

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

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

CITY OF BIG LAKE
TABLE OF CONTENTS

ELECTED OFFICIALS AND ADMINISTRATION	1	
INDEPENDENT AUDITOR’S REPORT	2	
MANAGEMENT’S DISCUSSION AND ANALYSIS	5	
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements:		
Statement of Net Position	16	
Statement of Activities.....	18	
Fund Financial Statements:		
Balance Sheet – Governmental Funds	19	
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds.....	20	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	21	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds	22	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	23	
Statement of Net Position – Proprietary Funds.....	24	
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	25	
Statement of Cash Flows – Proprietary Funds.....	26	
Notes to the Financial Statements.....	27	
SUPPLEMENTARY INFORMATION		
Combining Balance Sheet – Nonmajor Governmental Funds.....	56	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	64	
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	72	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>		75
REPORT ON LEGAL COMPLIANCE	77	
SCHEDULE OF FINDINGS AND RESPONSES ON INTERNAL CONTROL AND LEGAL COMPLIANCE	78	

CITY OF BIG LAKE
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2014

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Raeanne Danielowski	Mayor	December 31, 2016
Richard Backlund	Council Member	December 31, 2014
Nick Christenson	Council Member	December 31, 2016
Seth Hansen	Council Member	December 31, 2016
Mike Wallen	Council Member	December 31, 2014
<u>Administration</u>		
Joel Scharf	Interim City Administrator	Appointed



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2014, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, the financial statements referred to 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, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules are 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 10, 2015 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.

Kern, Dewenter, Viere, Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
April 10, 2015

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

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, 2014. 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 \$ 52,830,874. Of this amount, \$ 4,072,318 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position decreased \$ 353,560 from the prior year. Of the decrease, 100 % was attributable to business-type activities as governmental activities had a net increase of \$294,766.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 6,525,293, a decrease of \$ 896,696 from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 2,412,141 or 65%, of the total General Fund expenditures and transfers out.
- The City's total bonded debt decreased by \$ 4,621,001 during the current fiscal year. In 2014, the City issued one refunding bond to refinance existing city debt and take advantage of lower interest rates. The General Obligation Tax – Abatement Bonds, Series 2014A refunded the City's 2005A Economic Development Public Project Revenue Bonds, which were originally issued to finance the acquisition of the City's Municipal Liquor Store. The savings due to the refunding is estimated to be approximately \$ 250,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two 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
December 31, 2014

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 40 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and for the Capital Project/Street Improvement Fund as they are considered major funds. Data from the other 38 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
December 31, 2014

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 the Financial Statements

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

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements and schedules can be found on pages 55-73 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$ 52,830,874 at the close of the most recent fiscal year.

Approximately 78% of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 14%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$ 4,072,318, 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 but the unrestricted net position category of the governmental activities, and all categories for its water, sanitary sewer, storm sewer and liquor enterprises separately.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 11,482,215	\$ 13,087,709	\$ 6,525,976	\$ 7,083,972	\$ 18,008,192	\$ 20,171,681
Capital Assets	31,792,265	32,539,878	55,399,614	57,732,244	87,191,879	90,272,122
Total Assets	\$ 43,274,480	\$ 45,627,587	\$ 61,925,590	\$ 64,816,216	\$ 105,200,071	\$ 110,443,803
Noncurrent Liabilities Outstanding	\$ 18,697,451	\$ 20,683,314	\$ 25,072,351	\$ 28,813,923	\$ 43,769,802	\$ 49,497,237
Other Liabilities	3,522,210	4,184,220	5,077,183	3,577,912	8,599,393	7,762,132
Total Liabilities	\$ 22,219,661	\$ 24,867,534	\$ 30,149,534	\$ 32,391,835	\$ 52,369,195	\$ 57,259,369
NET POSITION:						
Net Investments in Capital Assets	\$ 13,014,790	\$ 12,526,576	\$ 28,350,414	\$ 29,274,558	\$ 41,365,204	\$ 41,801,134
Restricted	7,243,632	8,621,926	149,720	149,720	7,393,352	8,771,646
Unrestricted	796,397	(388,449)	3,275,921	3,000,103	4,072,318	2,611,654
Total Net Position	\$ 21,054,819	\$ 20,760,053	\$ 31,776,055	\$ 32,424,381	\$ 52,830,874	\$ 53,184,434

The City's net position decreased \$ 353,560 during the current fiscal year. Net position related to governmental activity increased \$ 294,766. Net position related to the results of the business-type activities decreased by \$ 648,326 due to normal activity of the enterprise funds.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Governmental Activities

Governmental activities when including interest earnings and transfers increased the City's net position by \$ 294,766; however, business-type activities decreased the City's net position by \$ 648,326.

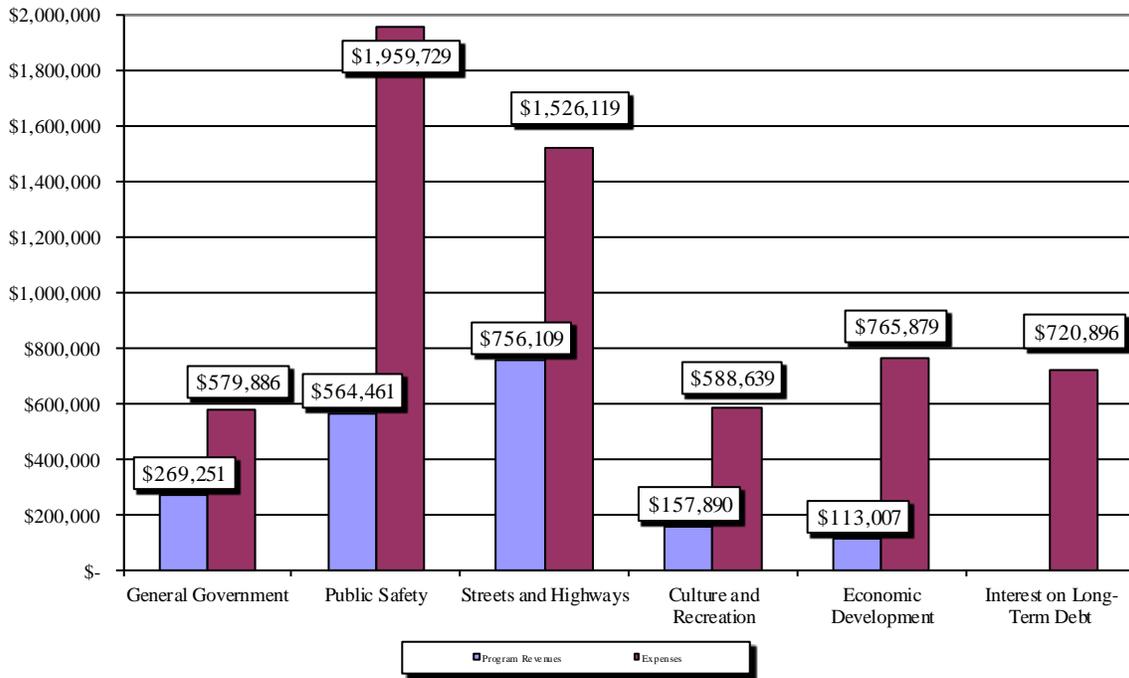
City of Big Lake's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUE:						
Program Revenues:						
Charges for Services	\$ 829,899	\$ 613,286	\$ 7,738,984	\$ 7,356,392	\$ 8,568,883	\$ 7,969,678
Operating Grants and Contributions	377,430	293,534	-	-	377,430	293,534
Capital Grants and Contributions	653,389	1,337,200	-	-	653,389	1,337,200
General Revenues:						
Property Taxes and Tax Increment	3,706,309	3,501,113	-	-	3,706,309	3,501,113
State Aids	494,979	178,309	-	-	494,979	178,309
Unrestricted Investment Earnings	14,773	36,409	116,184	110,552	130,957	146,961
Other Income	943	21,720	-	-	943	21,720
Total Revenues	<u>\$6,077,722</u>	<u>5,981,571</u>	<u>\$7,855,168</u>	<u>7,466,944</u>	<u>13,932,890</u>	<u>13,448,515</u>
EXPENSES:						
General Government	579,886	650,341	-	-	579,886	650,341
Public Safety	1,959,729	1,872,938	-	-	1,959,729	1,872,938
Streets and Highways	1,526,119	1,658,667	-	-	1,526,119	1,658,667
Culture and Recreation	588,639	612,196	-	-	588,639	612,196
Economic Development	765,879	725,505	-	-	765,879	725,505
Interest on Long-Term Debt	720,896	948,084	-	-	720,896	948,084
Water	-	-	1,935,061	1,825,217	1,935,061	1,825,217
Sewer	-	-	2,531,591	1,969,994	2,531,591	1,969,994
Municipal Liquor	-	-	3,281,787	3,153,004	3,281,787	3,153,004
Storm Sewer	-	-	396,863	366,914	396,863	366,914
Total Expenses	<u>6,141,148</u>	<u>6,467,731</u>	<u>8,145,302</u>	<u>7,315,129</u>	<u>14,286,450</u>	<u>13,782,860</u>
Increase (Decrease) in Net Position before Transfers	(63,426)	(486,160)	(290,134)	151,815	(353,560)	(334,345)
Transfers	358,192	264,024	(358,192)	(264,024)	-	-
Increase (Decrease) in Net Position	<u>294,766</u>	<u>(222,136)</u>	<u>(648,326)</u>	<u>(112,209)</u>	<u>(353,560)</u>	<u>(334,345)</u>
Special Item - Decrease in Land Held for Resale	-	(1,187,293)	-	-	-	(1,187,293)
Net Position - Beginning	20,760,053	22,366,024	32,424,381	32,719,504	53,184,434	55,085,528
Prior Period Adjustment	-	(196,542)	-	(182,914)	-	(379,456)
Net Position - Beginning, Restated	<u>20,760,053</u>	<u>22,169,482</u>	<u>32,424,381</u>	<u>32,536,590</u>	<u>53,184,434</u>	<u>54,706,072</u>
Net Position - Ending	<u>\$ 21,054,819</u>	<u>\$ 20,760,053</u>	<u>\$ 31,776,055</u>	<u>\$ 32,424,381</u>	<u>\$ 52,830,874</u>	<u>\$ 53,184,434</u>

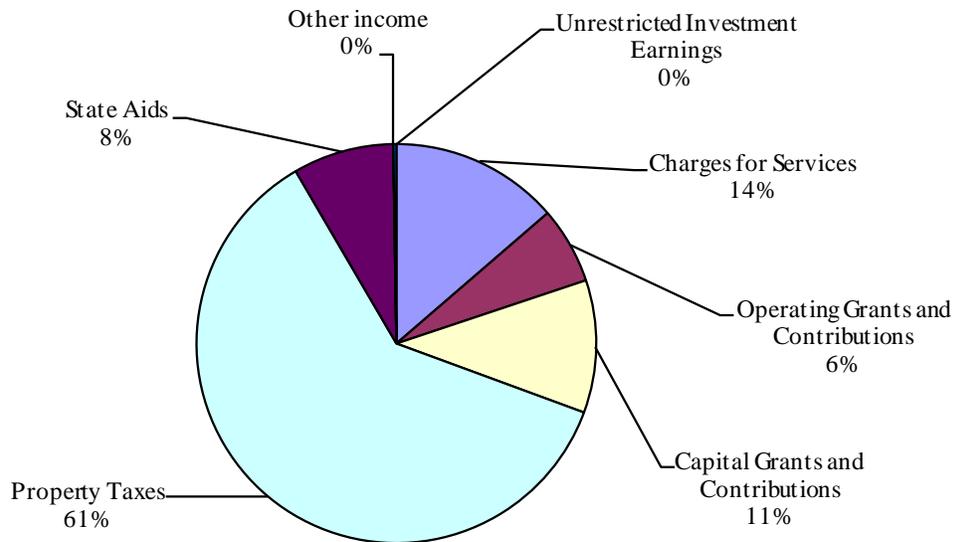
CITY OF BIG LAKE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014**

