

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

Financial Statements

December 31, 2019



**City of Big Lake
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**City of Big Lake
Elected Officials and Administration
December 31, 2019**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mike Wallen	Mayor	December 31, 2020
Seth Hansen	Council Member	December 31, 2020
Rose Johnson	Council Member	December 31, 2020
Paul Knier	Council Member	December 31, 2022
Scott Zettervall	Council Member	December 31, 2020
<u>Administration</u>		
Clay Wilfahrt	City Administrator	Appointed
Deb Wegeleben	Finance Director	Appointed



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

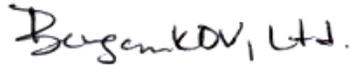
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of the City of Big Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Big Lake's internal control over financial reporting and compliance.



St. Cloud, Minnesota

March 30, 2020

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**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

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, 2019. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows resources at the close of the most recent fiscal year by \$59,634,464. Of this amount, \$8,955,948 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$2,473,596 from the prior year. Of the increase, 92% was attributable to governmental activities and 8% to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,038,107, a decrease of \$2,038,140 from the previous year. The decrease is attributed to the 2019 Mill and Overlay street project, the improvements to McDowall Trail, completing the signal on County Road 5 and the beginning design phase of the 2020 street improvement projects. In addition to street and trail projects, the decrease to the fund balance can be contributed to the advance refunding bonds issued in 2016, which the proceeds were used to retire the 2010A GO Bond and the 2004C GO Bond in 2019.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,327,859 or 71%, of the total General Fund expenditures and net transfers out.
- The City's total bonded debt decreased by \$6,567,547 during the current fiscal year and no new debt was issued in 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, public safety, streets and highways, economic development, culture and recreation and interest/fiscal charges on long term debt. The business-type activities of the City include water, sewer, storm sewer and liquor operations.

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

The government-wide financial statements can be found on pages 21-22 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 36 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund as it is considered a major fund and for the Capital Project/Infrastructure Improvement Fund, and for the Debt Service/Improvement Bond 2010A. Data from the other 33 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.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

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

The basic governmental fund financial statements can be found on pages 23-28 of this report

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 29-32 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Financial Statements can be found on pages 33-66 of this report.

Other Information

Required supplementary information pertaining to the net pension liability can be found on pages 68-73 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements and required supplementary information. Combining and individual fund statements and schedules can be found on pages 76-89 of this report.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$59,634,464 at the close of the most recent fiscal year.

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

An additional portion of the City's net position, 7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,955,948 may be used to meet the government's ongoing obligations to citizens and creditors.

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

City of Big Lake's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 12,756,673	\$ 14,944,484	\$ 7,668,411	\$ 7,540,926	\$ 20,425,084	\$ 22,485,410
Capital Assets	31,218,877	31,184,969	45,027,773	47,093,875	76,246,650	78,278,844
Total Assets	<u>\$ 43,975,550</u>	<u>\$ 46,129,453</u>	<u>\$ 52,696,184</u>	<u>\$ 54,634,801</u>	<u>\$ 96,671,734</u>	<u>\$ 100,764,254</u>
Deferred Outflows of Resources	\$ 1,172,741	\$ 1,598,112	\$ 110,299	\$ 242,557	\$ 1,283,040	\$ 1,840,669
Noncurrent Liabilities Outstanding	\$ 13,087,306	\$ 15,208,947	\$ 16,255,179	\$ 18,446,963	\$ 29,342,485	\$ 33,655,910
Other Liabilities	3,856,182	5,887,260	2,767,232	2,785,831	6,623,414	8,673,091
Total Liabilities	<u>\$ 16,943,488</u>	<u>\$ 21,096,207</u>	<u>\$ 19,022,411</u>	<u>\$ 21,232,794</u>	<u>\$ 35,965,899</u>	<u>\$ 42,329,001</u>
Deferred Inflows of Resources	\$ 2,183,311	\$ 2,881,424	\$ 171,100	\$ 233,630	\$ 2,354,411	\$ 3,115,054
Net Position						
Net Investment in Capital Assets	\$ 18,897,428	\$ 17,363,757	\$ 27,572,611	\$ 27,549,549	\$ 46,470,039	\$ 44,913,306
Restricted	4,208,477	3,989,971	-	-	4,208,477	3,989,971
Unrestricted	2,915,587	2,396,206	6,040,361	5,861,385	8,955,948	8,257,591
Total Net Position	<u>\$ 26,021,492</u>	<u>\$ 23,749,934</u>	<u>\$ 33,612,972</u>	<u>\$ 33,410,934</u>	<u>\$ 59,634,464</u>	<u>\$ 57,160,868</u>

The City's net position increased by \$2,473,596 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 92% or \$2,271,558. Of the net position

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

increase to the Governmental Activities \$ 519,381 was to unrestricted. Business-type activities increased the City's net position by 8% or \$ 202,038.

City of Big Lake's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUE:						
Program Revenues:						
Charges for Services	\$ 965,497	\$ 888,344	\$ 8,739,028	\$ 9,029,875	\$ 9,704,525	\$ 9,918,219
Operating Grants and Contributions	393,643	384,615	29,676	15,496	423,319	400,111
Capital Grants and Contributions	1,070,391	1,437,368	909,981	-	1,980,372	1,437,368
General Revenues:						
Property Taxes and Tax Increment and Franchise Fees	5,018,324	4,789,589	-	-	5,018,324	4,789,589
State Aids	625,901	621,827	-	-	625,901	621,827
Unrestricted Investment Earnings	353,274	77,963	155,016	139,390	508,290	217,353
Other Income	99,312	46,237	-	-	99,312	46,237
Total Revenues	\$8,526,342	\$8,245,943	\$9,833,701	\$9,184,761	\$18,360,043	\$17,430,704
EXPENSES:						
General Government	936,323	879,778	-	-	936,323	879,778
Public Safety	2,627,794	2,653,278	-	-	2,627,794	2,653,278
Streets and Highways	1,710,146	1,691,819	-	-	1,710,146	1,691,819
Culture and Recreation	834,271	803,165	-	-	834,271	803,165
Economic Development	522,633	535,260	-	-	522,633	535,260
Interest on Long-Term Debt	336,680	515,287	-	-	336,680	515,287
Water	-	-	1,923,044	1,914,037	1,923,044	1,914,037
Sewer	-	-	2,600,311	2,591,003	2,600,311	2,591,003
Municipal Liquor	-	-	3,992,566	3,764,839	3,992,566	3,764,839
Storm Sewer	-	-	402,679	387,726	402,679	387,726
Total Expenses	6,967,847	7,078,587	8,918,600	8,657,605	15,886,447	15,736,192
Increase (Decrease) in Net Position						
before Transfers & Capital Contributions	1,558,495	1,167,356	915,101	527,156	2,473,596	1,694,512
Transfers	713,063	513,063	(713,063)	(513,063)	-	-
Increase (Decrease) in Net Position	2,271,558	1,680,419	202,038	14,093	2,473,596	1,694,512
Net Position - Beginning	23,749,934	22,069,515	33,410,934	33,396,841	57,160,868	55,466,356
Net Position - Ending	\$ 26,021,492	\$ 23,749,934	\$ 33,612,972	\$ 33,410,934	\$ 59,634,464	\$ 57,160,868

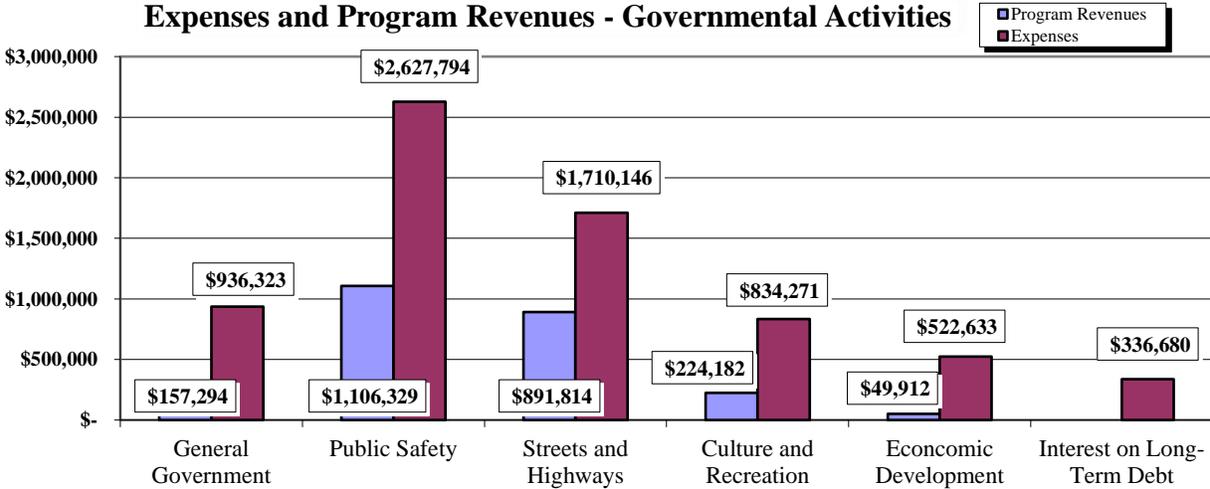
The City's total revenues for 2019 was \$18,360,043, an increase of \$929,339 over 2018, total expenses before transfers was \$15,886,447 an increased \$150,255 and total transfers from Business Type Activities to Governmental Activities was \$713,065, an increase of \$200,000. This increase was from the Liquor Store to the Capital Improvement – Infrastructure fund for the completion of the McDowall Trail improvements. The overall net position of the City increased by \$2,473,596.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

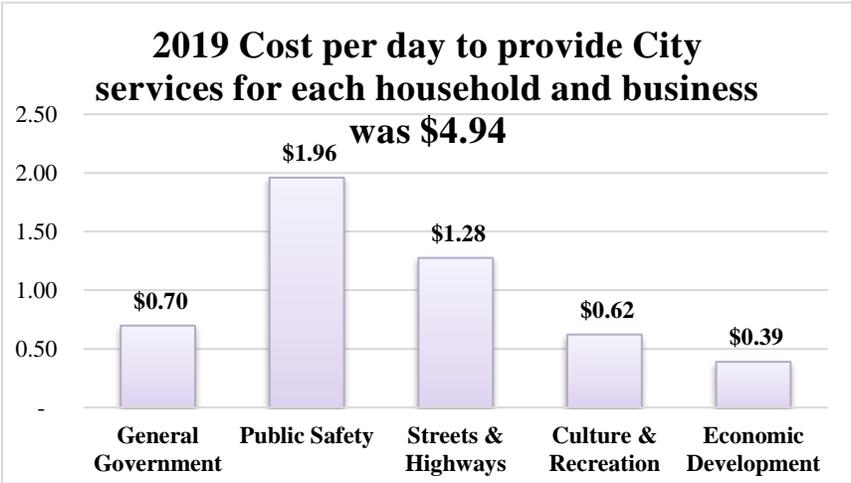
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities

The City's net position increased by \$2,473,596 during the current fiscal year. Of this increase, governmental activities increased the City's net position by 92% or \$2,271,558. This increase can be attributed to new development, with the increase in property tax payments, the increase in local government aid, as well as franchise fees. In addition, the additional increase in the transfer from the City's Liquor Store to the General Fund. In 2019 the City issued 77 new single family building permits, welcomed the beginning of the development of a 38 townhome rental unit, a 105 rental units as well as a 12-unit development project. The City also welcomed new businesses, Williams Dingmann Funeral Home, Ice-O-Metric, French Twist, Minnco Credit Union and Caribou Coffee. The City welcomed expansion of Lake Café, Cargill Kitchen, Third Rail Bar & Grill and Lupulin Brewery.



