,854</u>
End of year	<u>\$ (86,705)</u>	<u>\$ 2,025</u>	<u>\$ 896</u>	<u>\$ 6,910</u>

Special Revenue			Debt Service			
Farmers Market (280)	Veterans Memorial Fund (281)	Total	G.O. Refunding Bonds of 1996 (205)	G.O. Tax Increment Bonds of 2004C (250)	G.O. Capital Equipment Note 2005 (240)	G.O. Improvement Bonds of 2004B (245)
\$ -	\$ -	\$ 21,087	\$ -	\$ -	\$ 25	\$ 504
-	-	-	-	-	-	-
-	-	-	-	-	-	19,944
1,650	-	1,650	-	-	-	-
-	-	2,500	-	-	-	-
-	-	16,687	-	-	-	-
-	-	5,228	-	-	-	-
7	1	2,540	156	(256)	16	163
-	5,500	5,500	-	-	-	-
-	-	-	-	-	-	-
<u>1,657</u>	<u>5,501</u>	<u>55,192</u>	<u>156</u>	<u>(256)</u>	<u>41</u>	<u>20,611</u>
-	-	844	-	-	-	-
-	-	-	-	-	-	-
1,128	-	72,036	-	-	-	-
-	-	353,924	-	10,000	-	-
-	-	18,676	-	42,705	-	1,561
-	-	-	-	-	-	-
-	-	9,568	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,764	-	-	-	-
<u>1,128</u>	<u>-</u>	<u>459,812</u>	<u>-</u>	<u>52,705</u>	<u>-</u>	<u>1,561</u>
529	5,501	(404,620)	156	(52,961)	41	19,050
-	-	332,060	-	269,465	-	27,106
-	-	-	(24,659)	-	(2,447)	-
<u>-</u>	<u>-</u>	<u>332,060</u>	<u>(24,659)</u>	<u>269,465</u>	<u>(2,447)</u>	<u>27,106</u>
529	5,501	(72,560)	(24,503)	216,504	(2,406)	46,156
260	-	1,976	24,503	(212,880)	2,406	(26,613)
<u>\$ 789</u>	<u>\$ 5,501</u>	<u>\$ (70,584)</u>	<u>\$ -</u>	<u>\$ 3,624</u>	<u>\$ -</u>	<u>\$ 19,543</u>

City of Big Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2015

	Debt Service			
	G.O. Improvement Bonds of 2007A (215)	G.O. Capital Improvement Bonds 2007C (235)	G.O. Improvement Bonds of 2008A (208)	G.O. Capital Improvement Plan Bonds, Series 2009A (209)
Revenues				
Property taxes	\$ 107,125	\$ 89,654	\$ 341,928	\$ 66,772
Tax increments	-	-	-	-
Special assessments	24,854	-	128,113	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	(797)	(148)	(1,066)	(358)
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>131,182</u>	<u>89,506</u>	<u>468,975</u>	<u>66,414</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	140,000	50,000	240,000	90,000
Interest and other charges	57,402	37,719	122,021	6,995
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>197,402</u>	<u>87,719</u>	<u>362,021</u>	<u>96,995</u>
Excess of revenues over (under) expenditures	(66,220)	1,787	106,954	(30,581)
Other Financing				
Sources (Uses)				
Transfers in	71,467	-	41,596	36,204
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>71,467</u>	<u>-</u>	<u>41,596</u>	<u>36,204</u>
Net change in fund balances	5,247	1,787	148,550	5,623
Fund balances				
Beginning balance	<u>27,800</u>	<u>39,349</u>	<u>10,739</u>	<u>23,376</u>
End of year	<u>\$ 33,047</u>	<u>\$ 41,136</u>	<u>\$ 159,289</u>	<u>\$ 28,999</u>