Expenses and Program Revenues - Governmental Activities

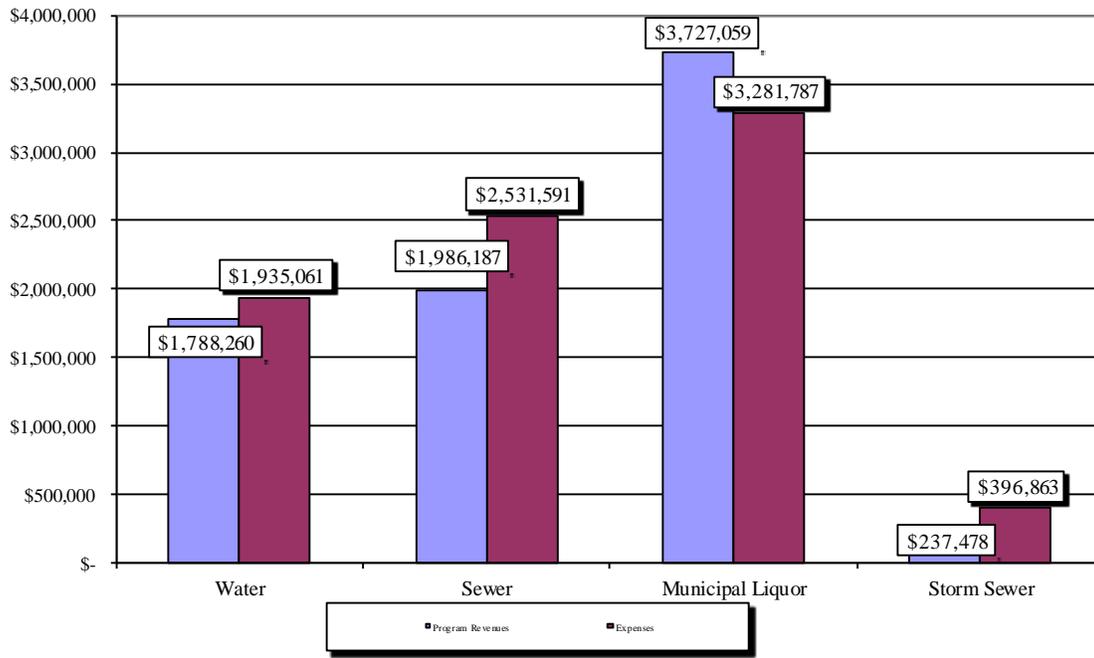


Revenues by Source - Governmental Activities

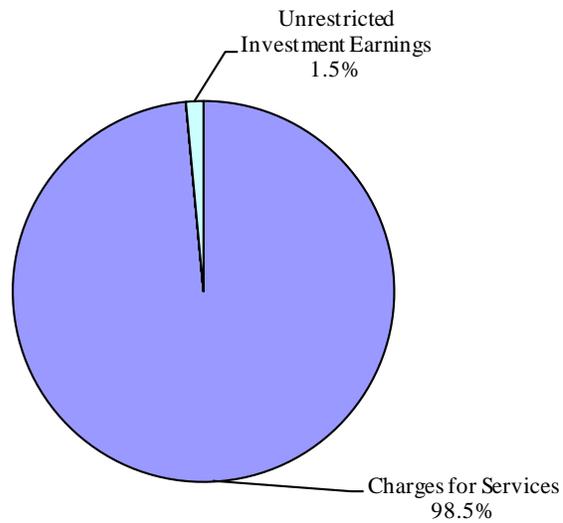


CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



Business-Type Activities

Business-type activities decreased the City's net position by \$ 648,326, resulting in 100% of the total decrease in the government's net position.

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

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 \$ 6,525,293, a decrease of \$ 896,696 from the previous year. Approximately 25% of this total amount, \$ 1,591,337 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 \$ 2,507,119, while total fund balance reached \$ 2,601,415. 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 65% of the total General Fund expenditures and transfers out, while total fund balance represents 71% of that same amount.

The fund balance of the City's General Fund increased by \$ 314,215 during the current fiscal year. Total revenues and transfers in were \$ 524,763 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 Big Lake Community Service Center lease revenues. Expenditures and transfers out ended 2014 over budget by \$ 210,548 primarily due to the purchase of the a new server for security system for City Hall, the Eagle Lake Quiet Zone project, the one-time expenditure for property tax on the Big Lake Community Center, as well as the purchase of an ATV for the Police Department.

The G.O. Improvement Bonds, Series 2007E Fund and the G.O. Capital Improvement Bonds, Series 2006B Fund closed as of the end of the current fiscal year as these bonds were refunded. The Street Improvement Fund has a deficit fund of \$ 367,226, which was an increase in the deficit fund balance in 2013 by \$ 267,163. Once the current street projects are completed, the City will request reimbursement from the State for any remaining qualifying expenditures.

Proprietary Funds

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

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Unrestricted net position of the water operations at the end of the year amounted to \$ (699,270), those for the sewer operations amounted to \$ 3,106,772, the storm sewer operations were \$ 96,127, and those for the liquor operations amounted to \$ 922,012. The changes in net position for each of the utility funds were as follows: water a decrease of \$ (155,497), sewer a decrease of \$ (460,061), and storm sewer a decrease \$ (168,305). The liquor fund saw an increase of \$ 135,537. 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 \$ 447,782. With an operating transfer of \$ 270,000 to the General Fund and \$ 42,245 to the G.O. Tax-Abatement Bonds, Series 2014A Fund for the refunding of the 2005A Economic Development Public Project Revenue Bonds, which were originally issued to finance the acquisition of the Municipal Liquor Store, the change in net position for the Liquor Fund was \$ 135,537.

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, 2014, amounts to \$ 87,191,877 (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	
	2014	2013	2014	2013	2014	2013
Land	\$ 7,973,665	\$ 7,973,665	\$ 1,533,956	\$ 1,533,956	\$ 9,507,621	\$ 9,507,621
Construction in Progress	74,909	681,366	94,456	15,545,630	169,365	16,226,996
Leasehold Improvements	45,694	49,271	109,950	115,992	155,644	165,263
Infrastructure	19,474,478	19,379,387	-	-	19,474,478	19,379,387
Collection and Distribution Systems	-	-	28,699,305	30,155,165	28,699,305	30,155,165
Buildings	3,743,457	3,923,781	24,848,461	10,224,434	28,591,918	14,148,215
Machinery and Equipment	480,062	532,408	113,484	157,067	593,546	689,475
Total	\$ 31,792,265	\$ 32,539,878	\$ 55,399,612	\$ 57,732,244	\$ 87,191,877	\$ 90,272,122

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

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$ 50,353,999. Of this amount, \$ 3,198,000 comprises debt backed by the full faith and credit of the government and \$ 13,120,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment also backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., tax increment financing [TIF] bonds, revenue bonds, lease revenue bonds).

CITY OF BIG LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

City of Big Lake's Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
G.O. Bonds/Notes	\$ 3,198,000	\$ 4,149,000	\$ -	\$ -	\$ 3,198,000	\$ 4,149,000
G.O. Tax Increment Bonds	1,840,000	1,850,000	-	-	1,840,000	1,850,000
G.O. Special Assessment Bonds	13,120,000	14,780,000	-	-	13,120,000	14,780,000
EDA Lease Revenue Bonds	2,045,000	2,220,000	-	-	2,045,000	2,220,000
PFA Drinking Water Revolving Loan	-	-	5,066,000	5,506,000	5,066,000	5,506,000
PFA Clean Water Revolving Loan	-	-	12,220,000	12,520,000	12,220,000	12,520,000
G.O. Revenue Bonds/Notes	296,530	-	11,273,470	12,580,000	11,570,000	12,580,000
Public Project Revenue Bonds	353,924	365,762	941,075	1,004,238	1,294,999	1,370,000
Total	\$ 20,853,454	\$ 23,364,762	\$ 29,500,545	\$ 31,610,238	\$ 50,353,999	\$ 54,975,000

Total bonded debt decreased by \$ 4,621,001 during the current fiscal year due to the continued amortization of the City's outstanding obligations as well as the redemption of the callable portions of debt identified in the 2012A G.O. Improvement Refunding Bonds.

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 43-47 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 \$ 3,422,264.
- The 2015 total levy amount of \$ 3,788,858 was a 3.3% increase over the 2014 amount.
- In 2015, the City anticipates receiving approximately \$ 526,000 in LGA, as compared to \$ 481,000 received in 2014. Because LGA payments are not guaranteed, the City has decided to take a conservative approach by only budgeting for a portion of the expected LGA payments, which are typically received in July and December.
- Residential water rates were increased from \$3.20 to \$ 3.36 per 1,000 gallons of usage and sewer rates were increased from \$ 4.65 to \$ 5.81 per 1,000 gallons of usage in 2014. Commercial water rates were increased from \$ 3.19 to \$ 3.35 per 1,000 gallons of usage and sewer rates were increased from \$ 4.65 to \$ 5.81 per 1,000 gallons of usage. These increases are necessary to cover the City's upcoming debt payments relating to the water and sewer infrastructure, as well as ensuring positive cash flow for operations in future years. 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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments (Including Cash Equivalents)	\$ 6,652,101	\$ 1,236,703	\$ 7,888,804
Cash with Fiscal Agent	-	1,747,756	1,747,756
Restricted Cash	-	149,720	149,720
Receivables:			
Property Tax Receivable	302,662	-	302,662
Accounts Receivable	123,779	502,629	626,408
Interest Receivable	8,805	-	8,805
Notes Receivable	901,525	8,153	909,678
Special Assessments Receivable:			
Delinquent	56,732	39,449	96,181
Deferred	2,816,038	36,415	2,852,453
Due from Other Governments	355,953	7,442	363,395
Advances to Other Funds (Internal Balances):			
Within One Year	(25,345)	25,345	-
After One Year	(2,077,449)	2,077,449	-
Inventories	-	639,302	639,302
Land Held for Resale	2,273,118	-	2,273,118
Prepaid Items	94,296	55,613	149,909
Capital Assets not being Depreciated:			
Land	7,973,665	1,533,956	9,507,621
Construction In Progress	74,909	94,456	169,365
Capital Assets being Depreciated:			
Infrastructure	36,766,732	-	36,766,732
Buildings	5,409,726	27,648,091	33,057,817
Leasehold Improvements	71,543	223,833	295,376
Machinery and Equipment	3,760,631	1,049,658	4,810,289
Collection and Distribution Systems	-	45,175,302	45,175,302
Less Accumulated Depreciation	(22,264,941)	(20,325,683)	(42,590,624)
	<u>\$ 43,274,480</u>	<u>\$ 61,925,589</u>	<u>\$ 105,200,069</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET POSITION
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 133,557	\$ 84,827	\$ 218,384
Salaries and Benefits Payable	45,905	10,542	56,447
Escrow Payable	473,074	-	473,074
Contracts Payable	44,298	-	44,298
Due to Other Governments	172,020	33,528	205,548
Interest Payable	264,475	353,347	617,822
Unearned Revenue	13,111	4,361	17,472
Net G.O. Bonds Principal Payable:			
Payable Within One Year	1,635,000	-	1,635,000
Payable After One Year	14,595,921	-	14,595,921
Revenue Bonds Payable:			
Payable Within One Year	478,924	4,513,075	4,991,999
Payable After One Year	2,216,530	25,072,350	27,288,880
Notes Payable:			
Payable Within One Year	118,000	-	118,000
Payable After One Year	1,885,000	-	1,885,000
Compensated Absences Payable:			
Payable Within One Year	143,846	77,504	221,350
Total Liabilities	22,219,661	30,149,534	52,369,195
NET POSITION			
Net Investment of Capital Assets	13,014,790	28,350,414	41,365,204
Restricted for:			
Debt Service	5,701,220	149,720	5,850,940
Tax Increment	1,281,037	-	1,281,037
Neighborhood Stabilization	155,440	-	155,440
Parkland Dedication	91,042	-	91,042
Other Purposes	14,893	-	14,893
Unrestricted	796,397	3,275,921	4,072,318
Total Net Position	21,054,819	31,776,055	52,830,874
Total Liabilities and Net Position	\$ 43,274,480	\$ 61,925,589	\$ 105,200,069