In 2019, the City of Big Lake was voted safest city in the state of Minnesota, for city population over 10,000, but less than 20,000. In 2019, 38% of the total governmental activities expenditures were attributed to public safety. The cost to provide City Services for 2019 for each household and business was \$4.96 per day. With this cost, the citizens and business get the best public safety around which includes the police, fire and building departments contributing to the City being awarded the Safest City in Minnesota.



**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

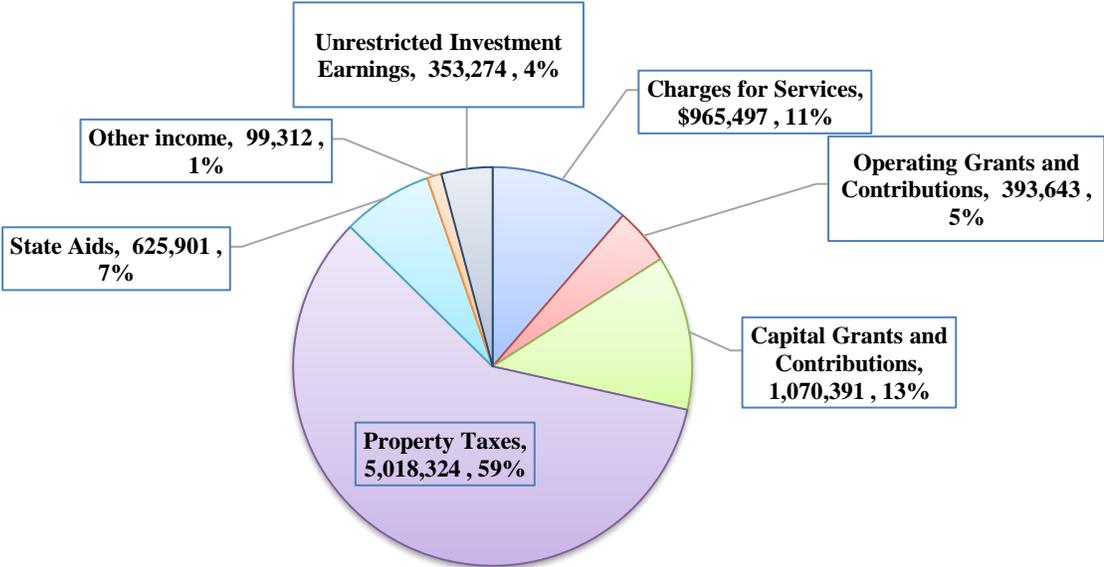
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Governmental Activities (Continued)

The 2019 total cost to provide City Services including interest on long-term debt was \$6,967,847. Based on per capita of 11,456, the estimated 2019 population for Big Lake, the cost to provide the services was \$608 a year or \$1.67 per day. If using the total residential and business utility connections of 3,674 and including interest on long term debt, then the total cost per year for each is \$1,897 or \$5.20 per day.

The City's total 2019 revenues for governmental activities was \$8,526,342 of which 59% is contributed to property taxes collected. Capital Grants and Contribution, which is 13% of all revenues received includes prepaid special assessments and intergovernmental revenues or grants for capital items. Charges for Services is 11% of all revenues received for governmental activities and experience an increase due to development within the City. Total governmental activities revenues increased by \$280,399 over 2018, with the largest increases recorded in Property Taxes, Tax Increment and Franchise fees.

Revenue by Source - Governmental Activities



**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

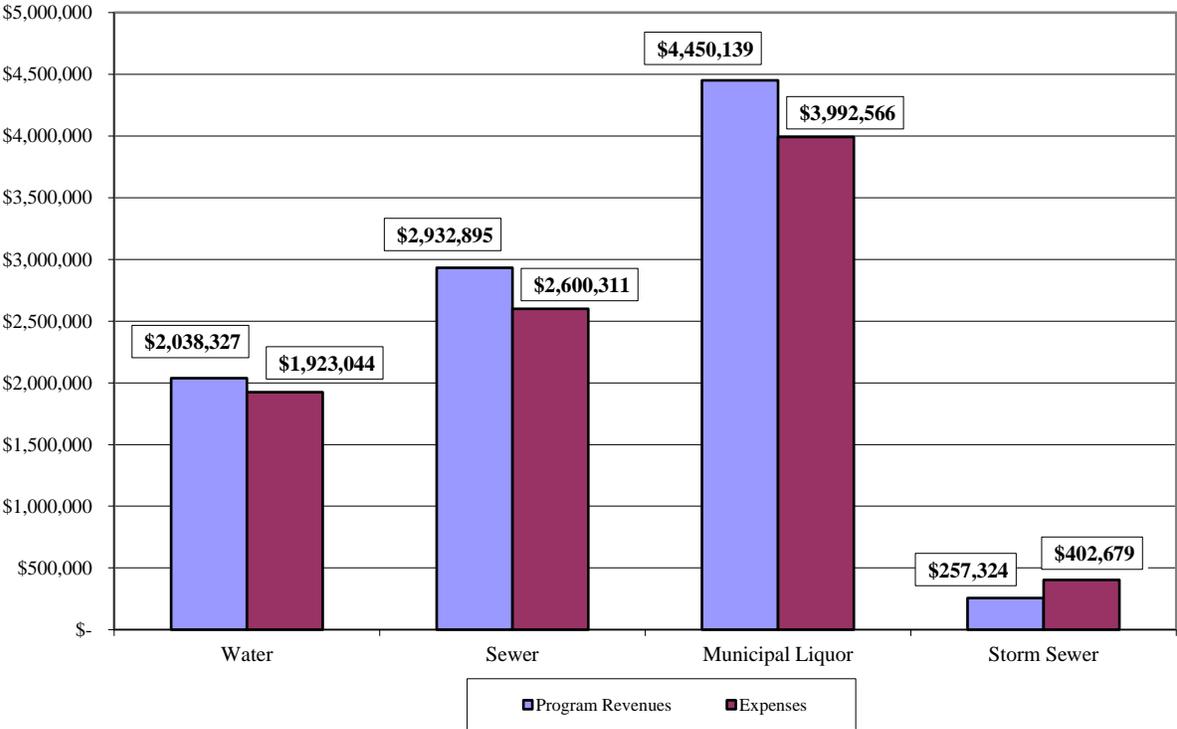
Business-Type Activities

Business-type activities increased the City's net position by \$202,038, resulting in 8% of the total increase in the government's net position. The City's Liquor Store contributed \$600,000 to the General Fund, this was a total increase of \$200,000 over 2018. Of the increase \$200,000 was used for the McDowall Trail improvements.

For the Utility funds, Water usage was down slightly, in addition the Water usage rates were decreased by 4% in 2019, however overall revenues were up. Sewer sales were up compared to 2018 due to the new development and the increase to rates by 4%. In 2019, there were 77 new home permits compared to 52 in 2019, which is the increase in the WAC/SAC fees. Development in 2019 represents the normal and anticipated development the City expects for 2020, however for long term planning the City only anticipates 50 new homes each year. In 2018 there was a new development that was billed the Storm Sewer trunk charges which is the reason why Storm Sewer 2019 revenues are down compared to 2018.

The Liquor Store revenues were up by 4.88% compared to 2018, with overall expenses up by 11% compared to 2018. The majority of the increase was due to the increase in cost of goods sold, as well as the additional \$200,000 transferred out to other funds.

Expenses and Program Revenues - Business-Type Activities

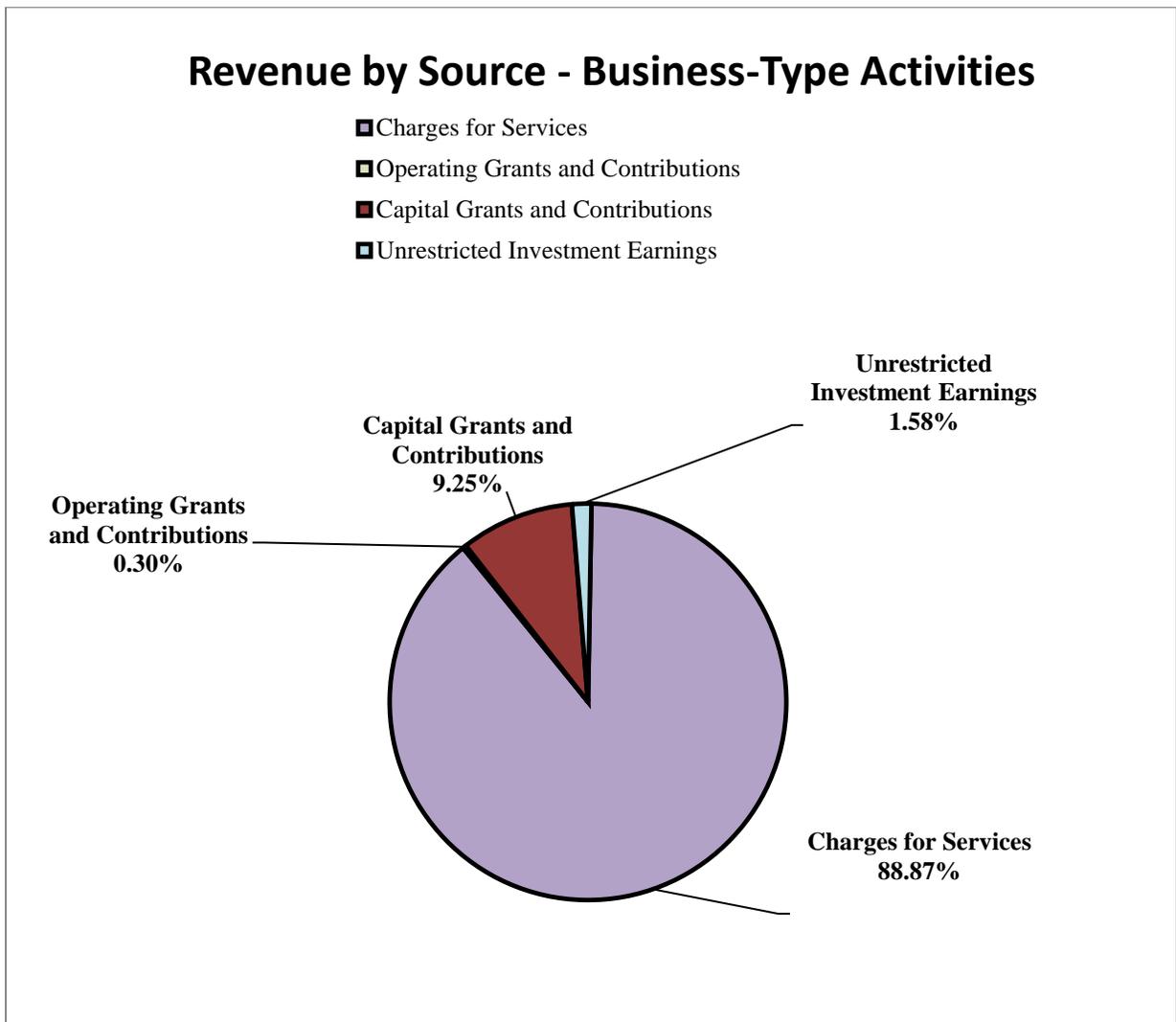


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Management's Discussion and Analysis
December 31, 2019**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Business-Type Activities (continued)

The total revenues collected from business-type activities for 2019 was \$9,833,701; of this 89% is revenues received from services provided or \$8,739,028. Investment earnings totaled \$155,016 or 1.57% of total revenues, Operating Grants and Contributions revenues received for the year totaled \$29,676, Capital Grants and Contributions for the year totaled \$909,981. The increase in revenues over 2018 was \$648,940, the total increase of net position for business-type activities was \$202,038.