Debt Service

G.O. State Aid Loan (211)	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)	G.O. Temporary Taxable Tax Increment Bond 2013A (218)
\$ -	\$ 214,786	\$ 35,514	\$ 141,418	\$ 157,778	\$ 50,857	\$ 141,788
-	-	-	-	-	-	-
-	118,041	-	48,758	118,787	138,140	-
-	-	-	-	-	-	-
151,553	-	-	-	-	57,023	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
14	(300)	75	4,577	1,326	1,319	40
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>151,567</u>	<u>332,527</u>	<u>35,589</u>	<u>194,753</u>	<u>277,891</u>	<u>247,339</u>	<u>141,828</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
118,000	240,000	-	195,000	385,000	190,000	95,000
34,572	89,788	4,453	28,731	64,470	19,402	32,567
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>152,572</u>	<u>329,788</u>	<u>4,453</u>	<u>223,731</u>	<u>449,470</u>	<u>209,402</u>	<u>127,567</u>
(1,005)	2,739	31,136	(28,978)	(171,579)	37,937	14,261
-	-	6,532	-	-	-	322,482
-	-	(332,060)	-	-	-	-
-	-	<u>(325,528)</u>	-	-	-	<u>322,482</u>
(1,005)	2,739	(294,392)	(28,978)	(171,579)	37,937	336,743
17,893	191,105	333,905	740,393	535,016	274,651	24,451
<u>\$ 16,888</u>	<u>\$ 193,844</u>	<u>\$ 39,513</u>	<u>\$ 711,415</u>	<u>\$ 363,437</u>	<u>\$ 312,588</u>	<u>\$ 361,194</u>

City of Big Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2015

	Capital Projects				
	G.O. Taxable Tax Abatement Bonds 2013B (219)	Total	Neighborhood Stabilization Program (116)	Park Development (120)	Industrial Park Expansion Land Purchase (141)
Revenues					
Property taxes	\$ 148,891	\$ 1,497,040	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Special assessments	-	596,637	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	52,871	261,447	51,406	7,500	46,361
Charges for services	-	-	-	72,500	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous					
Investment and other interest income	(731)	4,030	-	881	(169)
Contributions and donations	-	-	-	-	-
Other	-	-	2,931	-	-
Total revenues	<u>201,031</u>	<u>2,359,154</u>	<u>54,337</u>	<u>80,881</u>	<u>46,192</u>
Expenditures					
Current					
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	473	-
Economic development	-	-	65,820	-	-
Debt service					
Principal	125,000	1,878,000	-	-	-
Interest and other charges	79,441	621,827	2,694	-	14,968
Capital outlay					
General government					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	18,872	-
Economic development	-	-	17,534	-	92,722
Total expenditures	<u>204,441</u>	<u>2,499,827</u>	<u>86,048</u>	<u>19,345</u>	<u>107,690</u>
Excess of revenues over (under) expenditures	(3,410)	(140,673)	(31,711)	61,536	(61,498)
Other Financing					
Sources (Uses)					
Transfers in	-	774,852	-	-	-
Transfers out	-	(359,166)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>415,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,410)	275,013	(31,711)	61,536	(61,498)
Fund balances					
Beginning balance	(407,110)	1,598,984	155,440	91,042	797,681
End of year	<u>\$ (410,520)</u>	<u>\$ 1,873,997</u>	<u>\$ 123,729</u>	<u>\$ 152,578</u>	<u>\$ 736,183</u>

Capital Projects

Local Development (150)	TIF 1-2 (151)	Industrial Park TIF 2-1 (155)	Industrial Park TIF 2-2 (160)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Lake Street Redevelopment TIF 1-3 (165)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	37,827	33,219
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,405	112	-	922	1,597	1,026	229
-	-	-	-	-	-	-
-	-	-	-	7,158	-	-
<u>2,405</u>	<u>112</u>	<u>-</u>	<u>922</u>	<u>8,755</u>	<u>38,853</u>	<u>33,448</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39,438	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	23,252	(750)	190,548	173,434	89,114	1,380
<u>39,438</u>	<u>23,252</u>	<u>(750)</u>	<u>190,548</u>	<u>173,434</u>	<u>89,114</u>	<u>1,380</u>
(37,033)	(23,140)	750	(189,626)	(164,679)	(50,261)	32,068
39,437	-	-	-	-	-	-
-	-	-	-	(87,674)	(106,286)	(56,585)
<u>39,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,674)</u>	<u>(106,286)</u>	<u>(56,585)</u>
2,404	(23,140)	750	(189,626)	(252,353)	(156,547)	(24,517)
115,461	23,140	(750)	189,626	252,353	156,547	30,803
<u>\$ 117,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,286</u>