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

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	\$ 579,886	\$ 254,387	\$ 14,513	\$ 351	\$ (310,635)	\$ -	\$ (310,635)
Public Safety	1,959,729	294,003	270,458	-	(1,395,268)	-	(1,395,268)
Streets and Highways	1,526,119	156,335	34,712	565,062	(770,010)	-	(770,010)
Culture and Recreation	588,639	111,755	46,135	-	(430,749)	-	(430,749)
Economic Development	765,879	13,419	11,612	87,976	(652,872)	-	(652,872)
Interest on Long-Term Debt	720,896	-	-	-	(720,896)	-	(720,896)
Total Governmental Activities	<u>6,141,148</u>	<u>829,899</u>	<u>377,430</u>	<u>653,389</u>	<u>(4,280,430)</u>	<u>-</u>	<u>(4,280,430)</u>
Business-Type Activities							
Water	1,935,061	1,788,260	-	-	-	(146,801)	(146,801)
Sewer	2,531,591	1,986,187	-	-	-	(545,404)	(545,404)
Liquor	3,281,787	3,727,059	-	-	-	445,272	445,272
Storm Sewer	396,863	237,478	-	-	-	(159,385)	(159,385)
Total Business-Type Activities	<u>8,145,302</u>	<u>7,738,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(406,318)</u>	<u>(406,318)</u>
Total Governmental and Business-Type Activities	<u>\$ 14,286,450</u>	<u>\$ 8,568,883</u>	<u>\$ 377,430</u>	<u>\$ 653,389</u>	<u>(4,280,430)</u>	<u>(406,318)</u>	<u>(4,686,748)</u>
General Revenues							
Property Taxes					3,573,467	-	3,573,467
Tax Increments					132,842	-	132,842
State Aids					494,979	-	494,979
Unrestricted Investment and Other Interest Income					14,773	116,184	130,957
Gain on Sale of Assets					943	-	943
Transfers					358,192	(358,192)	-
Total General Revenues and Transfers					<u>4,575,196</u>	<u>(242,008)</u>	<u>4,333,188</u>
Change in Net Position					294,766	(648,326)	(353,560)
Net Position - Beginning					<u>20,760,053</u>	<u>32,424,381</u>	<u>53,184,434</u>
Net Position - Ending					<u>\$ 21,054,819</u>	<u>\$ 31,776,055</u>	<u>\$ 52,830,874</u>

CITY OF BIG LAKE

**BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2014**

	General (101)	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,689,164	\$ -	\$ 3,962,937	\$ 6,652,101
Taxes Receivable - Delinquent	192,442	-	110,220	302,662
Accounts Receivable	100,018	-	23,761	123,779
Interest Receivable	8,805	-	-	8,805
Due from Other Governments	92,556	168,333	95,064	355,953
Notes Receivable	-	-	901,525	901,525
Special Assessment Receivable:				
Delinquent	1,153	17,058	38,521	56,732
Deferred	2,271	37,335	2,776,432	2,816,038
Land Held for Resale	-	-	2,273,118	2,273,118
Prepaid Items	94,296	-	-	94,296
	<u>3,180,705</u>	<u>222,726</u>	<u>10,181,578</u>	<u>13,585,009</u>
Total Assets	\$ 3,180,705	\$ 222,726	\$ 10,181,578	\$ 13,585,009
LIABILITIES				
Accounts Payable	\$ 42,735	\$ 54,211	\$ 36,611	\$ 133,557
Salaries and Benefits Payable	45,905	-	-	45,905
Escrow Payable	142,830	10,000	320,244	473,074
Contracts Payable	-	28,498	15,800	44,298
Due to Other Governments	39,252	-	132,768	172,020
Advances from Other Funds	107,628	442,849	1,552,317	2,102,794
Unearned Revenue	5,074	-	8,037	13,111
Total Liabilities	<u>383,424</u>	<u>535,558</u>	<u>2,065,777</u>	<u>2,984,759</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Notes Receivables	-	-	899,525	899,525
Unavailable Revenue - Property Taxes	192,442	-	110,220	302,662
Unavailable Revenue - Special Assessments	3,424	54,393	2,814,953	2,872,770
Total Deferred Inflows of Resources	<u>195,866</u>	<u>54,393</u>	<u>3,824,698</u>	<u>4,074,957</u>
FUND BALANCES				
Nonspendable	94,296	-	253,980	348,276
Restricted	-	-	3,787,999	3,787,999
Assigned	94,978	-	1,183,067	1,278,045
Unassigned	2,412,141	(367,225)	(933,943)	1,110,973
Total Fund Balances	<u>2,601,415</u>	<u>(367,225)</u>	<u>4,291,103</u>	<u>6,525,293</u>
	<u>\$ 3,180,705</u>	<u>\$ 222,726</u>	<u>\$ 10,181,578</u>	<u>\$ 13,585,009</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,180,705	\$ 222,726	\$ 10,181,578	\$ 13,585,009

CITY OF BIG LAKE

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2014**

Total Fund Balances - Governmental Funds	\$ 6,525,293
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	54,057,206
Less Accumulated Depreciation	(22,264,941)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
G.O. Bonds Principal Payable	(16,155,000)
Revenue Bonds Payable	(2,695,454)
Unamortized Bond Premiums	(75,921)
Notes Payable	(2,003,000)
Compensated Absences Payable	(143,846)
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	302,662
Special Assessments	56,732
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special Assessments	2,816,038
Notes Receivable	899,525
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	<u>(264,475)</u>
Total Net Position - Governmental Activities	<u>\$ 21,054,819</u>

CITY OF BIG LAKE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

	General (101)	Capital Project Street Improvement (175)	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 2,000,335	\$ -	\$ 1,525,930	\$ 3,526,265
Tax Increments	-	-	132,842	132,842
Franchise Fees	129,508	-	-	129,508
Special Assessments	4,930	23,352	640,926	669,208
Licenses and Permits	310,662	-	1,350	312,012
Intergovernmental	860,921	154,135	345,673	1,360,729
Charges for Services	267,589	-	24,975	292,564
Fines and Forfeitures	40,537	-	9,153	49,690
Miscellaneous:				
Investment and Other Interest Income	(5,416)	1,651	15,253	11,488
Contributions and Donations	36,427	-	-	36,427
Other	107,991	-	15,213	123,204
Total Revenues	<u>3,753,484</u>	<u>179,138</u>	<u>2,711,315</u>	<u>6,643,937</u>
EXPENDITURES				
Current				
General Government	594,110	-	-	594,110
Public Safety	1,773,218	-	8,448	1,781,666
Streets and Highways	532,912	1,448	465	534,825
Culture and Recreation	408,991	-	1,222	410,213
Economic Development	114,658	-	319,342	434,000
Debt Service				
Principal	-	-	2,807,838	2,807,838
Interest and Other Charges	5,280	10,171	710,739	726,190
Capital Outlay				
General Government	55,694	-	-	55,694
Public Safety	77,866	-	3,900	81,766
Streets and Highways	-	493,068	-	493,068
Culture and Recreation	24,490	-	11,580	36,070
Economic Development	-	-	249,357	249,357
Total Expenditures	<u>3,587,219</u>	<u>504,687</u>	<u>4,112,891</u>	<u>8,204,797</u>
Excess of Revenues Over (Under) Expenditures	166,265	(325,549)	(1,401,576)	(1,560,860)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Asset	943	-	-	943
Issuance of Debt	-	-	296,530	296,530
Bond Premium	-	-	8,499	8,499
Transfers In	270,000	58,386	298,122	626,508
Transfers Out	(122,993)	-	(145,323)	(268,316)
Total Other Financing Sources (Uses)	<u>147,950</u>	<u>58,386</u>	<u>457,828</u>	<u>664,164</u>
Net Change in Fund Balances Before Special Item	314,215	(267,163)	(943,748)	(896,696)
FUND BALANCES				
Beginning of Year	<u>2,287,200</u>	<u>(100,062)</u>	<u>5,234,851</u>	<u>7,421,989</u>
End of Year	<u>\$ 2,601,415</u>	<u>\$ (367,225)</u>	<u>\$ 4,291,103</u>	<u>\$ 6,525,293</u>

CITY OF BIG LAKE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

Total Net Change in Fund Balances - Governmental Funds \$ (896,696)

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	622,822
Depreciation Expense	(1,370,435)

Compensated absences and severance are recognized as paid in the governmental funds
but recognized as the expense is incurred in the Statement of Activities. (1,870)

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	2,807,838
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Governmental funds report the effects of bond premiums and discounts and issuance costs
when debt is first issued, whereas these amounts are deferred and amortized in the
Statement of Activities. (872)

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. (2,333)

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. (296,530)

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

Special Assessments	(509,138)
Long-Term Notes Receivable	(105,222)

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. 47,202

Change in Net Position- Governmental Activities \$ 294,766

CITY OF BIG LAKE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014**

	Budgeted Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	\$ 1,993,261	\$ 2,000,335	\$ 7,074
Franchise Fees	133,492	129,508	(3,984)
Special Assessments	15,000	4,930	(10,070)
Licenses and Permits	272,500	310,662	38,162
Intergovernmental	499,006	860,921	361,915
Charges for Services	238,805	267,589	28,784
Fines and Forfeitures	27,000	40,537	13,537
Miscellaneous Revenues:			
Investment Income	17,000	(5,416)	(22,416)
Contributions and Donations	11,500	36,427	24,927
Other	19,600	107,991	88,391
Total Revenues	3,227,164	3,753,484	526,320
EXPENDITURES			
Current			
General Government	617,177	594,110	(23,067)
Public Safety	1,762,517	1,773,218	10,701
Streets and Highways	493,189	532,912	39,723
Culture and Recreation	374,654	408,991	34,337
Economic Development	82,727	114,658	31,931
Debt Service:			
Interest and Other Charges	-	5,280	5,280
Capital Outlay			
General Government	2,000	55,694	53,694
Public Safety	58,000	77,866	19,866
Culture and Recreation	32,000	24,490	(7,510)
Total Expenditures	3,422,264	3,587,219	164,955
Excess of Revenues Over (Under) Expenditures	(195,100)	166,265	361,365
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Asset	2,500	943	(1,557)
Transfers In	270,000	270,000	-
Transfers Out	(77,400)	(122,993)	(45,593)
Total Other Financing Sources (Uses)	195,100	147,950	(47,150)
Net Change in Fund Balances	\$ -	314,215	\$ 314,215
FUND BALANCES			
Beginning of Year		2,287,200	
End of Year		\$ 2,601,415	

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2014

	Water (301, 399)	Sewer (401, 499)	Liquor (501)	Storm Sewer (601)	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 46,241	\$ 126,620	\$ 998,679	\$ 65,163	\$ 1,236,703
Cash With Fiscal Agent	1,100,857	646,899	-	-	1,747,756
Restricted Cash	-	-	149,720	-	149,720
Taxes Receivable - Delinquent	-	-	-	-	-
Accounts Receivable	187,330	282,568	-	32,731	502,629
Advances to Other Funds - Within One Year	-	25,345	-	-	25,345
Due from Other Governments	4,932	2,165	-	345	7,442
Notes Receivable	8,153	-	-	-	8,153
Special Assessment Receivable:					
Delinquent	24,432	12,795	-	2,222	39,449
Deferred	19,193	13,853	-	3,369	36,415
Inventories	-	-	639,302	-	639,302
Prepaid Items	24,354	21,127	8,353	1,779	55,613
Total Current Assets	<u>1,415,492</u>	<u>1,131,372</u>	<u>1,796,054</u>	<u>105,609</u>	<u>4,448,527</u>
Noncurrent Assets					
Advances to Other Funds - After One Year	-	2,931,369	-	-	2,931,369
Capital Assets:					
Land	277,006	1,256,950	-	-	1,533,956
Construction In Progress	-	94,456	-	-	94,456
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	310,188	238,348	199,395	301,727	1,049,658
Total Capital Assets	<u>27,155,071</u>	<u>39,291,829</u>	<u>2,172,773</u>	<u>7,105,623</u>	<u>75,725,296</u>
Less Accumulated Depreciation	<u>(7,384,350)</u>	<u>(9,508,595)</u>	<u>(678,282)</u>	<u>(2,754,456)</u>	<u>(20,325,683)</u>
Net Capital Assets	<u>19,770,721</u>	<u>29,783,234</u>	<u>1,494,491</u>	<u>4,351,167</u>	<u>55,399,613</u>
Total Noncurrent Assets	<u>19,770,721</u>	<u>32,714,603</u>	<u>1,494,491</u>	<u>4,351,167</u>	<u>58,330,982</u>
Total Assets	<u>\$ 21,186,213</u>	<u>\$ 33,845,975</u>	<u>\$ 3,290,545</u>	<u>\$ 4,456,776</u>	<u>\$ 62,779,509</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts Payable	\$ 21,123	\$ 50,231	\$ 10,021	\$ 3,452	\$ 84,827
Salaries and Benefits Payable	2,945	2,945	4,508	144	10,542
Interest Payable	107,298	223,781	22,268	-	353,347
Unearned Revenue	-	4,361	-	-	4,361
Due to Other Governments	867	-	32,661	-	33,528
Current Compensated Absences	27,752	27,752	16,114	5,886	77,504
Amount Due Within One Year	<u>1,682,267</u>	<u>1,889,733</u>	<u>941,075</u>	<u>-</u>	<u>4,513,075</u>
Total Current Liabilities	<u>1,842,252</u>	<u>2,198,803</u>	<u>1,026,647</u>	<u>9,482</u>	<u>5,077,184</u>
Noncurrent Liabilities					
Advances from Other Funds	853,920	-	-	-	853,920
Revenue Bonds, Net of Unamortized Discount	3,600,372	6,947,163	1,751,890	-	12,299,425
PFA G.O. Revenue Note	5,066,000	12,220,000	-	-	17,286,000
Less Amount Due Within One Year	<u>(1,682,267)</u>	<u>(1,889,733)</u>	<u>(941,075)</u>	<u>-</u>	<u>(4,513,075)</u>
Total Noncurrent Liabilities	<u>7,838,025</u>	<u>17,277,430</u>	<u>810,815</u>	<u>-</u>	<u>25,926,270</u>
Total Liabilities	<u>9,680,277</u>	<u>19,476,233</u>	<u>1,837,462</u>	<u>9,482</u>	<u>31,003,454</u>
Net Position					
Net Investment in Capital Assets	12,205,206	11,262,970	531,071	4,351,167	28,350,414
Restricted for Debt Service	-	-	149,720	-	149,720
Unrestricted	<u>(699,270)</u>	<u>3,106,772</u>	<u>772,292</u>	<u>96,127</u>	<u>3,275,921</u>
Total Net Position	<u>11,505,936</u>	<u>14,369,742</u>	<u>1,453,083</u>	<u>4,447,294</u>	<u>31,776,055</u>
Total Liabilities and Net Position	<u>\$ 21,186,213</u>	<u>\$ 33,845,975</u>	<u>\$ 3,290,545</u>	<u>\$ 4,456,776</u>	<u>\$ 62,779,509</u>