**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

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 \$9,038,107, a decrease of \$2,038,140 from the previous year. Approximately 60% of this total amount, \$5,435,717, constitutes assigned and unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is restricted, committed 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 \$3,419,973, while total fund balance reached \$3,513,450. 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 66% of that same amount.

The fund balance of the City's General Fund increased by \$297,472 during the current fiscal year. Total revenues and other sources in were \$561,688 over budget due to an increase in revenues for Building permits, Property Tax, Franchise Fees, and Investment Income. Expenditures and transfers out ended 2019 over budget by \$248,576 primarily due to an approved transfer of \$300,000 to the Capital Infrastructure/Replacement Funds for future improvement projects at year end per the City's financial policies. The policies state that any excess fund balance over the 50% can be transferred to the Capital Improvement funds at year end.

Proprietary Funds

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

Unrestricted net position of the water operations at the end of the year was \$332,733; for the sewer operations the year ended at \$4,415,512 and the storm sewer operation was \$270,695 and for the liquor operation the year ended at \$1,021,421. The changes in net position for each of the utility funds were as follows: water an increase of \$ 86,239, sewer an increase of \$417,876, and storm sewer a decrease of \$(178,410). The liquor fund saw a decrease of \$(123,667). 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 \$476,333. With an operating transfer of \$600,000 to the General Fund, resulted in net position decrease of \$123,667. In 2019, an additional \$200,000 was budgeted to be used for the McDowall Trail improvements, going forward the budgeted transfer to the General Fund will be \$450,000.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

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, 2019, amounts to \$76,246,650 (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	
	2019	2018	2019	2018	2019	2018
Land	\$ 8,045,419	\$ 8,045,419	\$ 1,534,320	\$ 1,534,320	\$ 9,579,739	\$ 9,579,739
Construction in Progress	1,337,203	3,906,086	369,753	28,097	1,706,956	3,934,183
Leasehold Improvements	65,754	40,011	79,740	85,782	145,494	125,793
Infrastructure	18,011,539	15,688,439	-	-	18,011,539	15,688,439
Collection and Distribution Systems	-	-	22,474,735	23,932,955	22,474,735	23,932,955
Buildings	2,648,392	2,814,173	20,240,446	21,162,049	22,888,838	23,976,222
Machinery and Equipment	1,110,570	690,841	328,779	350,672	1,439,349	1,041,513
Total	\$ 31,218,877	\$ 31,184,969	\$ 45,027,773	\$ 47,093,875	\$ 76,246,650	\$ 78,278,844

Additional information on the City's capital assets can be found in Note 6 on pages 47-49 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had a total bonded debt outstanding of \$30,326,382. Of this amount, \$1,847,000 comprises of debt backed by the full faith and credit of the government and \$8,760,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured by specific revenue sources (i.e., tax increment financing [TIF] bonds, revenue bonds, lease revenue bonds).

City of Big Lake's Outstanding Bonded Debt

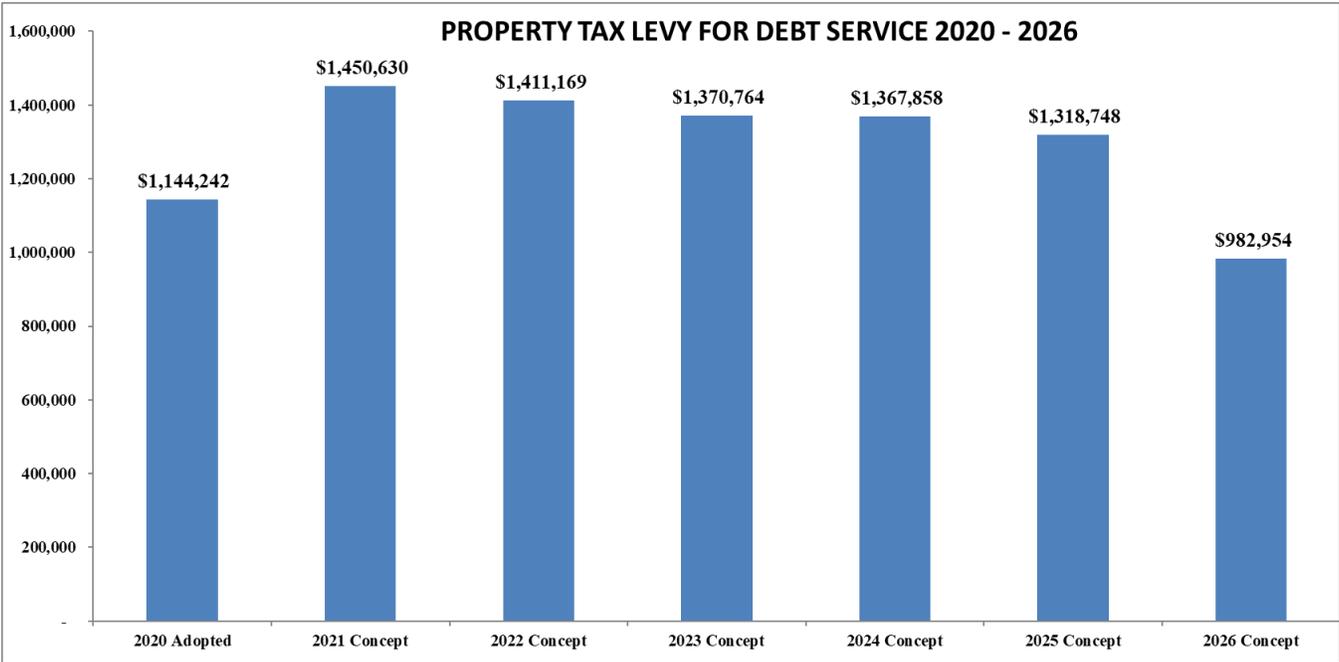
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
G.O. Bonds/Notes	\$ 1,847,000	\$ 2,019,000	\$ -	\$ -	\$ 1,847,000	\$ 2,019,000
G.O. Tax Increment Bonds	2,250,000	3,135,000	-	-	2,250,000	3,135,000
G.O. Special Assessment Bonds	8,760,000	12,170,000	-	-	8,760,000	12,170,000
PFA Drinking Water Revolving Loan	-	-	2,691,000	3,190,000	2,691,000	3,190,000
PFA Clean Water Revolving Loan	-	-	8,622,000	9,376,000	8,622,000	9,376,000
G.O. Taxable Tax Abatement Bonds	185,844	213,174	494,156	566,826	680,000	780,000
G.O. Revenue Bonds/Notes	-	-	5,460,001	6,200,000	5,460,001	6,200,000
Capital Lease	16,381	23,929	-	-	16,381	23,929
Total	\$ 13,059,225	\$ 17,561,103	\$ 17,267,157	\$ 19,332,826	\$ 30,326,382	\$ 36,893,929

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

The following graph shows the amount of existing and projected debt service levies for the next seven years. The current finance plan shows debt levies for bonds currently outstanding with no projected new debt levies until 2021. The 2018 street improvements that was bonded will not be levied, but instead the debt payments will be paid from allocation of the Local Government Aid and MSA Street Aid. In 2019, the City did not issue any new debt, but does have projected bond issuances in 2020, 2022, 2024 and 2026 for street reconstruction as outlined in the City's Capital Improvement Plan



The total outstanding bonded debt decreased by \$6,567,547 and no new debt was issued in 2019. Additional information on the City's long-term debt can be found in Note 7 on pages 50-54 of this report.

Bond Rating



Rationale

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

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Bond Rating (Continued)

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

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with an operating surplus in the general fund but a slight operating deficit at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with a high available fund balance in fiscal 2017 of 93% of operating expenditures;
- Very strong liquidity, with total government available cash at 1.5x total governmental fund expenditures and 5.1 x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges at 30.0% of expenditures and net direct debt that is 186.1% of total governmental fund revenue, but rapid amortization, with 86.5% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Budgeted spending for the City's General Fund for 2020 was increased by 11.51% over the 2019 budget; for an overall balanced budget of \$5,416,062. In 2020, the City did budget for additional staff to the Public Works Department, Police Department and Fire Department.
- The 2020 total levy amount of \$4,565,953 was a 5.46% increase over the 2019 amount.
- The Net Tax Capacity is projected to increase by 9% for 2020, with Taxable Market Value increasing by 10%.
- In 2020, the City anticipates receiving approximately \$720,974 in Local Government Aid (LGA), as compared to \$622,696 received in 2019. The City continues to budget the LGA in the Capital Improvement and Equipment replacement funds instead of the general operating fund. These funds will be used for future purchase or improvement of Capital Assets. LGA payments are typically received in July and December.
- In 2019 the water usage rates were decreased by 4%, the sewer usage fee increased by 4% and the base fees remained flat. The city implemented the new rate fee in January of 2019.
- For 2020, water usage rates will be increased by 6%; sewer usage rates by 5% and the base fees will remain flat. For the next coming years it is projected that the base fees will remain flat, water usage will need to increase 2 to 3 percent and sewer usage will need to increase 5 percent to cover the rising cost of infrastructure replacement and treatment.
- Building Permits for single family homes continues to grow, the City is anticipating approximately 70 new permits in 2020, which is in line with what was received for 2019.
- The City continues to see existing business expand their operations as well as an increase in multi-family projects that should be completed in the coming years.
- The City began the street reconstruction projects in 2018 and will continue on in 2020, 2022, 2024 and 2026.

**City of Big Lake
Management's Discussion and Analysis
December 31, 2019**

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

- The City Five-Year plan for the General Fund reflects tax levy increases necessary to deliver the current scope of services and capital replacement plans, assuming the normal budget “pressures” as stated below:
 - Health Insurance – the plan reflects a 10 percent increase each year to the budget
 - Wages – the plan reflects a 6 percent increase each year to the budget to reflect the step increases as well as market value increases to the total pay plan to remain competitive in the market.
 - Building Permits – the plan reflects growth at a slow and steady pace with 50 new home permits a year.
 - Operational Expenditures – the plan reflects a three percent increase in some expenditures such as supplies and utilities.
 - Transfer of Franchise fees beginning in 2023 to the Street Improvement Capital Fund for future street projects.
 - The tax capacity would increase three (3) percent and the increase to the total levy would be in the five (5) percent to seven (7) percent increase, which would take into consideration the growth anticipated for upcoming years as well as future debt levies.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**City of Big Lake
Statement of Net Position
December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 10,583,453	\$ 5,552,762	\$ 16,136,215
Receivables			
Property tax receivable	140,344	-	140,344
Accounts receivable	133,916	489,944	623,860
Interest receivable	22,525	-	22,525
Notes receivable	375,000	-	375,000
Special assessments receivable			
Delinquent	181,785	20,753	202,538
Deferred	1,177,705	21,830	1,199,535
Due from other governments	130,148	89,590	219,738
Advances to other funds (internal balances)			
After one year	(921,190)	921,190	-
Inventories	-	386,532	386,532
Land held for resale	839,085	-	839,085
Prepaid items	93,902	60,663	154,565
Restricted cash and cash equivalents	-	125,147	125,147
Capital assets not being depreciated			
Land	8,045,419	1,534,320	9,579,739
Construction in progress	1,337,203	369,753	1,706,956
Capital assets being depreciated			
Infrastructure	40,539,210	-	40,539,210
Buildings	4,979,619	27,648,091	32,627,710
Leasehold improvements	80,156	223,833	303,989
Machinery and equipment	5,012,431	1,401,259	6,413,690
Collection and distribution systems	-	46,280,812	46,280,812
Less accumulated depreciation	(28,775,161)	(32,430,295)	(61,205,456)
Total assets	<u>43,975,550</u>	<u>52,696,184</u>	<u>96,671,734</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	1,172,741	110,299	1,283,040
Total assets and deferred outflows of resources	<u>\$ 45,148,291</u>	<u>\$ 52,806,483</u>	<u>\$ 97,954,774</u>