City of Big Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2015

	Capital Projects			
	Industrial Park TIF 2-5 (166)	Industrial Park Street Assessments (168)	Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	20,014	-	14,493	9,302
Special assessments	-	6,889	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	627	1,817	755	(23)
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>20,641</u>	<u>8,706</u>	<u>15,248</u>	<u>9,279</u>
Expenditures				
Current				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	123,705	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	116
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	45,103	-	2,611	8,511
Total expenditures	<u>45,103</u>	<u>-</u>	<u>126,316</u>	<u>8,627</u>
Excess of revenues over (under) expenditures	(24,462)	8,706	(111,068)	652
Other Financing				
Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(68,607)	(231,558)	(322,482)	-
Total other financing sources (uses)	<u>(68,607)</u>	<u>(231,558)</u>	<u>(322,482)</u>	<u>-</u>
Net change in fund balances	(93,069)	(222,852)	(433,550)	652
Fund Balances				
Beginning balance	<u>93,069</u>	<u>222,852</u>	<u>535,499</u>	<u>(4,657)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,949</u>	<u>\$ (4,005)</u>

Capital Projects

TIF 1-6 Cherrywood (172)	Northern Star TIF1-7 (173)	Infrastructure Improvements Fund (198)	Equipment and Building Replacements (199)	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,518,127
29,842	9,664	-	-	154,361	154,361
-	-	-	-	6,889	603,526
-	-	-	-	-	1,650
-	-	-	-	105,267	369,214
-	-	-	-	72,500	89,187
-	-	-	-	-	5,228
(11)	19	645	565	11,397	17,967
-	-	-	-	-	5,500
-	-	-	-	10,089	10,089
<u>29,831</u>	<u>9,683</u>	<u>645</u>	<u>565</u>	<u>360,503</u>	<u>2,774,849</u>
-	-	-	-	-	844
-	-	-	-	473	473
-	-	-	-	228,963	300,999
-	-	-	-	-	2,231,924
-	469	-	-	18,247	658,750
-	-	-	2,628	2,628	2,628
-	-	-	37,260	37,260	46,828
-	-	-	70,499	70,499	70,499
-	-	-	48,392	67,264	67,264
28,693	5,129	-	-	677,281	682,045
<u>28,693</u>	<u>5,598</u>	<u>-</u>	<u>158,779</u>	<u>1,102,615</u>	<u>4,062,254</u>
1,138	4,085	645	(158,214)	(742,112)	(1,287,405)
-	-	809,558	224,910	1,073,905	2,180,817
-	-	-	-	(873,192)	(1,232,358)
<u>-</u>	<u>-</u>	<u>809,558</u>	<u>224,910</u>	<u>200,713</u>	<u>948,459</u>
1,138	4,085	810,203	66,696	(541,399)	(338,946)
(1,282)	(13,494)	-	46,813	2,690,143	4,291,103
<u>\$ (144)</u>	<u>\$ (9,409)</u>	<u>\$ 810,203</u>	<u>\$ 113,509</u>	<u>\$ 2,148,744</u>	<u>\$ 3,952,157</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2015