CITY OF BIG LAKE
Sherburne County, Minnesota

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Water (301, 399)	Sewer (401, 499)	Liquor (501)	Storm Sewer (601)	Totals
SALES AND COST OF SALES					
Sales	\$ -	\$ -	\$ 3,725,408	\$ -	\$ 3,725,408
Cost of Sales	-	-	2,649,008	-	2,649,008
Gross Profit	<u>-</u>	<u>-</u>	<u>1,076,400</u>	<u>-</u>	<u>1,076,400</u>
OPERATING REVENUES					
Charges for Services	<u>1,651,949</u>	<u>1,761,518</u>	<u>-</u>	<u>237,464</u>	<u>3,650,931</u>
OPERATING EXPENSES					
Wages and Salaries	338,932	334,965	265,684	49,225	988,806
Employee Benefits	109,457	113,860	60,799	15,266	299,382
Materials and Supplies	32,983	34,305	11,162	3,911	82,361
Repairs and Maintenance	9,242	38,637	6,329	3,878	58,086
Professional Services	44,635	48,589	62,701	10,111	166,036
Insurance	26,395	22,052	11,186	1,639	61,272
Utilities and Refuse	133,841	154,615	32,252	4,043	324,751
Depreciation	861,093	1,211,435	77,421	286,892	2,436,841
Travel	11,641	11,681	303	9,431	33,056
Bad Debt Expense	2,305	-	81	-	2,386
Equipment	205	-	-	1,490	1,695
Advertising	870	724	8,293	287	10,174
Dues, Memberships and Training	9,204	2,778	4,418	579	16,979
Telephone	1,768	2,696	4,697	1,438	10,599
Postage	6,846	6,401	271	4,251	17,769
Water Meters	18,540	-	-	-	18,540
Uniforms	1,043	1,159	-	-	2,202
Rental Expense and Real Estate Taxes	-	-	792	-	792
Miscellaneous	21	1,576	-	93	1,690
Total Operating Expenses	<u>1,609,021</u>	<u>1,985,473</u>	<u>546,389</u>	<u>392,534</u>	<u>4,533,417</u>
Operating Income (Loss)	42,928	(223,955)	530,011	(155,070)	193,914
NONOPERATING REVENUES (EXPENSES)					
Investment and Other Interest Income	9,157	103,196	2,510	1,321	116,184
Refunds and Reimbursements	2,094	7,625	-	14	9,733
Trunk and Access Charges	132,430	198,550	-	-	330,980
Interest Expense	(327,133)	(550,686)	(86,644)	(4,329)	(968,792)
Amortization Expense	1,093	4,568	254	-	5,915
Rent	-	4,275	-	-	4,275
Other Income	1,787	14,219	1,651	-	17,657
Total Nonoperating Revenues (Expenses)	<u>(180,572)</u>	<u>(218,253)</u>	<u>(82,229)</u>	<u>(2,994)</u>	<u>(484,048)</u>
Income (Loss) before Capital Contributions and Transfers	(137,644)	(442,208)	447,782	(158,064)	(290,134)
Transfers Out	<u>(17,853)</u>	<u>(17,853)</u>	<u>(312,245)</u>	<u>(10,241)</u>	<u>(358,192)</u>
Change in Net Position	(155,497)	(460,061)	135,537	(168,305)	(648,326)
NET POSITION					
Beginning of Year	<u>11,661,433</u>	<u>14,829,803</u>	<u>1,317,546</u>	<u>4,615,599</u>	<u>32,424,381</u>
End of Year	<u>\$ 11,505,936</u>	<u>\$ 14,369,742</u>	<u>\$ 1,453,083</u>	<u>\$ 4,447,294</u>	<u>\$ 31,776,055</u>

CITY OF BIG LAKE

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2014**

	Water (301, 399)	Sewer (401, 499)	Liquor (501)	Storm Sewer (601)	Total
CASH FLOWS - OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 1,767,406	\$ 1,743,336	\$ 3,727,136	\$ 239,099	\$ 7,476,977
Payments to Suppliers	(295,754)	(304,240)	(2,964,486)	(41,368)	(3,605,848)
Payments to Employees	(456,828)	(457,374)	(329,528)	(64,172)	(1,307,902)
Net Cash Flows - Operating Activities	<u>1,014,824</u>	<u>981,722</u>	<u>433,122</u>	<u>133,559</u>	<u>2,563,227</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES					
Payment of Advances to Other Funds	46,537	270,576	-	-	317,113
Receipt of Advances from Other Funds	(350,000)	-	-	(144,306)	(494,306)
Repayment of Note Receivable	59,757	-	-	-	59,757
Refunds and Reimbursements	2,094	7,625	-	14	9,733
Rent	-	4,275	-	-	4,275
Transfer to Other Funds	(17,853)	(17,853)	(312,245)	(10,241)	(358,192)
Net Cash Flows - Noncapital Financing Activities	<u>(259,465)</u>	<u>264,623</u>	<u>(312,245)</u>	<u>(154,533)</u>	<u>(461,620)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES					
Trunk and Access Charges	132,430	198,550	-	-	330,980
Principal Paid on Debt	(581,084)	(833,484)	(40,818)	-	(1,455,386)
Interest Paid on Debt	(284,995)	(546,674)	(85,205)	(4,329)	(921,203)
Bond Proceeds	-	-	788,470	-	788,470
Acquisition of Capital Assets	(16,477)	(110,932)	(5,220)	(1,511)	(134,140)
Net Cash Flows - Capital and Related Financing Activities	<u>(750,126)</u>	<u>(1,292,540)</u>	<u>657,227</u>	<u>(5,840)</u>	<u>(1,391,279)</u>
CASH FLOWS - INVESTING ACTIVITIES					
Interest and Dividends Received	6,986	96,509	2,510	1,321	107,326
Net Change in Cash and Cash Equivalents	<u>12,219</u>	<u>50,314</u>	<u>780,614</u>	<u>(25,493)</u>	<u>817,654</u>
Cash and Cash Equivalents, January 1 Including Restricted Cash and Cash Equivalents	<u>34,022</u>	<u>76,306</u>	<u>367,785</u>	<u>90,656</u>	<u>568,769</u>
Cash and Cash Equivalents, December 31 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>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 42,928	\$ (223,955)	\$ 530,011	\$ (155,070)	\$ 193,914
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:					
Other Revenues	1,787	14,219	1,651	-	17,657
Depreciation Expense	861,093	1,211,435	77,421	286,892	2,436,841
Accounts Receivable	(8,557)	(72,826)	77	(3,486)	(84,792)
Special Assessments Receivable	127,159	44,445	-	5,466	177,070
Due from Other Governments	(4,932)	(2,163)	-	(345)	(7,440)
Prepaid Items	(708)	834	3,889	(538)	3,477
Inventory	-	-	(68,222)	-	(68,222)
Accounts Payable	4,700	20,139	(109,535)	321	(84,375)
Due to Other Governmental Units	(207)	-	875	-	668
Salaries Payable	(14,517)	(14,627)	(9,700)	(2,335)	(41,179)
Unearned Revenue	-	(1,857)	-	-	(1,857)
Compensated Absences Payable	6,078	6,078	6,655	2,654	21,465
Total Adjustments	<u>971,896</u>	<u>1,205,677</u>	<u>(96,889)</u>	<u>288,629</u>	<u>2,369,313</u>
Net Cash Flows - Operating Activities	<u>\$ 1,014,824</u>	<u>\$ 981,722</u>	<u>\$ 433,122</u>	<u>\$ 133,559</u>	<u>\$ 2,563,227</u>

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

1. Blended Component Unit

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

2. Related Organization

Big Lake Volunteer Fire Relief Association

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

3. Joint Ventures and Jointly Governed Organization

Big Lake Volunteer Fire Department

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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 THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Description of Funds:

Major Governmental Fund:

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

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds: (Continued)

Proprietary Funds:

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

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 sanitary sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. 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 THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2014 were comprised of deposits, brokered certificates of deposit, money market accounts, U.S. Treasury State and Local Government Series Time Deposits and investments in the 4M Fund.

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

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

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

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and Restricted Cash

Certain resources from the 2011B G.O. Improvement Refunding Bonds are set aside for their repayment of the 2005A G.O. Improvement Bonds and the 2006A G.O. Improvement Bonds in accordance with the refunding bond documents. In addition, certain resources from the 2012A G.O. Refunding Bonds are set aside for their repayment of the 2004A G.O. Wastewater Revenue Refunding Bonds, 2005B G.O. Utility Revenue Bonds, 2006B G.O. Capital Improvement Plan Bonds, 2007D G.O. Public Utility Revenue Refunding Bonds and the 2007E G.O. Improvement Bonds in accordance with the refunding bond documents. Certain resources from the 2005 Public Project Revenue Bonds are set aside for their repayment and are classified as restricted assets in the Balance Sheet because their use is limited by the Bond’s document.

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 THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. Capital Assets

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

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

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

Assets	Years
Buildings	30
Leasehold Improvements	10-30
Machinery and Equipment	5-10
Utility Collection and Distribution System	30
Infrastructure	30

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.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 three types of items, which arise only under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items 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.

7. Compensated Absences

Employees who retire are compensated for their unused sick leave. After 100 days have accrued, employees can either take vacation or get paid for half of every hour earned.

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

8. 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.

9. 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.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

10. 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.
- **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.

11. Net Position

Net Position represents the difference between assets and liabilities and deferred inflows in the government-wide 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.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

12. 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.
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.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

B. Deficit Fund Balance

The following Nonmajor funds had deficit fund balances at December 31, 2014:

Nonmajor Governmental Funds:

Special Revenue:

Economic Development Authority	\$ 13,177
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Debt Service:

G.O. Tax Increment Bonds of 2004C	212,880
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G.O. Improvement Bonds of 2004B	26,613
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G.O. Taxable Tax Abatement Bonds of 2013B	407,110
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Capital Projects:

Industrial Park TIF 2-1	750
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Northern Star TIF 1-7	13,494
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Commercial Redevelopment TIF 1-5	4,657
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TIF 1-6 Cherrywood	1,282
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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, 2014, 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, 2014, the City's deposits had a book balance of \$ (164,465).

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments

At December 31, 2014, 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	\$ 2,020,770	\$ 693,114	\$ -	\$ 982,513	\$ 345,143
Cash and Brokered Money Market Accounts	307,614	307,614	-	-	-
4M Fund	<u>4,656,585</u>	<u>4,656,585</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>6,984,969</u>	<u>5,657,313</u>	<u>-</u>	<u>982,513</u>	<u>345,143</u>
Non-Pooled Investments:					
4M Fund	1,215,021	1,215,021	-	-	-
U.S. Treasury State and Local Government Series Time Deposit	<u>1,747,755</u>	<u>1,747,755</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>2,962,776</u>	<u>2,962,776</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 9,947,745</u>	<u>\$ 8,620,089</u>	<u>\$ -</u>	<u>\$ 982,513</u>	<u>\$ 345,143</u>

Credit Risk: As of December 31, 2014, 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.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS

Summary of cash, deposits and investments as of December 31, 2014:

Petty Cash	\$ 3,000
Deposits (Note 3.A.)	(164,465)
Investments (Note 3.B.)	<u>9,947,745</u>
 Total Deposits and Investments	 <u><u>\$ 9,786,280</u></u>

Cash, deposits and investments are presented in the December 31, 2014 basic financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 7,888,804
Cash with Fiscal Agent	1,747,756
Restricted Cash	<u>149,720</u>
 Total	 <u><u>\$ 9,786,280</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 \$ 562,600 and the G.O. Capital Improvement Bonds of 2012A for fire hall funding amounting to \$ 250,000. 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 \$ 88,925, for a grand total of notes receivable of \$ 901,525.