**City of Big Lake
Statement of Net Position
December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 223,558	\$ 225,670	\$ 449,228
Salaries and benefits payable	69,864	35,215	105,079
Escrow payable	747,391	-	747,391
Contracts payable	48,304	8,343	56,647
Due to other governments	137,431	48,589	186,020
Interest payable	134,598	177,311	311,909
Unearned revenue	28,396	10,169	38,565
Net G.O. Bonds principal payable			
Payable within one year	2,030,000	-	2,030,000
Payable after one year	9,700,820	-	9,700,820
G.O. revenue bonds and notes payable			
Payable within one year	30,063	2,139,938	2,170,001
Payable after one year	159,935	15,315,224	15,475,159
Notes payable			
Payable within one year	129,000	-	129,000
Payable after one year	1,263,000	-	1,263,000
Capital lease payable			
Payable within one year	7,968	-	7,968
Payable after one year	8,413	-	8,413
Compensated absences payable			
Payable within one year	269,609	121,997	391,606
Net pension liability	1,910,416	939,955	2,850,371
Severance payable			
Payable after one year	44,722	-	44,722
Total liabilities	<u>16,943,488</u>	<u>19,022,411</u>	<u>35,965,899</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,594,523	171,100	1,765,623
State aid received for subsequent years	588,788	-	588,788
Total deferred inflows of resources	<u>2,183,311</u>	<u>171,100</u>	<u>2,354,411</u>
Net Position			
Net investment of capital assets	18,897,428	27,572,611	46,470,039
Restricted for			
Debt service	3,843,405	-	3,843,405
Tax increment	199,865	-	199,865
Parkland dedication	133,078	-	133,078
Other purposes	32,129	-	32,129
Unrestricted	2,915,587	6,040,361	8,955,948
Total net position	<u>26,021,492</u>	<u>33,612,972</u>	<u>59,634,464</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 45,148,291</u>	<u>\$ 52,806,483</u>	<u>\$ 97,954,774</u>

**City of Big Lake
Statement of Activities
Year Ended December 31, 2019**

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	\$ 936,323	\$ 131,205	\$ 26,089	\$ -	\$ (779,029)	\$ -	\$ (779,029)
Public safety	2,627,794	570,965	301,992	233,372	(1,521,465)	-	(1,521,465)
Streets and highways	1,710,146	177,743	35,369	678,702	(818,332)	-	(818,332)
Culture and recreation	834,271	82,033	30,193	111,956	(610,089)	-	(610,089)
Economic development	522,633	3,551	-	46,361	(472,721)	-	(472,721)
Interest on long-term debt	336,680	-	-	-	(336,680)	-	(336,680)
Total governmental activities	<u>6,967,847</u>	<u>965,497</u>	<u>393,643</u>	<u>1,070,391</u>	<u>(4,538,316)</u>	<u>-</u>	<u>(4,538,316)</u>
Business-type activities							
Water	1,923,044	1,669,854	4,719	363,754	-	115,283	115,283
Sewer	2,600,311	2,366,293	20,375	546,227	-	332,584	332,584
Liquor	3,992,566	4,447,195	2,944	-	-	457,573	457,573
Storm sewer	402,679	255,686	1,638	-	-	(145,355)	(145,355)
Total business-type activities	<u>8,918,600</u>	<u>8,739,028</u>	<u>29,676</u>	<u>909,981</u>	<u>-</u>	<u>760,085</u>	<u>760,085</u>
Total governmental and business-type activities	<u>\$ 15,886,447</u>	<u>\$ 9,704,525</u>	<u>\$ 423,319</u>	<u>\$ 1,980,372</u>	<u>(4,538,316)</u>	<u>760,085</u>	<u>(3,778,231)</u>
General revenues							
Property taxes					4,288,230	-	4,288,230
Franchise Fees					500,122	-	500,122
Tax increments					229,972	-	229,972
State aids					625,901	-	625,901
Unrestricted investment and other interest income					353,274	155,016	508,290
Other general revenue					9,815	-	9,815
Gain on sale of assets					89,497	-	89,497
Transfers					713,063	(713,063)	-
Total general revenues and transfers					<u>6,809,874</u>	<u>(558,047)</u>	<u>6,251,827</u>
Change in net position					2,271,558	202,038	2,473,596
Net position - beginning					23,749,934	33,410,934	57,160,868
Net position - ending					<u>\$ 26,021,492</u>	<u>\$ 33,612,972</u>	<u>\$ 59,634,464</u>

City of Big Lake
Balance Sheet - Governmental Funds
December 31, 2019

	<u>Capital Projects</u>			
	General (101)	Infrastructure Improvement Fund (198)	Other Governmental Funds	
Assets				
Cash and investments	\$ 3,783,246	\$ 999,676	\$ 5,800,531	\$ 10,583,453
Taxes receivable - delinquent	91,969	-	48,375	140,344
Accounts receivable	127,036	-	6,880	133,916
Interest receivable	22,525	-	-	22,525
Due from other governments	78,327	-	51,821	130,148
Notes receivable	-	-	375,000	375,000
Special assessment receivable				
Delinquent	92	2,626	179,067	181,785
Deferred	7,355	128,568	1,041,782	1,177,705
Land held for resale	-	-	839,085	839,085
Prepaid items	93,477	-	425	93,902
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,204,027</u>	<u>\$ 1,130,870</u>	<u>\$ 8,342,966</u>	<u>\$ 13,677,863</u>
Liabilities				
Accounts payable	\$ 107,714	\$ 3,870	\$ 111,974	\$ 223,558
Salaries and benefits payable	68,314	-	1,550	69,864
Escrow payable	382,708	6,510	358,173	747,391
Contracts payable	-	-	48,304	48,304
Due to other governments	4,029	-	133,402	137,431
Advances from other funds	-	-	921,190	921,190
Unearned revenue	28,396	-	-	28,396
Total liabilities	<u>591,161</u>	<u>10,380</u>	<u>1,574,593</u>	<u>2,176,134</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	375,000	375,000
Unavailable revenue - property taxes	91,969	-	48,375	140,344
Unavailable revenue - special assessments	7,447	131,194	1,220,849	1,359,490
State aid received for subsequent years	-	588,788	-	588,788
Total deferred inflows of resources	<u>99,416</u>	<u>719,982</u>	<u>1,644,224</u>	<u>2,463,622</u>
Fund Balances				
Nonspendable	93,477	-	682,130	775,607
Restricted	-	-	2,706,469	2,706,469
Committed	-	-	120,314	120,314
Assigned	92,114	400,508	2,328,459	2,821,081
Unassigned	3,327,859	-	(713,223)	2,614,636
Total fund balances	<u>3,513,450</u>	<u>400,508</u>	<u>5,124,149</u>	<u>9,038,107</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,204,027</u>	<u>\$ 1,130,870</u>	<u>\$ 8,342,966</u>	<u>\$ 13,677,863</u>

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City of Big Lake
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2019

Total fund balances - governmental funds	\$ 9,038,107
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	59,994,038
Less accumulated depreciation	(28,775,161)
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	(11,650,844)
Unamortized bond premiums	(269,974)
Notes payable	(1,392,000)
Capital lease payable	(16,381)
Compensated absences payable	(269,609)
Severance payable	(44,722)
Net pension liability	(1,910,416)
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	140,344
Special assessments	181,785
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(1,594,523)
Deferred outflows of resources related to pensions	1,172,741
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special assessments	1,177,705
Notes receivable	375,000
Governmental funds do not report a liability for accrued interest on long-term debt until due and payable.	<u>(134,598)</u>
Total net position - governmental activities	<u><u>\$ 26,021,492</u></u>

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2019

	General (101)	Debt Service G.O. Improvement Bond 2010A (212)	Capital Projects Infrastructure Improvement Fund (198)	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 2,849,748	\$ 131,336	\$ -	\$ 1,319,116	\$ 4,300,200
Tax increments	-	-	-	229,972	229,972
Franchise fees	428,316	-	-	71,806	500,122
Special assessments	4,473	4,316	41,513	319,916	370,218
Licenses and permits	581,628	-	-	2,430	584,058
Intergovernmental	464,054	-	263,360	1,106,135	1,833,549
Charges for services	282,554	-	-	97,500	380,054
Fines and forfeitures	54,786	-	-	24,214	79,000
Miscellaneous					
Investment and other interest income	223,852	(1,817)	41,233	90,006	353,274
Contributions and donations	28,024	-	-	31,480	59,504
Other	16,672	-	-	3,598	20,270
Total revenues	<u>4,934,107</u>	<u>133,835</u>	<u>346,106</u>	<u>3,296,173</u>	<u>8,710,221</u>
Expenditures					
Current					
General government	805,136	-	-	44,831	849,967
Public safety	2,370,471	-	-	13,944	2,384,415
Streets and highways	646,833	-	-	15,225	662,058
Culture and recreation	647,012	-	-	23,426	670,438
Economic development	121,650	-	-	199,453	321,103
Debt service					
Principal	-	2,090,000	-	2,411,878	4,501,878
Interest and other charges	-	35,069	-	406,806	441,875
Capital outlay					
General government	-	-	-	87,825	87,825
Public safety	27,754	-	-	434,392	462,146
Streets and highways	-	-	4,073	924,667	928,740
Culture and recreation	-	-	-	110,779	110,779
Economic development	-	-	-	145,985	145,985
Total expenditures	<u>4,618,856</u>	<u>2,125,069</u>	<u>4,073</u>	<u>4,819,211</u>	<u>11,567,209</u>
Excess of revenues over (under) expenditures	315,251	(1,991,234)	342,033	(1,523,038)	(2,856,988)
Other Financing Sources (Uses)					
Proceeds from sale of capital asset	56,214	-	-	44,958	101,172
Insurance recoveries	4,613	-	-	-	4,613
Transfers in	600,044	1,826,523	170,962	3,508,114	6,105,643
Transfers out	(678,650)	-	(1,794,798)	(2,919,132)	(5,392,580)
Total other financing sources (uses)	<u>(17,779)</u>	<u>1,826,523</u>	<u>(1,623,836)</u>	<u>633,940</u>	<u>818,848</u>
Net change in fund balances	297,472	(164,711)	(1,281,803)	(889,098)	(2,038,140)
Fund Balances					
Beginning of year	3,215,978	164,711	1,682,311	6,013,247	11,076,247
End of year	<u>\$ 3,513,450</u>	<u>\$ -</u>	<u>\$ 400,508</u>	<u>\$ 5,124,149</u>	<u>\$ 9,038,107</u>

City of Big Lake
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended December 31, 2019

Total net change in fund balances - governmental funds \$ (2,038,140)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	1,276,744
Depreciation expense	(1,464,533)
Disposal of Capital Assets	(11,675)
Assets contributed from outside entity	233,372

Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. 4,464

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. 4,501,878

Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 39,141

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. 66,054

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

Special assessments	(181,019)
Long-term notes receivable	(85,000)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. (57,758)