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Property taxes	\$ 2,053,268	\$ 2,334,854	\$ 281,586
Franchise fees	340,000	432,771	92,771
Special assessments	2,000	2,256	256
Licenses and permits	279,950	319,432	39,482
Intergovernmental revenue			
Local government aid	300,000	525,629	225,629
Market value credit	-	275	275
Pera aid	3,106	3,106	-
Fire aid	75,000	96,309	21,309
Police aid	113,950	127,028	13,078
Other grants and aids	147,000	226,974	79,974
Total intergovernmental revenue	<u>639,056</u>	<u>979,321</u>	<u>340,265</u>
Charges for services			
General government	76,300	61,359	(14,941)
Public safety	46,400	40,973	(5,427)
Public works	118,500	155,077	36,577
Culture and recreation	2,700	1,871	(829)
Total charges for services	<u>243,900</u>	<u>259,280</u>	<u>15,380</u>
Fines and forfeitures	30,300	36,553	6,253
Miscellaneous revenues			
Investment income	5,000	17,203	12,203
Contributions and donations	11,000	33,825	22,825
Other	58,000	96,144	38,144
Total miscellaneous revenues	<u>74,000</u>	<u>147,172</u>	<u>73,172</u>
Total revenues	<u>3,662,474</u>	<u>4,511,639</u>	<u>849,165</u>
Expenditures			
General government			
Mayor and council	50,564	35,346	(15,218)
Administrative and finance	473,082	487,860	14,778
Other general government	111,485	107,980	(3,505)
Capital outlay	10,000	1,683	(8,317)
Total general government	<u>645,131</u>	<u>632,869</u>	<u>(12,262)</u>
Public safety			
Police			
Current	1,432,879	1,455,897	23,018
Capital outlay	54,500	81,625	27,125
Total police	<u>1,487,379</u>	<u>1,537,522</u>	<u>50,143</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2015

	Budgeted Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Expenditures (continued)			
Public safety (continued)			
Fire			
Current	\$ 222,050	\$ 277,980	\$ 55,930
Capital outlay	82,250	-	(82,250)
Total fire	<u>304,300</u>	<u>277,980</u>	<u>(26,320)</u>
Other:			
Current	195,088	184,138	(10,950)
Total public safety	<u>1,986,767</u>	<u>1,999,640</u>	<u>12,873</u>
Public works			
Streets and highways			
Street maintenance and storm sewers	466,339	407,507	(58,832)
Street engineering	20,000	12,630	(7,370)
Street lighting	105,000	88,384	(16,616)
Total streets and highways	<u>591,339</u>	<u>508,521</u>	<u>(82,818)</u>
Sanitation			
Garbage and other refuse			
Collection and disposal	1,300	1,129	(171)
Total public works	<u>592,639</u>	<u>509,650</u>	<u>(82,989)</u>
Culture and recreation			
Libraries			
Libraries current expenditures	57,300	57,367	67
Parks and recreation:			
Current expenditures	408,422	365,129	(43,293)
Capital outlay	-	11,692	11,692
Total parks and recreation	<u>408,422</u>	<u>376,821</u>	<u>(31,601)</u>
Total culture and recreation	<u>465,722</u>	<u>434,188</u>	<u>(31,534)</u>
Economic Development			
Economic development			
Current expenditures	124,315	107,138	(17,177)
Capital outlay	-	1,683	1,683
Total economic development	<u>124,315</u>	<u>108,821</u>	<u>(15,494)</u>
Debt Service			
Interest and other charges	-	4,305	4,305
Total expenditures	<u>3,814,574</u>	<u>3,689,473</u>	<u>(125,101)</u>
Excess of revenues over (under) expenditures	<u>(152,100)</u>	<u>822,166</u>	<u>974,266</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	2,500	1,625	(875)
Transfers In	275,000	537,567	262,567
Transfers Out	(125,400)	(1,259,084)	(1,133,684)
Total other financing sources (uses)	<u>152,100</u>	<u>(719,892)</u>	<u>(871,992)</u>
Net change in fund balances	<u>\$ -</u>	<u>102,274</u>	<u>\$ 102,274</u>
Fund Balances			
Beginning of year		<u>2,601,415</u>	
End of year		<u>\$ 2,703,689</u>	

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

Independent Auditor's Report

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 8, 2016.

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.

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Internal Control over Financial Reporting (Continued)

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, considered to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance that we consider to be significant deficiencies, audit findings 2011-001 and 2004-001.

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 findings identified in our audit are described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance. 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.

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive, slightly slanted script.

St. Cloud, Minnesota

April 8, 2016



Report on 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, 2015, and the related notes to financial statements, and have issued our report thereon dated April 8, 2016.

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.

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

St. Cloud, Minnesota
April 8, 2016

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS:

Significant Deficiencies:

Audit Finding 2011-001 – Preparation of Financial Statements

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

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to 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 in a timely manner. Even though all management decisions related to financial reporting are made by the City's management and approval of the financial statements lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

City's Response:

The City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Audit Finding 2004-001 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2015, 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 District'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.