Proprietary funds note receivable includes amounts due from local businesses totaling \$ 8,153.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2014 was as follows:

	Advances from Sewer Fund
Advances to:	
General Fund	\$ 107,628
Street Improvement Fund	442,849
Other Governmental Funds	1,552,317
Water Fund	853,920
Total	\$ 2,956,714

The amounts due to the Sewer Fund represent interfund loans to absorb temporary negative cash balances and to temporarily fund capital projects. \$ 25,345 of this balance is due within one year.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2014 was as follows:

	Transfers In			
	General Fund	Street Improvement	Other Governmental Funds	Total
Transfers Out:				
General Fund	\$ -	\$ 58,386	\$ 64,607	\$ 122,993
Other Governmental Funds	-	-	145,323	145,323
Liquor Fund	270,000	-	42,245	312,245
Water Fund	-	-	17,853	17,853
Sewer Fund	-	-	17,853	17,853
Storm Sewer Fund	-	-	10,241	10,241
Total	\$ 270,000	\$ 58,386	\$ 298,122	\$ 626,508

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 7,973,665	\$ -	\$ -	\$ 7,973,665
Construction in Progress	<u>681,366</u>	<u>493,676</u>	<u>1,100,133</u>	<u>74,909</u>
Total Capital Assets not being Depreciated	<u>8,655,031</u>	<u>493,676</u>	<u>1,100,133</u>	<u>8,048,574</u>
Capital Assets being Depreciated:				
Infrastructure	35,666,599	1,100,133	-	36,766,732
Buildings	5,409,726	-	-	5,409,726
Leasehold Improvements	71,543	-	-	71,543
Machinery and Equipment	<u>3,807,285</u>	<u>129,146</u>	<u>175,800</u>	<u>3,760,631</u>
Total Capital Assets being Depreciated	<u>44,955,153</u>	<u>1,229,279</u>	<u>175,800</u>	<u>46,008,632</u>
Less Accumulated Depreciation for:				
Infrastructure	16,287,212	1,005,106	-	17,292,318
Buildings	1,485,945	180,324	-	1,666,269
Leasehold Improvements	22,272	3,577	-	25,849
Machinery and Equipment	<u>3,274,877</u>	<u>181,428</u>	<u>175,800</u>	<u>3,280,505</u>
Total Accumulated Depreciation	<u>21,070,306</u>	<u>1,370,435</u>	<u>175,800</u>	<u>22,264,941</u>
Total Capital Assets being Depreciated, Net	<u>23,884,847</u>	<u>(141,156)</u>	<u>-</u>	<u>23,743,691</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,539,878</u>	<u>\$ 352,520</u>	<u>\$ 1,100,133</u>	<u>\$ 31,792,265</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,533,956	\$ -	\$ -	\$ 1,533,956
Construction in Progress	<u>15,545,630</u>	<u>94,456</u>	<u>15,545,630</u>	<u>94,456</u>
Total Capital Assets not being Depreciated	<u>17,079,586</u>	<u>94,456</u>	<u>15,545,630</u>	<u>1,628,412</u>
Capital Assets being Depreciated:				
Buildings	12,102,461	15,545,630	-	27,648,091
Collection and Distribution Systems	45,175,302	-	-	45,175,302
Leasehold Improvements	223,833	-	-	223,833
Machinery and Equipment	<u>1,039,905</u>	<u>9,753</u>	<u>-</u>	<u>1,049,658</u>
Total Capital Assets being Depreciated	<u>58,541,501</u>	<u>15,555,383</u>	<u>-</u>	<u>74,096,884</u>
Less Accumulated Depreciation for:				
Buildings	1,878,027	921,603	-	2,799,630
Collection and Distribution Systems	15,020,136	1,455,860	-	16,475,996
Leasehold Improvements	107,841	6,042	-	113,883
Machinery and Equipment	<u>882,838</u>	<u>53,336</u>	<u>-</u>	<u>936,174</u>
Total Accumulated Depreciation	<u>17,888,842</u>	<u>2,436,841</u>	<u>-</u>	<u>20,325,683</u>
Total Capital Assets being Depreciated, Net	<u>40,652,659</u>	<u>13,118,542</u>	<u>-</u>	<u>53,771,201</u>
Business-Type Activities Capital Assets, Net	<u>\$ 57,732,245</u>	<u>\$ 13,212,998</u>	<u>\$ 15,545,630</u>	<u>\$ 55,399,613</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 – CAPITAL ASSETS

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

Governmental Activities:	
General Government	\$ 27,332
Public Safety	115,136
Streets and Highways	983,269
Culture and Recreation	160,307
Economic Development	<u>84,391</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,370,435</u>
Business-Type Activities:	
Water	\$ 861,093
Sewer	1,211,435
Liquor	77,421
Storm Sewer	<u>286,892</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,436,841</u>

NOTE 7 – LONG-TERM DEBT

A. G.O. Bonds

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

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

On July 10, 2012, the City issued \$ 4,785,000 G.O. Refunding Bonds, Series 2012A for the crossover refunding 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.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 – LONG-TERM DEBT

A. G.O. Bonds (Continued)

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 is 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.

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	2023	\$ 1,480,000	\$ 140,000
G.O. Capital Improvement Plan Bonds of 2007C	2007	4.00%-4.35%	1,130,000	2028	915,000	50,000
G.O. Improvement Bonds of 2008A	2008	3.25%-4.50%	3,655,000	2024	2,940,000	240,000
G.O. Capital Improvement Bonds of 2009A	2009	1.10%-2.90%	620,000	2017	280,000	90,000
G.O. Improvement Bonds of 2010A	2010	2.00% - 3.80%	3,590,000	2026	3,075,000	240,000
G.O. Refunding Improvement Bonds of 2011A	2011	.40% - 2.45%	2,095,000	2020	1,535,000	195,000
G.O. Refunding Improvement Bonds of 2011B	2011	2.00% - 2.80%	3,415,000	2022	3,050,000	385,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	1,040,000	2026	1,040,000	190,000
Revenue Bonds:						
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	484,647	2026	353,924	353,924
Taxable G.O. Tax Abatement Bonds of 2013B	2013	2.00%-4.30%	2,220,000	2028	2,045,000	125,000
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	296,530	2025	296,530	-
G.O. Tax Increment Bonds:						
G.O. Tax Increment Bonds of 2004	2004	5.00%-5.90%	795,000	2030	735,000	10,000
Taxable G.O. Tax Increment Refunding Bonds of 2013A	2013	2.00%-4.25%	1,055,000	2024	1,105,000	95,000
Other Financing:						
G.O. Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	2,003,000	118,000
					<u>20,853,454</u>	<u>2,231,924</u>
Premium on Bonds Payable					75,921	-
Compensated Absences					143,846	143,846
Total Governmental Activities					<u>21,073,221</u>	<u>2,375,770</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	5,066,000	451,000
G.O. Utility Revenue Bonds 2005	2005	4.00%-4.375%	2,625,000	2026	1,845,000	1,845,000
Public Project Revenue Bonds of 2005	2005	4.00%-5.30%	1,320,353	2026	941,075	941,075
G.O. Utility System Revenue Bonds of 2007B	2007	4.00%-4.35%	2,060,000	2027	1,505,000	90,000
G.O. Utility Revenue Bonds of 2007F	2007	4.00%-4.50%	1,325,000	2027	955,000	55,000
G.O. Utility Revenue Bonds of 2008B	2008	3.5%-4.75%	3,000,000	2029	2,550,000	100,000
Public Facility Authority Drinking Sewer Revenue Note of 2009	2009	2.41%	13,470,120	2024	12,220,000	686,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	3,745,000	2026	3,630,000	345,000
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	788,470	2025	788,470	-
					<u>29,500,545</u>	<u>4,513,075</u>
Premium on Bonds Payable					84,880	-
Compensated Absences					77,504	77,504
Total Business-Type Activities					<u>29,662,929</u>	<u>4,590,579</u>
Total all Long-Term Liabilities					<u>\$ 50,736,150</u>	<u>\$ 6,966,349</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 – LONG-TERM DEBT

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014 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	\$ 16,810,000	\$ -	\$ 2,495,000	\$ 14,315,000	\$ 1,530,000
G.O. Revenue Bonds	2,585,762	296,530	186,838	2,695,454	478,924
G.O. Tax Increment Bonds	1,850,000	-	10,000	1,840,000	105,000
Other Financing	2,119,000	-	116,000	2,003,000	118,000
Premium on Bonds	<u>75,049</u>	<u>8,499</u>	<u>7,627</u>	<u>75,921</u>	<u>-</u>
Total Bonds Payable	23,439,811	305,029	2,815,465	20,929,375	2,231,924
Compensated Absences	98,579	206,583	161,316	143,846	143,846
Severance	<u>43,397</u>	<u>-</u>	<u>43,397</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>23,581,787</u>	<u>511,612</u>	<u>3,020,178</u>	<u>21,073,221</u>	<u>2,375,770</u>
Business-Type Activities:					
Bonds Payable:					
G.O. Revenue Bonds	13,584,238	788,470	2,158,163	12,214,545	3,376,075
PFA G.O. Revenue Notes	18,026,000	-	740,000	17,286,000	1,137,000
Premium on Bonds	<u>68,197</u>	<u>22,598</u>	<u>5,915</u>	<u>84,880</u>	<u>-</u>
Total Bonds Payable	31,678,435	811,068	2,904,078	29,585,425	4,513,075
Compensated Absences	<u>56,039</u>	<u>109,389</u>	<u>87,924</u>	<u>77,504</u>	<u>77,504</u>
Total Business-Type Activities	<u>31,734,474</u>	<u>920,457</u>	<u>2,992,002</u>	<u>29,662,929</u>	<u>4,590,579</u>
Total Long-Term Liabilities	<u>\$ 55,316,261</u>	<u>\$ 1,432,069</u>	<u>\$ 6,012,180</u>	<u>\$ 50,736,150</u>	<u>\$ 6,966,349</u>

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 – LONG-TERM DEBT

D. Minimum Debt Payments

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

Year Ending December 31,	Governmental Activities					
	G.O. Bonds			G.O. Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,530,000	\$ 421,176	\$ 1,951,176	\$ 478,924	\$ 86,593	\$ 565,517
2016	1,565,000	382,519	1,947,519	157,330	68,093	225,423
2017	1,590,000	341,682	1,931,682	157,330	65,083	222,413
2018	1,545,000	299,631	1,844,631	158,697	61,991	220,688
2019	1,595,000	255,535	1,850,535	157,330	58,181	215,511
2020-2024	5,520,000	635,823	6,155,823	878,048	215,316	1,093,364
2025-2028	970,000	53,164	1,023,164	707,795	57,884	765,679
Total	<u>\$ 14,315,000</u>	<u>\$ 2,389,530</u>	<u>\$ 16,704,530</u>	<u>\$ 2,695,454</u>	<u>\$ 613,141</u>	<u>\$ 3,308,595</u>

Year Ending December 31,	Governmental Activities					
	G.O. Tax Increment Bonds			Other Financing		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 105,000	\$ 74,373	\$ 179,373	\$ 118,000	\$ 34,572	\$ 152,572
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
2020-2024	785,000	221,791	1,006,791	666,000	97,518	763,518
2025-2029	350,000	83,782	433,782	726,000	38,024	764,024
2030	95,000	2,803	97,803	-	-	-
Total	<u>\$ 1,840,000</u>	<u>\$ 650,392</u>	<u>\$ 2,490,392</u>	<u>\$ 2,003,000</u>	<u>\$ 287,690</u>	<u>\$ 2,290,690</u>