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. (11,970)

Change in net position - governmental activities \$ 2,271,558

City of Big Lake
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 2,717,153	\$ 2,779,053	\$ 2,849,748	\$ 70,695
Franchise fees	415,273	415,273	428,316	13,043
Special assessments	500	500	4,473	3,973
Licenses and permits	343,600	356,600	581,628	225,028
Intergovernmental	399,120	428,952	464,054	35,102
Charges for services	266,307	271,307	282,554	11,247
Fines and forfeitures	46,525	46,525	54,786	8,261
Miscellaneous revenues				
Investment income	31,500	31,500	223,852	192,352
Contributions and donations	9,330	31,330	28,024	(3,306)
Other	5,250	15,250	16,672	1,422
Total revenues	<u>4,234,558</u>	<u>4,376,290</u>	<u>4,934,107</u>	<u>557,817</u>
Expenditures				
Current				
General government	812,060	817,060	805,136	(11,924)
Public safety	2,313,646	2,381,614	2,370,471	(11,143)
Streets and highways	641,121	655,121	646,833	(8,288)
Culture and recreation	684,159	684,159	647,012	(37,147)
Economic development	120,222	122,322	121,650	(672)
Capital outlay				
Public safety	11,000	31,000	27,754	(3,246)
Culture and recreation	1,000	1,000	-	(1,000)
Total expenditures	<u>4,583,208</u>	<u>4,692,276</u>	<u>4,618,856</u>	<u>(73,420)</u>
	(348,650)	(315,986)	315,251	631,237
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	50,000	56,214	6,214
Insurance recoveries	7,000	7,000	4,613	(2,387)
Transfers in	600,000	600,000	600,044	44
Transfers out	(273,990)	(356,654)	(678,650)	(321,996)
Total other financing sources (uses)	<u>333,010</u>	<u>300,346</u>	<u>(17,779)</u>	<u>(318,125)</u>
Net change in fund balances	<u>\$ (15,640)</u>	<u>\$ (15,640)</u>	297,472	<u>\$ 313,112</u>
Fund Balances				
Beginning of year			<u>3,215,978</u>	
End of year			<u>\$ 3,513,450</u>	

City of Big Lake
Statement of Net Position - Proprietary Funds
December 31, 2019

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 800,073	\$ 3,400,858	\$ 1,018,663	\$ 333,168	\$ 5,552,762
Accounts receivable	154,988	303,850	1,392	29,714	489,944
Due from other governments	36,948	52,478	-	164	89,590
Special assessment receivable					
Delinquent	13,683	6,117	-	953	20,753
Deferred	9,945	10,945	-	940	21,830
Inventories	-	-	386,532	-	386,532
Prepaid items	23,488	20,154	12,070	4,951	60,663
Total current assets	<u>1,039,125</u>	<u>3,794,402</u>	<u>1,418,657</u>	<u>369,890</u>	<u>6,622,074</u>
Noncurrent assets					
Restricted cash and cash equivalents	-	125,147	-	-	125,147
Advances to other funds - after one year	-	1,175,110	-	-	1,175,110
Capital assets					
Land	277,006	1,257,023	-	291	1,534,320
Construction in progress	3,600	366,153	-	-	369,753
Buildings	9,651,417	15,996,156	1,915,613	84,905	27,648,091
Collection and distribution systems	16,750,392	22,811,429	-	6,718,991	46,280,812
Leasehold improvements	166,068	-	57,765	-	223,833
Machinery and equipment	338,688	542,099	218,745	301,727	1,401,259
Total capital assets	<u>27,187,171</u>	<u>40,972,860</u>	<u>2,192,123</u>	<u>7,105,914</u>	<u>77,458,068</u>
Less accumulated depreciation	<u>(11,686,844)</u>	<u>(15,683,761)</u>	<u>(1,025,893)</u>	<u>(4,033,797)</u>	<u>(32,430,295)</u>
Net capital assets	<u>15,500,327</u>	<u>25,289,099</u>	<u>1,166,230</u>	<u>3,072,117</u>	<u>45,027,773</u>
Total noncurrent assets	<u>15,500,327</u>	<u>26,589,356</u>	<u>1,166,230</u>	<u>3,072,117</u>	<u>46,328,030</u>
Total assets	<u>16,539,452</u>	<u>30,383,758</u>	<u>2,584,887</u>	<u>3,442,007</u>	<u>52,950,104</u>
Deferred Outflows of Resources					
Deferred outflows of resources related to city pensions	<u>35,227</u>	<u>35,226</u>	<u>30,812</u>	<u>9,034</u>	<u>110,299</u>
Total assets and deferred outflows of resources	<u>\$ 16,574,679</u>	<u>\$ 30,418,984</u>	<u>\$ 2,615,699</u>	<u>\$ 3,451,041</u>	<u>\$ 53,060,403</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 31,161	\$ 164,246	\$ 29,366	\$ 897	\$ 225,670
Contracts payable	-	8,343	-	-	8,343
Salaries and benefits payable	10,938	10,938	10,250	3,089	35,215
Interest payable	45,448	127,142	4,721	-	177,311
Unearned revenue	-	10,169	-	-	10,169
Due to other governments	6,610	-	41,979	-	48,589
Current compensated absences	38,694	38,694	31,362	13,247	121,997
Amount due within one year	703,355	1,356,646	79,937	-	2,139,938
Total current liabilities	<u>836,206</u>	<u>1,716,178</u>	<u>197,615</u>	<u>17,233</u>	<u>2,767,232</u>
Noncurrent liabilities					
Advances from other funds	253,920	-	-	-	253,920
G.O. Revenue Bonds, net of unamortized premium	1,680,300	3,956,660	505,202	-	6,142,162
PFA G.O. Revenue note	2,691,000	8,622,000	-	-	11,313,000
Net pension liability	300,202	300,196	262,574	76,983	939,955
Less amount due within one year	<u>(703,355)</u>	<u>(1,356,646)</u>	<u>(79,937)</u>	<u>-</u>	<u>(2,139,938)</u>
Total noncurrent liabilities	<u>4,222,067</u>	<u>11,522,210</u>	<u>687,839</u>	<u>76,983</u>	<u>16,509,099</u>
Total liabilities	<u>5,058,273</u>	<u>13,238,388</u>	<u>885,454</u>	<u>94,216</u>	<u>19,276,331</u>
Deferred Inflows of Resources					
Deferred inflows of resources related to city pensions	<u>54,646</u>	<u>54,645</u>	<u>47,796</u>	<u>14,013</u>	<u>171,100</u>
Net Position					
Net investment in capital assets	11,129,027	12,710,439	661,028	3,072,117	27,572,611
Unrestricted	332,733	4,415,512	1,021,421	270,695	6,040,361
Total net position	<u>11,461,760</u>	<u>17,125,951</u>	<u>1,682,449</u>	<u>3,342,812</u>	<u>33,612,972</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 16,574,679</u>	<u>\$ 30,418,984</u>	<u>\$ 2,615,699</u>	<u>\$ 3,451,041</u>	<u>\$ 53,060,403</u>

City of Big Lake
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2019

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Totals
Sales and cost of sales					
Sales	\$ -	\$ -	\$ 4,446,011	\$ -	\$ 4,446,011
Cost of sales	-	-	3,251,322	-	3,251,322
Gross profit	-	-	1,194,689	-	1,194,689
Operating revenues					
Charges for services	1,666,774	2,342,433	-	255,686	4,264,893
Operating expenses					
Wages and salaries	392,406	392,405	340,697	100,403	1,225,911
Employee benefits	148,113	149,666	131,418	39,521	468,718
Materials and supplies	32,767	86,295	6,576	2,964	128,602
Repairs and maintenance	62,147	44,803	14,524	12,224	133,698
Professional services	61,294	48,277	94,568	14,143	218,282
Insurance	26,694	22,432	12,719	5,089	66,934
Utilities and refuse	130,540	224,395	31,821	1,184	387,940
Depreciation	868,189	1,284,580	67,187	222,581	2,442,537
Travel	9,839	9,690	428	1,993	21,950
Bad debt expense	295	676	-	42	1,013
Equipment	122	156	9,563	-	9,841
Advertising	2,109	1,152	8,776	587	12,624
Dues, memberships, and training	10,659	5,928	4,223	579	21,389
Telephone	3,418	9,631	6,371	400	19,820
Postage	9,052	3,542	87	700	13,381
Water meters	27,059	-	-	-	27,059
Uniforms	1,575	1,596	605	269	4,045
Miscellaneous	13,603	13,580	2,119	-	29,302
Total operating expenses	<u>1,799,881</u>	<u>2,298,804</u>	<u>731,682</u>	<u>402,679</u>	<u>5,233,046</u>
Operating income (loss)	(133,107)	43,629	463,007	(146,993)	226,536
Nonoperating revenues (expenses)					
Investment and other interest income	13,023	116,647	18,760	6,586	155,016
Refunds and reimbursements	4,719	20,375	1,779	1,638	28,511
Trunk and access charges	363,754	546,227	-	-	909,981
Interest expense	(127,989)	(317,917)	(11,822)	-	(457,728)
Amortization	4,826	16,410	2,260	-	23,496
Rent	-	23,860	-	-	23,860
Other income	3,080	-	2,349	-	5,429
Total nonoperating revenues (expenses)	<u>261,413</u>	<u>405,602</u>	<u>13,326</u>	<u>8,224</u>	<u>688,565</u>
Income (loss) before transfers	128,306	449,231	476,333	(138,769)	915,101
Transfers out	<u>(42,067)</u>	<u>(31,355)</u>	<u>(600,000)</u>	<u>(39,641)</u>	<u>(713,063)</u>
Change in net position	86,239	417,876	(123,667)	(178,410)	202,038
Net position					
Beginning of year	<u>11,375,521</u>	<u>16,708,075</u>	<u>1,806,116</u>	<u>3,521,222</u>	<u>33,410,934</u>
End of year	<u>\$ 11,461,760</u>	<u>\$ 17,125,951</u>	<u>\$ 1,682,449</u>	<u>\$ 3,342,812</u>	<u>\$ 33,612,972</u>

City of Big Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019

	Water (301, 399)	Sewer (401, 499)	Liquor (501, 599)	Storm Sewer (601, 699)	Total
Cash Flows - Operating Activities					
Receipts from customers and users	\$ 1,686,153	\$ 2,277,906	\$ 4,448,439	\$ 251,359	\$ 8,663,857
Payments to suppliers	(410,289)	(486,253)	(3,493,215)	(41,133)	(4,430,890)
Payments to employees	(539,107)	(540,660)	(446,888)	(135,793)	(1,662,448)
Net cash flows - operating activities	<u>736,757</u>	<u>1,250,993</u>	<u>508,336</u>	<u>74,433</u>	<u>2,570,519</u>
Cash Flows - Noncapital					
Financing Activities					
Payment of advances to other funds	-	145,000	-	-	145,000
Receipt of advances from other funds	(100,000)	-	-	-	(100,000)
Refunds and reimbursements	4,719	20,375	1,779	1,638	28,511
Rent	-	23,860	-	-	23,860
Transfer to other funds	(42,067)	(31,355)	(600,000)	(39,641)	(713,063)
Net cash flows - noncapital financing activities	<u>(137,348)</u>	<u>157,880</u>	<u>(598,221)</u>	<u>(38,003)</u>	<u>(615,692)</u>
Cash Flows - Capital and Related					
Financing Activities					
Trunk and access charges	363,754	546,227	-	-	909,981
Principal paid on debt	(677,787)	(1,315,212)	(72,670)	-	(2,065,669)
Interest paid on debt	(135,055)	(331,214)	(12,426)	-	(478,695)
Acquisition of capital assets	(25,130)	(342,962)	-	-	(368,092)
Net cash flows - capital and related financing activities	<u>(474,218)</u>	<u>(1,443,161)</u>	<u>(85,096)</u>	<u>-</u>	<u>(2,002,475)</u>
Cash Flows - Investing Activities					
Interest and dividends received	13,023	116,647	18,760	6,586	155,016
Net change in cash and cash equivalents	138,214	82,359	(156,221)	43,016	107,368
Cash and Cash Equivalents, January 1	<u>661,859</u>	<u>3,443,646</u>	<u>1,174,884</u>	<u>290,152</u>	<u>5,570,541</u>
Cash and Cash Equivalents, December 31	<u>\$ 800,073</u>	<u>\$ 3,526,005</u>	<u>\$ 1,018,663</u>	<u>\$ 333,168</u>	<u>\$ 5,677,909</u>
Reconciliation of Operating					
Income (Loss) to Net Cash Flows -					
Operating Activities					
Operating income (loss)	\$ (133,107)	\$ 43,629	\$ 463,007	\$ (146,993)	\$ 226,536
Adjustments to reconcile operating					
Income (loss) to net cash flows -					
Operating activities					
Other revenues	3,080	-	2,349	-	5,429
Depreciation expense	868,189	1,284,580	67,187	222,581	2,442,537
Net pension liability expense	8,301	8,300	21,696	3,081	41,378
Accounts receivable	(16,028)	(86,965)	79	(5,255)	(108,169)
Special assessments receivable	63,785	74,198	-	325	138,308
Due from other governments	(31,458)	(48,864)	-	603	(79,719)
Prepaid items	(3,458)	(3,880)	(3,300)	(951)	(11,589)
Inventory	-	-	(3,948)	-	(3,948)
Accounts payable	(21,639)	(10,220)	(45,796)	(8)	(77,663)
Due to other governmental units	5,981	-	3,531	-	9,512
Salaries payable	(1)	(1)	1,696	399	2,093
Unearned revenue	-	(2,896)	-	-	(2,896)
Compensated absences payable	(6,888)	(6,888)	1,835	651	(11,290)
Total adjustments	<u>869,864</u>	<u>1,207,364</u>	<u>45,329</u>	<u>221,426</u>	<u>2,343,983</u>
Net cash flows - operating activities	<u>\$ 736,757</u>	<u>\$ 1,250,993</u>	<u>\$ 508,336</u>	<u>\$ 74,433</u>	<u>\$ 2,570,519</u>

See notes to financial statements.

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City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

1. Blended Component Unit

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

2. Related Organization

Big Lake Volunteer Fire Relief Association

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

3. Joint Ventures and Jointly Governed Organization

Big Lake Volunteer Fire Department

The Big Lake Volunteer Fire Department (the "Fire Department") was created to provide fire services to the residents of the City, the Town of Big Lake and the Town of Orrock, Minnesota.

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

The City and the Town shall each contribute 50% of the total operating budget to the department. For the year ended December 31, 2019, the City contributed \$162,268 to the department.

Central Mississippi River Regional Planning Partnership

The Central Mississippi River Regional Planning Partnership (the "Partnership") was created to develop and implement a compelling regional vision and framework that guides local decisions on thoughtful and collaborative planning, growth, and development to benefit both individual jurisdictions and the region as a whole with the City of Monticello, City of Big Lake, City of Becker, Big Lake and Becker Townships, and Sherburne and Wright Counties.

On November 13, 2019, the City entered into an agreement with the Partnership to establish a joint powers agreement for developing and implementing a compelling regional vision and framework. The Partnership Board is a legal entity separate from the City. Each party appoints one member of the governing body.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Central Mississippi River Regional Planning Partnership (Continued)

In January of each year, each partner shall contribute its share of the Partnership's annual budget based on the following formula: the two counties to evenly split 50% of the total budget and the City and Township partners to evenly split the remaining 50% of the total budget. No amount was contributed for 2019.

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 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.

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.

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 Funds:

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

G.O. Improvement Bond 2010A Debt Service Fund – This fund accounts for all the costs related to the 2010A Bond.

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

Proprietary Funds:

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

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

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

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

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

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds (Continued):

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 exists: committed, assigned, and unassigned.

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

1. Cash and Investments

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

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

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

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

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

2. Restricted Cash

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

4. Inventory and Prepaid Items

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

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

5. Capital Assets

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

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

6. Deferred Outflows/Inflows of Resources

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

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Pensions

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

8. Compensated Absences

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

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

9. Severance

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

10. Long-Term Obligations

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

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Equity

a. Classification

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

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

City of Big Lake
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Net Position

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

13. Use of Estimates

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

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

City of Big Lake
Notes to Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

The following Fund had a deficit fund balance at December 31, 2019:

Non-major Governmental Fund	
Industrial Park Expansion Land Purchase Capital Projects Fund	\$ 31,223

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy states all deposits will be insured or collateralized in accordance with *Minnesota Statutes* 118.A. At December 31, 2019, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by pledging financial institutions trust department or agent and in the City's name.

Savings	\$ 20,059
Certificates of deposit	<u>1,699,800</u>
 Total	 <u><u>\$ 1,719,859</u></u>

B. Investments

At December 31, 2019, 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	\$ 5,107,295	\$ 541,747	\$ 1,421,665	\$ 2,652,667	\$ 491,216
Cash and Brokered Money Market Accounts	30,748	30,748	-	-	-
4M Fund	4,588,270	4,588,270	-	-	-
4M Plus	<u>4,687,068</u>	<u>4,687,068</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>14,413,381</u>	 <u>9,847,833</u>	 <u>1,421,665</u>	 <u>2,652,667</u>	 <u>491,216</u>
Non-Pooled Restricted Cash and Cash Equivalents					
4M Fund	<u>125,147</u>	<u>125,147</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Investments	 <u><u>\$ 14,538,528</u></u>	 <u><u>\$ 9,972,980</u></u>	 <u><u>\$ 1,421,665</u></u>	 <u><u>\$ 2,652,667</u></u>	 <u><u>\$ 491,216</u></u>

City of Big Lake
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The City has the following recurring fair value measurements as of December 31, 2019:

- \$5,107,295 of investments are valued using a matrix pricing model (Level 2 inputs)

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

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

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

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

Summary of cash, deposits, and investments as of December 31, 2019:

Petty cash	\$ 2,975
Deposits (Note 3.A.)	1,719,859
Investments (Note 3.B.)	<u>14,538,528</u>
 Total deposits and investments	 <u><u>\$ 16,261,362</u></u>

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Cash, deposits, and investments are presented in the December 31, 2019, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 16,136,215
Restricted cash and cash equivalents	<u>125,147</u>
Total	<u><u>\$ 16,261,362</u></u>

NOTE 4 – NOTES RECEIVABLE

Governmental funds notes receivable includes receivables from the Big Lake Township for their portion of debt payments on the Taxable G.O. Refunding Bonds, Series 2016A, for \$375,000.

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Advances to/from Other Funds

The composition of advances as of December 31, 2019, was as follows:

	<u>Advances to Sewer Fund</u>
Advances from	
Other Governmental Funds	\$ 921,190
Water Fund	<u>253,920</u>
Total	<u><u>\$ 1,175,110</u></u>

The amounts due to the Sewer Fund represent interfund loans to absorb temporary negative cash balances and to temporarily fund capital projects.

City of Big Lake
Notes to Financial Statements

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2019, was as follows:

	Transfers In				Total
	General Fund	G.O. Improvement Bond 2010A	Infrastructure Improvement Fund	Other Governmental Funds	
Transfers out					
General Fund	\$ -	\$ -	\$ 30,000	\$ 648,650	\$ 678,650
Infrastructure Improvement Fund	-	-	-	1,794,798	1,794,798
Other Governmental Funds	44	1,826,523	140,962	951,603	2,919,132
Water Fund	-	-	-	42,067	42,067
Sewer Fund	-	-	-	31,355	31,355
Liquor Fund	600,000	-	-	-	600,000
Storm Sewer Fund	-	-	-	39,641	39,641
Total	<u>\$ 600,044</u>	<u>\$ 1,826,523</u>	<u>\$ 170,962</u>	<u>\$ 3,508,114</u>	<u>\$ 6,105,643</u>

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

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,045,419	\$ -	\$ -	\$ 8,045,419
Construction in progress	3,906,086	1,082,240	3,651,123	1,337,203
Total capital assets not being depreciated	<u>11,951,505</u>	<u>1,082,240</u>	<u>3,651,123</u>	<u>9,382,622</u>
Capital assets being depreciated				
Infrastructure	37,164,549	3,374,661	-	40,539,210
Buildings	4,979,619	-	-	4,979,619
Leasehold improvements	65,684	35,047	20,575	80,156
Machinery and equipment	4,385,941	669,291	42,801	5,012,431
Total capital assets being depreciated	<u>46,595,793</u>	<u>4,078,999</u>	<u>63,376</u>	<u>50,611,416</u>
Less accumulated depreciation for				
Infrastructure	21,476,110	1,051,561	-	22,527,671
Buildings	2,165,446	165,781	-	2,331,227
Leasehold improvements	25,673	3,761	15,032	14,402
Machinery and equipment	3,695,100	243,430	36,669	3,901,861
Total accumulated depreciation	<u>27,362,329</u>	<u>1,464,533</u>	<u>51,701</u>	<u>28,775,161</u>
Total capital assets being depreciated, net	<u>19,233,464</u>	<u>2,614,466</u>	<u>11,675</u>	<u>21,836,255</u>
Governmental activities capital assets, net	<u>\$ 31,184,969</u>	<u>\$ 3,696,706</u>	<u>\$ 3,662,798</u>	<u>\$ 31,218,877</u>

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,534,320	\$ -	\$ -	\$ 1,534,320
Construction in progress	28,097	341,656	-	369,753
Total capital assets not being depreciated	<u>1,562,417</u>	<u>341,656</u>	<u>-</u>	<u>1,904,073</u>
Capital assets being depreciated				
Buildings	27,648,091	-	-	27,648,091
Collection and distribution systems	46,280,812	-	-	46,280,812
Leasehold improvements	223,833	-	-	223,833
Machinery and equipment	1,366,480	34,779	-	1,401,259
Total capital assets being depreciated	<u>75,519,216</u>	<u>34,779</u>	<u>-</u>	<u>75,553,995</u>
Less accumulated depreciation for				
Buildings	6,486,042	921,603	-	7,407,645
Collection and distribution systems	22,347,858	1,458,219	-	23,806,077
Leasehold improvements	138,051	6,042	-	144,093
Machinery and equipment	1,015,807	56,673	-	1,072,480
Total accumulated depreciation	<u>29,987,758</u>	<u>2,442,537</u>	<u>-</u>	<u>32,430,295</u>
Total capital assets being depreciated, net	<u>45,531,458</u>	<u>(2,407,758)</u>	<u>-</u>	<u>43,123,700</u>
Business-type activities capital assets, net	<u>\$ 47,093,875</u>	<u>\$ (2,066,102)</u>	<u>\$ -</u>	<u>\$ 45,027,773</u>

City of Big Lake
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 33,122
Public safety	200,178
Streets and highways	1,032,913
Culture and recreation	149,546
Economic development	<u>48,774</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,464,533</u></u>
Business-type activities	
Water	\$ 868,189
Sewer	1,284,580
Liquor	67,187
Storm sewer	<u>222,581</u>
Total depreciation expense - business-type activities	<u><u>\$ 2,442,537</u></u>