Year Ending December 31,	Total Governmental Activities		
	Principal	Interest	Total
2015	\$ 2,231,924	\$ 616,714	\$ 2,848,638
2016	1,962,330	554,846	2,517,176
2017	1,989,330	506,002	2,495,332
2018	1,952,697	455,559	2,408,256
2019	2,019,330	401,527	2,420,857
2020-2024	7,849,048	1,170,448	9,019,496
2025-2029	2,753,795	232,854	2,986,649
2030	95,000	2,803	97,803
Total	<u>\$ 20,853,454</u>	<u>\$ 3,940,753</u>	<u>\$ 24,794,207</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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
2015	\$ 3,376,075	\$ 384,800	\$ 3,760,875	\$ 1,137,000	\$ 423,160	\$ 1,560,160
2016	822,670	285,600	1,108,270	1,165,000	395,190	1,560,190
2017	837,670	264,099	1,101,769	1,194,000	366,530	1,560,530
2018	751,304	242,865	994,169	1,224,000	337,156	1,561,156
2019	762,670	221,709	984,379	1,253,000	307,044	1,560,044
2020-2024	3,161,952	791,645	3,953,597	6,745,000	1,057,190	7,802,190
2025-2029	2,502,204	256,886	2,759,090	4,568,000	336,102	4,904,102
Total	<u>\$ 12,214,545</u>	<u>\$ 2,447,604</u>	<u>\$ 14,662,149</u>	<u>\$ 17,286,000</u>	<u>\$ 3,222,372</u>	<u>\$ 20,508,372</u>

Year Ending December 31,	Business-Type Activities		
	Total Business-Type Activities		
	Principal	Interest	Total
2015	\$ 4,513,075	\$ 807,960	\$ 5,321,035
2016	1,987,670	680,790	2,668,460
2017	2,031,670	630,629	2,662,299
2018	1,975,304	580,021	2,555,325
2019	2,015,670	528,753	2,544,423
2020-2024	9,906,952	1,848,835	11,755,787
2025-2029	7,070,204	592,988	7,663,192
Total	<u>\$ 29,500,545</u>	<u>\$ 5,669,976</u>	<u>\$ 35,170,521</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, 2014, the City's outstanding conduit debt balances consisted of the following:

\$ 1,950,000 Commercial Facility Revenue Note (Options, Inc. Project), Series 2005	<u>\$ 546,612</u>
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CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 8 – FUND BALANCE DETAIL

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

	<u>General</u>	<u>Street Improvement</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Nonspendable:				
Land Held for Resale	\$ -	\$ -	\$ 251,980	\$ 251,980
Notes Receivable	-	-	2,000	2,000
Prepaid Items	94,296	-	-	94,296
Total Nonspendable	<u>94,296</u>	<u>-</u>	<u>253,980</u>	<u>348,276</u>
Restricted:				
Debt Service	-	-	2,245,587	2,245,587
Park Development	-	-	91,042	91,042
Neighborhood Stabilization Program	-	-	155,440	155,440
TIF	-	-	1,281,037	1,281,037
Police Traffic Safety	-	-	6,854	6,854
DWI Forfeiture	-	-	6,825	6,825
Narcotic Forfeiture	-	-	1,214	1,214
Total Restricted	<u>-</u>	<u>-</u>	<u>3,787,999</u>	<u>3,787,999</u>
Assigned:				
Local Development	-	-	115,461	115,461
Industrial Park Expansion	-	-	797,681	797,681
Capital Improvement Fund	-	-	46,813	46,813
Industrial Park Street Assessment	-	-	222,852	222,852
Farmers Market	-	-	260	260
Fire Capital Purchases	21,087	-	-	21,087
Police Capital Purchases	27,570	-	-	27,570
Streets Capital Purchases	15,321	-	-	15,321
Parks Capital Purchases	31,000	-	-	31,000
Total Assigned	<u>94,978</u>	<u>-</u>	<u>1,183,067</u>	<u>1,278,045</u>
Unassigned	<u>2,412,141</u>	<u>(367,225)</u>	<u>(933,943)</u>	<u>1,110,973</u>
Total	<u>\$ 2,601,415</u>	<u>\$ (367,225)</u>	<u>\$ 4,291,103</u>	<u>\$ 6,525,293</u>

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 9 – RISK MANAGEMENT

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2014 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2014, 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

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

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

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 –PENSION PLANS

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

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

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

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 –PENSION PLANS

Public Employees’ Retirement Association (Continued)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 15.3% for PEPFF members. The City’s contributions to the Public Employees’ Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$ 123,226, \$ 112,651 and \$ 114,527, respectively. The City’s contributions to the PEPFF for the years ending December 31, 2014, 2013, and 2012 were \$ 119,121, \$ 101,218 and \$ 96,713, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers) and the PEPFF (10.8% for members and 16.2% for employers).

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

A. Plan Description

The 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 Big Lake Fire Department.

Volunteer firefighters of the City are members of the Big Lake Firefighter’s Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 15 years of services for monthly service pension or 10 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 10 years of service. Disability benefits and widow and children’s survivor benefits are also payable to members of their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

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

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 – PENSION PLANS

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

B. Funding Policy (Continued)

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aid are determined as the amount required to meet the normal cost plus amortizing any existing prior services 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 \$ 89,017 made by the State of Minnesota for the Relief Association. Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis.

Schedules I and II, prepared by the Association and certified to the City Council by August 1 of each year, determine the municipal contribution for the following calendar year. Plan members, the volunteer firefighters, do not contribute to the plan. The state contributes to the plan in the form of state fire aid. Schedules I and II follow enabling state statutes for fire relief associations. Municipalities are required by state statutes to contribute the amount certified on Schedules I and II. The City’s annual contribution for the current year and related information follows:

Date Certified to City Council August 1, 2013

Statutory Assumptions:

Investment Rate and Return	5.00%
Administrative Expenses Increase	3.50%
State Aid Contribution	100.00%
Amortization of Surplus (Deficit)	10.00%

C. Three Year Trend Information

Year Ended December 31,	Actual Contribution			Required Contribution	Percentage Contributed
	City	State	Total		
2013	\$ 8,000	\$ 89,681	\$ 97,681	-	100%
2012	8,000	63,426	71,426	-	100%
2011	8,000	63,428	71,428	-	100%

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 10 – PENSION PLANS

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

D. Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Unfunded) Overfunded AAL	Funded Ratio
12/31/13	\$ 1,346,716	\$ 1,200,143	\$ (146,573)	112.2%
12/31/12	1,171,022	1,096,227	(74,795)	106.8%
12/31/11	1,052,952	1,071,891	18,939	98.2%

The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

NOTE 11 – COMMITMENTS

	Project Authorization	Expended Through 12/13/2014	Remaining Commitment
CR43 Trail and Road Improvement	\$ 757,971	\$ 749,039	\$ 8,932
CR43 Quiet Zone	175,111	161,426	13,685
Quiet Zone - Eagle Lake Road	44,854	44,051	803

NOTE 12 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014.

CITY OF BIG LAKE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 13 – SUBSEQUENT EVENT

On March 12, 2015, the City issued \$ 9,285,000 G.O. Bonds, Series 2015A for the advance refunding of the G.O. Improvement Bonds Series 2007A, G.O. Utility System Revenue Bonds Series 2007B, G.O. Capital Improvement Plan Bonds Series 2007C, G.O. Utility Revenue Bonds Series 2007F, G.O. Improvement Bonds Series 2008A and the G.O. Utility Revenue Bonds Series 2008B on February 1, 2016. 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. 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.

SUPPLEMENTARY INFORMATION

CITY OF BIG LAKE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
ASSETS				
Cash and Investments	\$ 39,413	\$ 1,214	\$ 6,825	\$ 6,854
Taxes Receivable - Delinquent	1,706	-	-	-
Accounts Receivable	15,715	-	-	-
Due from Other Governments	1,327	-	-	-
Notes Receivable	88,925	-	-	-
Special Assessment Receivable:				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land Held for Resale	251,980	-	-	-
	<u>\$ 399,066</u>	<u>\$ 1,214</u>	<u>\$ 6,825</u>	<u>\$ 6,854</u>
Total Assets				
	<u>\$ 399,066</u>	<u>\$ 1,214</u>	<u>\$ 6,825</u>	<u>\$ 6,854</u>
LIABILITIES				
Accounts Payable	\$ 2,329	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	-
Due to Other Governments	-	-	-	-
Advances from Other Funds	320,404	-	-	-
Unearned Revenue	879	-	-	-
Total Liabilities	<u>323,612</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Notes Receivables	86,925	-	-	-
Unavailable Revenue - Property Taxes	1,706	-	-	-
Unavailable Revenue - Special Assessments	-	-	-	-
Total Deferred Inflows of Resources	<u>88,631</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	253,980	-	-	-
Restricted	-	1,214	6,825	6,854
Assigned	-	-	-	-
Unassigned	(267,157)	-	-	-
Total Fund Balances	<u>(13,177)</u>	<u>1,214</u>	<u>6,825</u>	<u>6,854</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 399,066</u>	<u>\$ 1,214</u>	<u>\$ 6,825</u>	<u>\$ 6,854</u>

Special Revenue		Debt Service				
Farmers Market (280)	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)	G.O. Improvement Bonds of 2007A (215)
\$ 260	\$ 54,566	\$ 24,044	\$ -	\$ 2,020	\$ 3,617	\$ 24,790
-	1,706	-	-	4,096	884	9,116
-	15,715	-	-	-	-	-
-	1,327	459	-	386	21,805	3,010
-	88,925	-	-	-	-	-
-	-	421	-	-	20,145	274
-	-	2,187	-	-	-	130,693
-	251,980	-	-	-	-	-
<u>\$ 260</u>	<u>\$ 414,219</u>	<u>\$ 27,111</u>	<u>\$ -</u>	<u>\$ 6,502</u>	<u>\$ 46,451</u>	<u>\$ 167,883</u>
\$ -	\$ 2,329	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	320,404	-	212,880	-	52,035	-
-	879	-	-	-	-	-
-	323,612	-	212,880	-	52,035	-
-	86,925	-	-	-	-	-
-	1,706	-	-	4,096	884	9,116
-	-	2,608	-	-	20,145	130,967
-	88,631	2,608	-	4,096	21,029	140,083
-	253,980	-	-	-	-	-
-	14,893	24,503	-	2,406	-	27,800
260	260	-	-	-	-	-
-	(267,157)	-	(212,880)	-	(26,613)	-
<u>260</u>	<u>1,976</u>	<u>24,503</u>	<u>(212,880)</u>	<u>2,406</u>	<u>(26,613)</u>	<u>27,800</u>
<u>\$ 260</u>	<u>\$ 414,219</u>	<u>\$ 27,111</u>	<u>\$ -</u>	<u>\$ 6,502</u>	<u>\$ 46,451</u>	<u>\$ 167,883</u>

CITY OF BIG LAKE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014**

	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	\$ 38,389	\$ 72,726	\$ 21,962	\$ 17,893
Taxes Receivable - Delinquent	6,074	18,497	5,729	-
Accounts Receivable	-	-	-	-
Due from Other Governments	960	6,711	1,414	-
Notes Receivable	-	-	-	-
Special Assessment Receivable:				
Delinquent	-	-	-	-
Deferred	-	1,027,605	-	-
Land Held for Resale	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 45,423</u>	<u>\$ 1,125,539</u>	<u>\$ 29,105</u>	<u>\$ 17,893</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	-
Due to Other Governments	-	-	-	-
Advances from Other Funds	-	68,698	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	<u> </u>	<u>68,698</u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Notes Receivables	-	-	-	-
Unavailable Revenue - Property Taxes	6,074	18,497	5,729	-
Unavailable Revenue - Special Assessments	-	1,027,605	-	-
Total Deferred Inflows of Resources	<u>6,074</u>	<u>1,046,102</u>	<u>5,729</u>	<u> </u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	39,349	10,739	23,376	17,893
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>39,349</u>	<u>10,739</u>	<u>23,376</u>	<u>17,893</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 45,423</u>	<u>\$ 1,125,539</u>	<u>\$ 29,105</u>	<u>\$ 17,893</u>

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)
\$ 180,457	\$ 333,905	\$ 735,383	\$ 526,743	\$ 274,460	\$ 23,493	\$ -
17,606	-	12,838	23,419	2,993	1,761	5,501
-	-	-	-	-	-	-
10,648	-	5,010	8,273	191	958	2,993
-	-	-	-	250,000	-	562,600
234	-	3,083	6,728	-	-	-
388,777	-	184,543	542,099	492,205	-	-
-	-	-	-	-	-	-
<u>\$ 597,722</u>	<u>\$ 333,905</u>	<u>\$ 940,857</u>	<u>\$ 1,107,262</u>	<u>\$ 1,019,849</u>	<u>\$ 26,212</u>	<u>\$ 571,094</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	410,103
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,103</u>
-	-	-	-	250,000	-	562,600
17,606	-	12,838	23,419	2,993	1,761	5,501
389,011	-	187,626	548,827	492,205	-	-
406,617	-	200,464	572,246	745,198	1,761	568,101
-	-	-	-	-	-	-
191,105	333,905	740,393	535,016	274,651	24,451	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(407,110)
<u>191,105</u>	<u>333,905</u>	<u>740,393</u>	<u>535,016</u>	<u>274,651</u>	<u>24,451</u>	<u>(407,110)</u>
<u>\$ 597,722</u>	<u>\$ 333,905</u>	<u>\$ 940,857</u>	<u>\$ 1,107,262</u>	<u>\$ 1,019,849</u>	<u>\$ 26,212</u>	<u>\$ 571,094</u>