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

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

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

A. General Obligation Bonds (Continued)

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

B. Components of Long-Term Liabilities

	Issue Year	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
G.O. Bonds, including Refunding bonds						
G.O. Refunding Improvement Bonds of 2011A	2011	0.40% - 2.45%	\$ 2,095,000	2020	\$ 410,000	\$ 410,000
G.O. Refunding Improvement Bonds of 2011B	2011	2.00% - 2.80%	3,415,000	2022	1,075,000	425,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	1,040,000	2026	180,000	45,000
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,330,000	2029	2,870,000	520,000
G.O. Capital Improvement Bonds of 2016B	2016	1.00%-2.25%	590,000	2028	455,000	50,000
G.O. Refunding Improvement Bonds of 2016C	2016	2.00%	1,875,000	2026	1,875,000	200,000
G.O. Improvement Bonds of 2018A	2018	3%-3.30%	2,350,000	2034	2,350,000	130,000
Tax Abatement Bonds						
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	296,530	2025	185,844	30,063
Taxable G.O. Refunding Bonds						
Taxable G.O. Refunding Bond of 2016A	2016	0.90%-3.10%	2,885,000	2030	2,250,000	250,000
Notes payable						
Transportation Revolving Loan Fund	2010	1.726%	2,465,000	2029	1,392,000	129,000
					<u>13,042,844</u>	<u>2,189,063</u>
Premium on bonds payable					269,974	-
Capital Lease					16,381	7,968
Severance					44,722	-
Compensated absences					269,609	269,609
Total governmental activities					<u>13,643,530</u>	<u>2,466,640</u>
Business-type activities						
G.O. Revenue Bonds and Notes, including Refunding Bonds						
Public Facility Authority Drinking Water G.O. Revenue Note	2004	2.53%	9,787,000	2024	2,691,000	512,000
Public Facility Authority Clean Sewer Revenue Note of 2009	2009	2.41%	13,470,120	2024	8,622,000	773,000
G.O. Refunding Bonds of 2012A	2012	2.00%-2.70%	3,745,000	2026	1,485,000	425,000
Taxable G.O. Tax Abatement Bonds of 2014A	2014	1.50%-2.50%	788,470	2025	494,156	79,937
G.O. Refunding Bonds of 2015A	2015	2.00%-3.00%	4,955,000	2029	3,975,001	350,001
					<u>17,267,157</u>	<u>2,139,938</u>
Premium on bonds payable					188,005	-
Compensated absences					121,997	121,997
Total business-type activities					<u>17,577,159</u>	<u>2,261,935</u>
Total all long-term liabilities					<u>\$ 31,220,689</u>	<u>\$ 4,728,575</u>

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

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
G.O. Improvement Bonds	\$ 12,670,000	\$ -	\$ 3,455,000	\$ 9,215,000	\$ 1,780,000
G.O. Revenue /Tax Abatement Bonds	213,173	-	27,329	185,844	30,063
Taxable G.O. Refunding Bonds	2,460,000	-	210,000	2,250,000	250,000
G.O. Tax Increment Bonds	675,000	-	675,000	-	-
Notes payable	1,519,000	-	127,000	1,392,000	129,000
Capital lease	23,930	-	7,549	16,381	7,968
Premium on bonds	309,115	-	39,141	269,974	-
Total bonds payable	<u>17,870,218</u>	<u>-</u>	<u>4,541,019</u>	<u>13,329,199</u>	<u>2,197,031</u>
Compensated absences	276,463	272,988	279,842	269,609	269,609
Severance	<u>42,332</u>	<u>2,390</u>	<u>-</u>	<u>44,722</u>	<u>-</u>
Total governmental activities	<u>18,189,013</u>	<u>275,378</u>	<u>4,820,861</u>	<u>13,643,530</u>	<u>2,466,640</u>
Business-type activities					
Bonds payable					
G.O. Revenue Bonds	6,766,826	-	812,669	5,954,157	854,938
PFA G.O. Revenue Notes	12,566,000	-	1,253,000	11,313,000	1,285,000
Premium on bonds	<u>211,500</u>	<u>-</u>	<u>23,495</u>	<u>188,005</u>	<u>-</u>
Total bonds payable	<u>19,544,326</u>	<u>-</u>	<u>2,089,164</u>	<u>17,455,162</u>	<u>2,139,938</u>
Compensated absences	<u>133,287</u>	<u>130,999</u>	<u>142,289</u>	<u>121,997</u>	<u>121,997</u>
Total business-type activities	<u>19,677,613</u>	<u>130,999</u>	<u>2,231,453</u>	<u>17,577,159</u>	<u>2,261,935</u>
Total long-term liabilities	<u>\$ 37,866,626</u>	<u>\$ 406,377</u>	<u>\$ 7,052,314</u>	<u>\$ 31,220,689</u>	<u>\$ 4,728,575</u>

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

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

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

Year Ending December 31,	Governmental Activities					
	G.O. Bonds			G.O. Tax Abatement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,780,000	\$ 217,136	\$ 1,997,136	\$ 30,063	\$ 3,970	\$ 34,033
2021	1,390,000	176,142	1,566,142	30,063	3,368	33,431
2022	1,205,000	141,434	1,346,434	30,063	2,730	32,793
2023	1,110,000	110,519	1,220,519	31,430	1,999	33,429
2024	900,000	86,313	986,313	31,430	1,213	32,643
2025-2029	1,930,000	240,394	2,170,394	32,795	410	33,205
2030-2034	900,000	74,306	974,306	-	-	-
Total	<u>\$ 9,215,000</u>	<u>\$ 1,046,244</u>	<u>\$ 10,261,244</u>	<u>\$ 185,844</u>	<u>\$ 13,690</u>	<u>\$ 199,534</u>

Year Ending December 31,	Governmental Activities		
	Notes Payable		
	Principal	Interest	Total
2020	\$ 129,000	\$ 24,026	\$ 153,026
2021	131,000	21,800	152,800
2022	133,000	19,538	152,538
2023	135,000	17,242	152,242
2024	138,000	14,912	152,912
2025-2029	726,000	38,024	764,024
Total	<u>\$ 1,392,000</u>	<u>\$ 135,542</u>	<u>\$ 1,527,542</u>

Year Ending December 31,	Taxable G.O. Refunding Bond			Total Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2020	\$ 250,000	\$ 51,477	\$ 301,477	\$ 2,189,063	\$ 296,609
2021	270,000	46,917	316,917	1,821,063	248,227	2,069,290
2022	270,000	41,720	311,720	1,638,063	205,422	1,843,485
2023	280,000	35,940	315,940	1,556,430	165,700	1,722,130
2024	280,000	29,500	309,500	1,349,430	131,938	1,481,368
2025-2029	810,000	69,605	879,605	3,498,795	348,433	3,847,228
2030-2034	90,000	1,395	91,395	990,000	75,701	1,065,701
Total	<u>\$ 2,250,000</u>	<u>\$ 276,554</u>	<u>\$ 2,526,554</u>	<u>\$ 13,042,844</u>	<u>\$ 1,472,030</u>	<u>\$ 14,514,874</u>

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments (Continued)

Year Ending December 31,	Business-Type Activities					
	G.O. Revenue Bonds			Public Facility G.O. Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 854,938	\$ 139,958	\$ 994,896	\$ 1,285,000	\$ 276,218	\$ 1,561,218
2021	599,937	121,679	721,616	1,316,000	244,602	1,560,602
2022	614,937	105,411	720,348	1,348,000	212,226	1,560,226
2023	638,571	88,367	726,938	1,381,000	179,060	1,560,060
2024	648,571	72,465	721,036	1,415,000	145,084	1,560,084
2025-2029	2,597,203	153,178	2,750,381	4,568,000	336,102	4,904,102
Total	<u>\$ 5,954,157</u>	<u>\$ 681,058</u>	<u>\$ 6,635,215</u>	<u>\$ 11,313,000</u>	<u>\$ 1,393,292</u>	<u>\$ 12,706,292</u>

Year Ending December 31,	Business-Type Activities		
	Total Business-Type Activities		
	Principal	Interest	Total
2020	\$ 2,139,938	\$ 416,176	\$ 2,556,114
2021	1,915,937	366,281	2,282,218
2022	1,962,937	317,637	2,280,574
2023	2,019,571	267,427	2,286,998
2024	2,063,571	217,549	2,281,120
2025-2029	7,165,203	489,280	7,654,483
Total	<u>\$ 17,267,157</u>	<u>\$ 2,074,350</u>	<u>\$ 19,341,507</u>

E. Capital Lease

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

City of Big Lake
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

E. Capital Lease (Continued)

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

Year Ending December 31,	Total
2020	\$ 8,883
2021	8,883
Total minimum lease payments	17,766
Less amount representing interest	(1,385)
Present value of net minimum lease payments	\$ 16,381

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

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

NOTE 8 – FUND BALANCE DETAIL

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

	General	Infrastructure Improvement	Nonmajor Governmental Fund	Total
Nonspendable				
Land held for resale	\$ -	\$ -	\$ 682,000	\$ 682,000
Prepaid items	93,477	-	130	93,607
Total nonspendable	<u>93,477</u>	<u>-</u>	<u>682,130</u>	<u>775,607</u>
Restricted				
Debt service	-	-	2,341,397	2,341,397
Park development	-	-	133,078	133,078
TIF	-	-	199,865	199,865
Police traffic safety	-	-	20	20
DWI forfeiture	-	-	12,262	12,262
Farmers market	-	-	18,597	18,597
Narcotic forfeiture	-	-	1,250	1,250
Total restricted	<u>-</u>	<u>-</u>	<u>2,706,469</u>	<u>2,706,469</u>
Committed				
Economic development	-	-	120,314	120,314
Assigned				
Veterans memorial	-	-	5,069	5,069
Street improvement	-	-	16,979	16,979
Local development	-	-	143,543	143,543
Capital infrastructure replacement	-	400,508	-	400,508
Computer replacement	-	-	213,452	213,452
Lake maintenance	-	-	33,289	33,289
Police capital purchases	33,297	-	-	33,297
Street maintenance	-	-	471,042	471,042
Equipment and building replacements	-	-	1,420,085	1,420,085
Parks capital purchases	14,331	-	-	14,331
Wellness program	2,195	-	-	2,195
ECFE - Reading in the park program	36,350	-	-	36,350
Movie in the park program	5,941	-	-	5,941
Parks and Trails Maintenance	-	-	25,000	25,000
Total assigned	<u>92,114</u>	<u>400,508</u>	<u>2,328,459</u>	<u>2,821,081</u>
Unassigned				
	<u>3,327,859</u>	<u>-</u>	<u>(713,223)</u>	<u>2,614,636</u>
Total	<u>\$ 3,513,450</u>	<u>\$ 400,508</u>	<u>\$ 5,124,149</u>	<u>\$ 9,038,107</u>

City of Big Lake
Notes to Financial Statements

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 years.

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

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2019 was \$456,669. The components of pension expense are noted in the following plan summaries.

The General Fund, Water, Sewer, Storm Sewer, and Liquor Funds typically liquidate the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

City of Big Lake
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

City of Big Lake
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in calendar year 2019 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$175,658. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$181,880. The City's contributions were equal to the required contributions as set by the state statute.

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

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,824,496 for its proportionate share of the general employees fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$56,664. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0330%, which was a decrease of 0.0002% from its proportionate share measured as of June 30, 2018.