CITY OF BIG LAKE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014

	Debt Service	Capital Projects		
	Total	Park Development (120)	Local Development (150)	Industrial Park TIF 2-2 (160)
ASSETS				
Cash and Investments	\$ 2,279,882	\$ 91,042	\$ 452,191	\$ 189,626
Taxes Receivable - Delinquent	108,514	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	62,818	-	-	-
Notes Receivable	812,600	-	-	-
Special Assessment Receivable:				
Delinquent	30,885	-	-	-
Deferred	2,768,109	-	1,885	-
Land Held for Resale	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,062,808</u>	<u>\$ 91,042</u>	<u>\$ 454,076</u>	<u>\$ 189,626</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 686	\$ -
Escrow Payable	-	-	320,244	-
Contracts Payable	-	-	15,800	-
Due to Other Governments	-	-	-	-
Advances from Other Funds	743,716	-	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	<u>743,716</u>	<u>-</u>	<u>336,730</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Notes Receivables	812,600	-	-	-
Unavailable Revenue - Property Taxes	108,514	-	-	-
Unavailable Revenue - Special Assessments	2,798,994	-	1,885	-
Total Deferred Inflows of Resources	<u>3,720,108</u>	<u>-</u>	<u>1,885</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	2,245,587	91,042	-	189,626
Assigned	-	-	115,461	-
Unassigned	(646,603)	-	-	-
Total Fund Balances	<u>1,598,984</u>	<u>91,042</u>	<u>115,461</u>	<u>189,626</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,062,808</u>	<u>\$ 91,042</u>	<u>\$ 454,076</u>	<u>\$ 189,626</u>

Capital Projects

Industrial Park TIF 2-1 (155)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)
\$ -	\$ 252,353	\$ 169,117	\$ 97,372	\$ 23,140	\$ 30,803	\$ 34,859
-	-	-	-	-	-	-
-	7,158	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	500,640
<u>\$ -</u>	<u>\$ 259,511</u>	<u>\$ 169,117</u>	<u>\$ 97,372</u>	<u>\$ 23,140</u>	<u>\$ 30,803</u>	<u>\$ 535,499</u>
\$ -	\$ -	\$ 12,570	\$ 4,303	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
750	-	-	-	-	-	-
-	7,158	-	-	-	-	-
<u>750</u>	<u>7,158</u>	<u>12,570</u>	<u>4,303</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
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CITY OF BIG LAKE

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014**

	Capital Projects			
	Industrial Park Street Assessments (168)	Industrial Park Expansion Land Purchase (141)	Northern Star TIF1-7 (173)	Capital Improvement Fund (199)
ASSETS				
Cash and Investments	\$ 222,852	\$ -	\$ 2,285	\$ 46,813
Taxes Receivable - Delinquent	-	-	-	-
Accounts Receivable	-	-	-	-
Due from Other Governments	-	-	-	-
Notes Receivable	-	-	-	-
Special Assessment Receivable:				
Delinquent	7,636	-	-	-
Deferred	6,438	-	-	-
Land Held for Resale	-	1,304,640	-	-
	<u>-\$ 236,926</u>	<u>\$ 1,304,640</u>	<u>\$ 2,285</u>	<u>\$ 46,813</u>
Total Assets				
	<u>\$ 236,926</u>	<u>\$ 1,304,640</u>	<u>\$ 2,285</u>	<u>\$ 46,813</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 154	\$ -
Escrow Payable	-	-	-	-
Contracts Payable	-	-	-	-
Due to Other Governments	-	132,768	-	-
Advances from Other Funds	-	374,191	15,625	-
Unearned Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>506,959</u>	<u>15,779</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Notes Receivables	-	-	-	-
Unavailable Revenue - Property Taxes	-	-	-	-
Unavailable Revenue - Special Assessments	14,074	-	-	-
Total Deferred Inflows of Resources	<u>14,074</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	222,852	797,681	-	46,813
Unassigned	-	-	(13,494)	-
Total Fund Balances	<u>222,852</u>	<u>797,681</u>	<u>(13,494)</u>	<u>46,813</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 236,926</u>	<u>\$ 1,304,640</u>	<u>\$ 2,285</u>	<u>\$ 46,813</u>

Capital Projects

Neighborhood Stabilization Program (116)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Total	Total Other Governmental Funds
\$ -	\$ 3,174	\$ 12,862	\$ 1,628,489	\$ 3,962,937
-	-	-	-	110,220
888	-	-	8,046	23,761
30,919	-	-	30,919	95,064
-	-	-	-	901,525
-	-	-	7,636	38,521
-	-	-	8,323	2,776,432
215,858	-	-	2,021,138	2,273,118
<u>\$ 247,665</u>	<u>\$ 3,174</u>	<u>\$ 12,862</u>	<u>\$ 3,704,551</u>	<u>\$ 10,181,578</u>
\$ 2,425	\$ -	\$ 14,144	\$ 34,282	\$ 36,611
-	-	-	320,244	320,244
-	-	-	15,800	15,800
-	-	-	132,768	132,768
89,800	7,831	-	488,197	1,552,317
-	-	-	7,158	8,037
<u>92,225</u>	<u>7,831</u>	<u>14,144</u>	<u>998,449</u>	<u>2,065,777</u>
-	-	-	-	899,525
-	-	-	-	110,220
-	-	-	15,959	2,814,953
-	-	-	15,959	3,824,698
-	-	-	-	253,980
155,440	-	-	1,527,519	3,787,999
-	-	-	1,182,807	1,183,067
-	(4,657)	(1,282)	(20,183)	(933,943)
<u>155,440</u>	<u>(4,657)</u>	<u>(1,282)</u>	<u>2,690,143</u>	<u>4,291,103</u>
<u>\$ 247,665</u>	<u>\$ 3,174</u>	<u>\$ 12,862</u>	<u>\$ 3,704,551</u>	<u>\$ 10,181,578</u>

CITY OF BIG LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
REVENUES				
Property Taxes	\$ 68,385	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Special Assessments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	24,825	-	-	150
Fines and Forfeitures	-	1,131	8,022	-
Miscellaneous:				
Investment and Other Interest Income	155	8	49	74
Other	-	-	-	-
Total Revenues	<u>93,365</u>	<u>1,139</u>	<u>8,071</u>	<u>224</u>
EXPENDITURES				
Current				
Public Safety	-	-	2,069	6,379
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	25,650	-	-	-
Debt Service				
Principal	11,838	-	-	-
Interest and Other Charges	30,747	-	-	-
Capital Outlay				
Public Safety	-	-	2,700	1,200
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Total Expenditures	<u>68,235</u>	<u>-</u>	<u>4,769</u>	<u>7,579</u>
Excess of Revenues Over (Under) Expenditures	25,130	1,139	3,302	(7,355)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Bond Premium	-	-	-	-
Transfers In	-	75	3,523	14,209
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>75</u>	<u>3,523</u>	<u>14,209</u>
Net Change in Fund Balances	25,130	1,214	6,825	6,854
FUND BALANCES				
Beginning Balance	<u>(38,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ (13,177)</u>	<u>\$ 1,214</u>	<u>\$ 6,825</u>	<u>\$ 6,854</u>

Special Revenue		Debt Service				
Farmers Market (280)	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 2006B (270)	G.O. Improvement Bonds of 2004B (245)
\$ -	\$ 68,385	\$ -	\$ -	\$ 933	\$ -	\$ 24,783
-	-	-	-	-	-	-
-	-	920	-	-	-	21,324
1,350	1,350	-	-	-	-	-
-	-	-	-	-	51,124	-
-	24,975	-	-	-	-	-
-	9,153	-	-	-	-	-
4	290	195	(341)	14	-	230
-	-	-	-	-	-	-
<u>1,354</u>	<u>104,153</u>	<u>1,115</u>	<u>(341)</u>	<u>947</u>	<u>51,124</u>	<u>46,337</u>
-	8,448	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,094	26,744	-	-	-	-	-
-	11,838	-	10,000	-	705,000	-
-	30,747	-	47,923	-	21,311	2,761
-	3,900	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,094</u>	<u>81,677</u>	<u>-</u>	<u>57,923</u>	<u>-</u>	<u>726,311</u>	<u>2,761</u>
260	22,476	1,115	(58,264)	947	(675,187)	43,576
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	17,807	-	-	-	2,126	-
-	-	-	-	-	-	-
<u>-</u>	<u>17,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,126</u>	<u>-</u>
260	40,283	1,115	(58,264)	947	(673,061)	43,576
-	(38,307)	23,388	(154,616)	1,459	673,061	(70,189)
<u>\$ 260</u>	<u>\$ 1,976</u>	<u>\$ 24,503</u>	<u>\$ (212,880)</u>	<u>\$ 2,406</u>	<u>\$ -</u>	<u>\$ (26,613)</u>

CITY OF BIG LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

	Debt Service			
	G.O. Improvement Bonds of 2007E (207)	G.O. Improvement Bonds of 2007A (215)	G.O. Capital Improvement Bonds 2007C (235)	G.O. Improvement Bonds of 2008A (208)
REVENUES				
Property Taxes	\$ -	\$ 146,746	\$ 38,052	\$ 335,452
Tax Increments	-	-	-	-
Special Assessments	-	20,690	-	92,728
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous:				
Investment and Other Interest Income	-	(661)	175	(1,760)
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>166,775</u>	<u>38,227</u>	<u>426,420</u>
EXPENDITURES				
Current				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	490,000	135,000	45,000	230,000
Interest and Other Charges	13,953	62,904	39,720	130,907
Capital Outlay				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Total Expenditures	<u>503,953</u>	<u>197,904</u>	<u>84,720</u>	<u>360,907</u>
Excess of Revenues Over (Under) Expenditures	(503,953)	(31,129)	(46,493)	65,513
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Bond Premium	-	-	-	-
Transfers In	-	-	-	10,241
Transfers Out	(143,197)	-	-	-
Total Other Financing Sources (Uses)	<u>(143,197)</u>	<u>-</u>	<u>-</u>	<u>10,241</u>
Net Change in Fund Balances	(647,150)	(31,129)	(46,493)	75,754
FUND BALANCES				
Beginning Balance	<u>647,150</u>	<u>58,929</u>	<u>85,842</u>	<u>(65,015)</u>
End of Year	<u>\$ -</u>	<u>\$ 27,800</u>	<u>\$ 39,349</u>	<u>\$ 10,739</u>

Debt Service

G.O. Capital Improvement Plan Bonds, Series 2009A (209)	G.O. State Aid Loan (211)	G.O. Improvement Bond 2010A (212)	G.O. 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)
\$ 67,447	\$ -	\$ 214,748	\$ -	\$ 139,945	\$ 284,562	\$ 1,197
-	-	-	-	-	-	-
-	-	123,145	-	74,696	159,931	140,604
-	-	-	-	-	-	-
-	151,573	-	-	-	-	2,500
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(490)	26	(287)	21	4,861	1,822	(124)
-	-	-	-	-	-	-
<u>66,957</u>	<u>151,599</u>	<u>337,606</u>	<u>21</u>	<u>219,502</u>	<u>446,315</u>	<u>144,177</u>
-	-	-	-	-	-	-
-	-	465	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
85,000	116,000	235,000	-	205,000	365,000	-
9,109	36,574	94,538	13,390	30,472	71,968	11,030
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>94,109</u>	<u>152,574</u>	<u>330,003</u>	<u>13,390</u>	<u>235,472</u>	<u>436,968</u>	<u>11,030</u>
(27,152)	(975)	7,603	(13,369)	(15,970)	9,347	133,147
-	-	-	296,530	-	-	-
-	-	-	8,499	-	-	-
35,706	-	-	42,245	-	-	143,197
-	-	-	-	-	-	(2,126)
<u>35,706</u>	<u>-</u>	<u>-</u>	<u>347,274</u>	<u>-</u>	<u>-</u>	<u>141,071</u>
8,554	(975)	7,603	333,905	(15,970)	9,347	274,218
14,822	18,868	183,502	-	756,363	525,669	433
<u>\$ 23,376</u>	<u>\$ 17,893</u>	<u>\$ 191,105</u>	<u>\$ 333,905</u>	<u>\$ 740,393</u>	<u>\$ 535,016</u>	<u>\$ 274,651</u>

CITY OF BIG LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

	Debt Service		Capital Projects	
	G.O. Temporary Taxable Tax Increment Bond 2013A (218)	G.O. Taxable Tax Abatement Bonds 2013B (219)	Total	Park Development (120)
REVENUES				
Property Taxes	\$ 49,393	\$ 154,287	\$ 1,457,545	\$ -
Tax Increments	-	-	-	-
Special Assessments	-	-	634,038	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	60,693	265,890	2,500
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous:				
Investment and Other Interest Income	11	(945)	2,747	820
Other	-	-	-	-
Total Revenues	49,404	214,035	2,360,220	3,320
EXPENDITURES				
Current				
Public Safety	-	-	-	-
Public Works	-	-	465	-
Culture and Recreation	-	-	-	1,222
Economic Development	-	-	-	-
Debt Service				
Principal	-	175,000	2,796,000	-
Interest and Other Charges	26,629	53,096	666,285	-
Capital Outlay				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	11,580
Economic Development	-	-	-	-
Total Expenditures	26,629	228,096	3,462,750	12,802
Excess of Revenues Over (Under) Expenditures	22,775	(14,061)	(1,102,530)	(9,482)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	296,530	-
Bond Premium	-	-	8,499	-
Transfers In	-	-	233,515	-
Transfers Out	-	-	(145,323)	-
Total Other Financing Sources (Uses)	-	-	393,221	-
Net Change in Fund Balances	22,775	(14,061)	(709,309)	(9,482)
FUND BALANCES				
Beginning Balance	1,676	(393,049)	2,308,293	100,524
End of Year	\$ 24,451	\$ (407,110)	\$ 1,598,984	\$ 91,042

Capital Projects

Local Development (150)	Industrial Park TIF 2-2 (160)	Industrial Park TIF 2-1 (155)	Industrial Park TIF 2-3 (163)	Industrial Park TIF 2-4 (164)	Industrial Park TIF 2-5 (166)	TIF 1-2 (151)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	37,851	21,090	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,613	1,569	-	2,043	1,189	698	196
-	-	-	10,021	-	-	-
<u>3,613</u>	<u>1,569</u>	<u>-</u>	<u>12,064</u>	<u>39,040</u>	<u>21,788</u>	<u>196</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	750	750	20,496	28,416	15,253	751
<u>-</u>	<u>750</u>	<u>750</u>	<u>20,496</u>	<u>28,416</u>	<u>15,253</u>	<u>751</u>
3,613	819	(750)	(8,432)	10,624	6,535	(555)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,613	819	(750)	(8,432)	10,624	6,535	(555)
111,848	188,807	-	260,785	145,923	86,534	23,695
<u>\$ 115,461</u>	<u>\$ 189,626</u>	<u>\$ (750)</u>	<u>\$ 252,353</u>	<u>\$ 156,547</u>	<u>\$ 93,069</u>	<u>\$ 23,140</u>

CITY OF BIG LAKE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

	Capital Projects			
	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Industrial Park Street Assessments (168)	Industrial Park Expansion Land Purchase (141)
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Tax Increments	30,775	2,758	-	-
Special Assessments	-	-	6,888	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	46,364
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous:				
Investment and Other Interest Income	28	404	1,797	(154)
Other	-	-	-	-
Total Revenues	<u>30,803</u>	<u>3,162</u>	<u>8,685</u>	<u>46,210</u>
EXPENDITURES				
Current				
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	13,000
Capital Outlay				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Economic Development	-	750	-	92,728
Total Expenditures	<u>-</u>	<u>750</u>	<u>-</u>	<u>105,728</u>
Excess of Revenues Over (Under) Expenditures	30,803	2,412	8,685	(59,518)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
Bond Premium	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	30,803	2,412	8,685	(59,518)
FUND BALANCES				
Beginning Balance	<u>-</u>	<u>533,087</u>	<u>214,167</u>	<u>857,199</u>
End of Year	<u>\$ 30,803</u>	<u>\$ 535,499</u>	<u>\$ 222,852</u>	<u>\$ 797,681</u>

Capital Projects

Northern Star TIF1-7 (173)	Capital Improvement Fund (199)	Neighborhood Stabilization Program (116)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Total	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,525,930
5,086	-	-	5,433	29,849	132,842	132,842
-	-	-	-	-	6,888	640,926
-	-	-	-	-	-	1,350
-	-	30,919	-	-	79,783	345,673
-	-	-	-	-	-	24,975
-	-	-	-	-	-	9,153
7	13	-	7	(14)	12,216	15,253
-	-	5,192	-	-	15,213	15,213
<u>5,093</u>	<u>13</u>	<u>36,111</u>	<u>5,440</u>	<u>29,835</u>	<u>246,942</u>	<u>2,711,315</u>
-	-	-	-	-	-	8,448
-	-	-	-	-	-	465
-	-	-	-	-	1,222	1,222
-	-	292,598	-	-	292,598	319,342
-	-	-	-	-	-	2,807,838
469	-	-	235	3	13,707	710,739
-	-	-	-	-	-	3,900
-	-	-	-	-	11,580	11,580
2,493	-	53,924	2,031	31,015	249,357	249,357
<u>2,962</u>	<u>-</u>	<u>346,522</u>	<u>2,266</u>	<u>31,018</u>	<u>568,464</u>	<u>4,112,891</u>
2,131	13	(310,411)	3,174	(1,183)	(321,522)	(1,401,576)
-	-	-	-	-	-	296,530
-	-	-	-	-	-	8,499
-	46,800	-	-	-	46,800	298,122
-	-	-	-	-	-	(145,323)
-	<u>46,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,800</u>	<u>457,828</u>
2,131	46,813	(310,411)	3,174	(1,183)	(274,722)	(943,748)
(15,625)	-	465,851	(7,831)	(99)	2,964,865	5,234,851
<u>\$ (13,494)</u>	<u>\$ 46,813</u>	<u>\$ 155,440</u>	<u>\$ (4,657)</u>	<u>\$ (1,282)</u>	<u>\$ 2,690,143</u>	<u>\$ 4,291,103</u>

CITY OF BIG LAKE

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		Variance with Final Budget - Over (Under)
	<u>Original and Final</u>	<u>Actual Amounts</u>	
REVENUES			
Property Taxes	\$ 1,993,261	\$ 2,000,335	\$ 7,074
Franchise Fees	133,492	129,508	(3,984)
Special Assessments	15,000	4,930	(10,070)
Licenses and Permits	272,500	310,662	38,162
Intergovernmental Revenue:			
Local Government Aid	240,500	481,542	241,042
Market Value Credit	-	207	207
PERA Aid	3,106	3,106	-
Fire Aid	60,000	90,017	30,017
Police Aid	102,400	112,416	10,016
Other Grants and Aids	93,000	173,633	80,633
Total Intergovernmental Revenue	<u>499,006</u>	<u>860,921</u>	<u>361,915</u>
Charges for Services:			
General Government	87,875	78,857	(9,018)
Public Safety	41,930	42,467	537
Public Works	105,200	144,166	38,966
Culture and Recreation	3,800	2,099	(1,701)
Total Charges for Services	<u>238,805</u>	<u>267,589</u>	<u>28,784</u>
Fines and Forfeitures	27,000	40,537	13,537
Miscellaneous Revenues:			
Investment Income	17,000	(5,416)	(22,416)
Contributions and Donations	11,500	36,427	24,927
Other	19,600	107,991	88,391
Total Miscellaneous Revenues	<u>48,100</u>	<u>139,002</u>	<u>90,902</u>
Total Revenues	<u>3,227,164</u>	<u>3,753,484</u>	<u>526,320</u>
EXPENDITURES			
General Government			
Mayor and Council	36,299	45,181	8,882
Administrative and Finance	448,590	427,727	(20,863)
Other General Government	132,288	121,202	(11,086)
Capital Outlay	2,000	55,694	53,694
Total General Government	<u>619,177</u>	<u>649,804</u>	<u>30,627</u>
Public Safety			
Police:			
Current	1,318,997	1,320,314	1,317
Capital Outlay	58,000	71,393	13,393
Total Police	<u>1,376,997</u>	<u>1,391,707</u>	<u>14,710</u>

CITY OF BIG LAKE

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES (CONTINUED)			
Public Safety (Continued)			
Fire:			
Current	\$ 234,887	\$ 253,254	\$ 18,367
Capital Outlay	-	6,473	6,473
Total Fire	<u>234,887</u>	<u>259,727</u>	<u>24,840</u>
Other:			
Current	<u>208,633</u>	<u>199,650</u>	<u>(8,983)</u>
Total Public Safety	<u>1,820,517</u>	<u>1,851,084</u>	<u>30,567</u>
Public Works			
Streets and Highways:			
Street Maintenance and Storm Sewers	394,369	423,602	29,233
Street Engineering	4,500	20,309	15,809
Street Lighting	<u>93,100</u>	<u>87,534</u>	<u>(5,566)</u>
Total Streets and Highways	<u>491,969</u>	<u>531,445</u>	<u>39,476</u>
Sanitation:			
Garbage and Other Refuse			
Collection and Disposal	<u>1,220</u>	<u>1,467</u>	<u>247</u>
Total Public Works	<u>493,189</u>	<u>532,912</u>	<u>39,723</u>
Culture and Recreation			
Libraries:			
Libraries Current Expenditures	32,800	77,464	44,664
Parks and Recreation:			
Current Expenditures	341,854	331,527	(10,327)
Capital Outlay	<u>32,000</u>	<u>24,490</u>	<u>(7,510)</u>
Total Culture and Recreation	<u>406,654</u>	<u>433,481</u>	<u>26,827</u>
Economic Development			
Economic Development:			
Current Expenditures	<u>82,727</u>	<u>114,658</u>	<u>31,931</u>
Debt Service:			
Interest and Other Charges	-	5,280	5,280
Total Expenditures	<u>3,422,264</u>	<u>3,587,219</u>	<u>164,955</u>
Excess of Revenues Over (Under) Expenditures	(195,100)	166,265	361,365
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Asset	2,500	943	(1,557)
Transfers In	270,000	270,000	-
Transfers Out	<u>(77,400)</u>	<u>(122,993)</u>	<u>(45,593)</u>
Total Other Financing Sources (Uses)	<u>195,100</u>	<u>147,950</u>	<u>(47,150)</u>
Net Change in Fund Balances	<u>\$ -</u>	314,215	<u>\$ 314,215</u>
FUND BALANCES			
Beginning of Year		<u>2,287,200</u>	
End of Year		<u>\$ 2,601,415</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, 2014, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 10, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control 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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance to be material weaknesses, Audit Finding 14-01.



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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance to be a significant deficiency, Audit Findings 04-01 and 11-01.

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.

Kern, Dewenter, Viere, Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
April 10, 2015



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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, 2014, and the related Notes to the Financial Statements, and have issued our report thereon dated April 10, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 Political Subdivisions*. 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.

Kern, Dewenter, Viere, Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
April 10, 2015

CITY OF BIG LAKE

SCHEDULE OF FINDINGS AND RESPONSES ON INTERNAL CONTROL AND LEGAL COMPLIANCE December 31, 2014

CURRENT YEAR INTERNAL CONTROL FINDING:

Material Weakness:

Audit Finding 14-01 – Material Audit Adjustment

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

In order to ensure financial statements were free from material misstatement, a material audit adjustment was required in the following area:

- Intergovernmental Revenues and Receivables

City's Response:

The City does not agree with this finding as they were aware of the possible intergovernmental receivable, but was informed that the pending intergovernmental receivable would not be received until after the project was complete, which would be in 2015. However to avoid this finding in future audits the City will work closely with the engineering firm and make sure that request for payments to intergovernmental agencies are processed on a yearly basis, at the very least, regardless of the stage of completeness of the project.

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS:

Significant Deficiencies:

Audit Finding 11-01 – 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 the 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 OF BIG LAKE

**SCHEDULE OF FINDINGS AND RESPONSES ON
INTERNAL CONTROL AND LEGAL COMPLIANCE
December 31, 2014**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDINGS:

Significant Deficiencies:(Continued)

Audit Finding 11-01 – Preparation of Financial Statements (Continued)

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 04-01 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2014December 31, 2014, 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.

PRIOR YEAR LEGAL COMPLIANCE FINDING:

Park Dedication Fees Based on Fair Market Value

Minnesota Statutes 462.358 Subd. 2b states cash fees may be accepted in lieu of land for park dedication. However, the fee charged must be based on the fair market value of the land. In 2013 the City charged a flat fee for park dedication.

City's Response:

The City fee structure has been updated to include a percentage for park dedication fees.