General Employees Fund Pension Costs (Continued)

City's proportionate share of the net pension liability	\$ 1,824,496
State of Minnesota's proportionate share of net pension liability associated with the City	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">56,664</div>
Total	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 1,881,160</div>

For the year ended December 31, 2019, the City recognized pension expense of \$293,350 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$4,244 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Big Lake
Notes to Financial Statements

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 49,379	\$ -
Changes in actuarial assumptions	-	140,043
Difference between projected and actual investment earnings	-	183,747
Changes in proportion	76,887	8,322
Contributions paid to PERA subsequent to the measurement date	<u>87,829</u>	<u>-</u>
Total	<u><u>\$ 214,095</u></u>	<u><u>\$ 332,112</u></u>

\$87,829 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (54,192)
2021	(115,064)
2022	(39,530)
2023	<u>2,940</u>
Total	<u><u>\$ (205,846)</u></u>

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

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,025,875 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0976%, which was an increase of 0.0101% from its proportionate share measured as of June 30, 2018. The City also recognized \$13,176 for the year ended December 31, 2019 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$163,319 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 39,562	\$ 142,229
Changes in actuarial assumptions	777,436	972,733
Difference between projected and actual investment earnings	-	178,089
Changes in proportion	161,007	140,460
Contributions paid to PERA subsequent to the measurement date	90,940	-
Total	<u>\$ 1,068,945</u>	<u>\$ 1,433,511</u>

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

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

\$90,940 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2019	\$ (32,607)
2020	(111,617)
2021	(360,390)
2022	32,044
2023	<u>17,064</u>
Total	<u>\$ (455,506)</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated 2018 based on a review of inflation and investment return assumptions.

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

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
	<u>100 %</u>	
Total		

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

NOTE 10 –PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proprionate share of the General Employees Fund net pension liability	\$ 2,999,373	\$ 1,824,496	\$ 854,401
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proprionate share of the Police and Fire Fund net pension liability	\$ 2,257,996	\$ 1,025,875	\$ (13,156)

H. Pension Plan Fiduciary Net Position

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

City of Big Lake
Notes to Financial Statements

NOTE 11 – COMMITMENTS

	<u>Project Authorization</u>	<u>Expended Through 12/31/2019</u>	<u>Remaining Commitment</u>
2019 Mill/Overlay Project	\$ 320,453	\$ 276,789	\$ 43,664
2020 Street Project	317,163	85,316	231,847
McDowal Trail	202,117	199,786	2,331
New Well Location	17,990	3,600	14,390
WWTP Expansion	<u>2,886,050</u>	<u>366,153</u>	<u>2,519,897</u>
Totals	<u>\$ 3,743,773</u>	<u>\$ 931,644</u>	<u>\$ 2,812,129</u>

NOTE 12 – TAX INCREMENT FINANCING

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

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

During the year ended December 31, 2019, the City generated \$229,972 in tax increment revenue and made \$136,680 in payments to developers.

The City has the following TIF Districts:

- TIF District No. 5 was established in 2009 for the purpose of constructing a banking building. Under the agreement, up to \$127,025 of development costs will be reimbursed through tax increment over a 17 year period. During the year ended December 31, 2019, the City generated \$12,830 of tax increment revenue and made payments on the pay-as-you-go note of \$17,418. The note's balance at year end was \$124,597.
- TIF District No. 6 was established in 2014 for the purpose of establishing a new 20-unit rate assisted living and advanced care facility. Under the agreement, up to \$195,000 of development costs will be reimbursed through tax increment over a 9 year period. During the year ended December 31, 2019, the City generated \$30,046 of tax increment revenue and made payments on the pay-as-you-go note of \$41,876. The note's balance at year end was \$46,021.

City of Big Lake
Notes to Financial Statements

NOTE 12 – TAX INCREMENT FINANCING (CONTINUED)

- TIF District No. 7 was established in 2012 for the purpose of establishing a new 38-unit income based housing apartment. Under the agreement, up to \$490,000 of development costs will be reimbursed through tax increment over a seven year period. During the year ended December 31, 2019, the City generated \$103,512 of tax increment revenue and made payments on the pay-as-you-go note of \$77,386. The note's balance at year end was \$378,364.

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

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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

NOTE 14 - SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019 cannot be determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0270%	\$ 1,399,280	\$ -	\$ 1,399,280	\$ 1,562,440	89.56%	78.19%
2016	0.0305%	2,476,449	32,345	2,508,794	1,893,227	130.81%	68.91%
2017	0.0313%	1,998,171	25,092	2,023,263	2,013,733	99.23%	75.90%
2018	0.0332%	1,841,800	60,434	1,902,234	2,232,853	82.49%	79.53%
2019	0.0330%	1,824,496	56,664	1,881,160	2,332,333	78.23%	80.23%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0870%	\$ 988,524	\$ 773,321	127.83%	86.61%
2016	0.0880%	3,531,593	848,407	416.26%	63.88%
2017	0.0810%	1,093,596	834,926	130.98%	85.43%
2018	0.0875%	932,660	922,562	101.09%	88.84%
2019	0.0976%	1,025,875	1,006,383	101.94%	89.26%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 123,699	\$ 123,699	\$ -	\$ 1,649,320	7.50%
2016	146,423	146,423	-	1,952,307	7.50%
2017	158,725	158,725	-	2,116,333	7.50%
2018	169,709	169,709	-	2,262,787	7.50%
2019	175,658	175,658	-	2,342,107	7.50%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 133,141	\$ 133,141	\$ -	\$ 821,858	16.20%
2016	131,713	131,713	-	813,043	16.20%
2017	141,471	141,471	-	873,278	16.20%
2018	160,720	160,720	-	992,099	16.20%
2019	181,880	181,880	-	1,073,038	16.95%

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

City of Big Lake
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

City of Big Lake
Notes to Required Supplementary Information

GENERAL EMPLOYEES FUND (CONTINUED)

2017 Changes (Continued)

Changes in Plan Provisions (Continued)

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

City of Big Lake
Notes to Required Supplementary Information

POLICE AND FIRE FUND

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

City of Big Lake
Notes to Required Supplementary Information

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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SUPPLEMENTARY INFORMATION

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Special Revenue			
	Economic Development Authority (275)	Narcotic Forfeiture (276)	DWI Forfeiture (277)	Traffic Safety Program (278)
Assets				
Cash and investments	\$ 97,618	\$ 1,250	\$ 13,626	\$ 20
Taxes receivable - delinquent	2,553	-	-	-
Accounts receivable	5,992	-	-	-
Due from other governments	2,579	-	-	-
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	61,925	-	-	-
Prepaid expenses	295	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 170,962</u>	<u>\$ 1,250</u>	<u>\$ 13,626</u>	<u>\$ 20</u>
Liabilities				
Accounts payable	\$ 694	\$ -	\$ 1,364	\$ -
Salaries and benefits payable	1,517	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	45,884	-	-	-
Total liabilities	<u>48,095</u>	<u>-</u>	<u>1,364</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	2,553	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>2,553</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	1,250	12,262	20
Committed	120,314	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>120,314</u>	<u>1,250</u>	<u>12,262</u>	<u>20</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 170,962</u>	<u>\$ 1,250</u>	<u>\$ 13,626</u>	<u>\$ 20</u>

Special Revenue			Debt Service			
Farmers Market (280)	Veterans Memorial Fund (281)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)	G.O. Refunding Bond 2015A (222)	G.O. Improvement Bond 2018A (227)
\$ 19,177	\$ 5,069	\$ 369,660	\$ 12,375	\$ 182,006	\$ 201,516	\$ 1,056,865
-	-	6,470	1,520	9,145	13,396	-
-	-	-	-	-	-	-
14	-	4,869	1,101	6,602	6,536	2,355
-	-	375,000	-	-	-	-
-	-	-	-	368	166,960	77
-	-	-	-	9,884	432,657	384,862
-	-	-	-	-	-	-
130	-	-	-	-	-	-
<u>\$ 19,321</u>	<u>\$ 5,069</u>	<u>\$ 755,999</u>	<u>\$ 14,996</u>	<u>\$ 208,005</u>	<u>\$ 821,065</u>	<u>\$ 1,444,159</u>
\$ 560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1	-	-	-	-	-	-
-	-	294,852	-	-	-	-
<u>594</u>	<u>-</u>	<u>294,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	375,000	-	-	-	-
-	-	6,470	1,520	9,145	13,396	-
-	-	-	-	10,252	599,617	384,939
-	-	<u>381,470</u>	<u>1,520</u>	<u>19,397</u>	<u>613,013</u>	<u>384,939</u>
130	-	-	-	-	-	-
18,597	-	79,677	13,476	188,608	208,052	1,059,220
-	-	-	-	-	-	-
-	5,069	-	-	-	-	-
-	-	-	-	-	-	-
<u>18,727</u>	<u>5,069</u>	<u>79,677</u>	<u>13,476</u>	<u>188,608</u>	<u>208,052</u>	<u>1,059,220</u>
<u>\$ 19,321</u>	<u>\$ 5,069</u>	<u>\$ 755,999</u>	<u>\$ 14,996</u>	<u>\$ 208,005</u>	<u>\$ 821,065</u>	<u>\$ 1,444,159</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Debt Service			
	G.O. State Aid Loan (211)	G.O. Refunding Bonds of 2014A (221)	G.O. Refunding Bond of 2011A (214)	G.O. Improvement Refunding Bond of 2011B (216)
Assets				
Cash and investments	\$ 13,306	\$ 32,651	\$ 367,463	\$ 200,951
Taxes receivable - delinquent	-	589	4,347	9,577
Accounts receivable	-	-	-	-
Due from other governments	-	494	2,187	8,346
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	921	7,561
Deferred	-	-	-	113,840
Land held for resale	-	-	-	-
Prepaid expenses	-	-	-	-
	-	-	-	-
Total assets	<u>\$ 13,306</u>	<u>\$ 33,734</u>	<u>\$ 374,918</u>	<u>\$ 340,275</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	-	589	4,347	9,577
Unavailable revenue - special assessments	-	-	921	121,401
Total deferred inflows of resources	<u>-</u>	<u>589</u>	<u>5,268</u>	<u>130,978</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	13,306	33,145	369,650	209,297
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>13,306</u>	<u>33,145</u>	<u>369,650</u>	<u>209,297</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,306</u>	<u>\$ 33,734</u>	<u>\$ 374,918</u>	<u>\$ 340,275</u>

Debt Service	Capital Projects					
GO Refunding Bonds 2012A (217)	Neighborhood Stabilization Program (116)	Street Improvement (175)	Parks and Trails Maintenance (195)	Park Development (120)	Industrial Park Expansion Land Purchase (141)	Local Development (150)
\$ 166,605	\$ -	\$ 120,274	\$ 25,000	\$ 135,529	\$ -	\$ 509,787
778	-	-	-	-	-	-
-	888	-	-	-	-	-
361	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,180	-	-	-	-
98,654	-	-	-	-	-	1,885
-	-	-	-	-	682,000	-
-	-	-	-	-	-	-
<u>\$ 266,398</u>	<u>\$ 888</u>	<u>\$ 123,454</u>	<u>\$ 25,000</u>	<u>\$ 135,529</u>	<u>\$ 682,000</u>	<u>\$ 511,672</u>
\$ -	\$ 888	\$ 63,242	\$ -	\$ -	\$ -	\$ 2,271
-	-	-	-	-	-	-
-	-	10,000	-	-	-	348,173
-	-	30,053	-	2,451	-	15,800
-	-	-	-	-	132,769	-
-	-	-	-	-	580,454	-
-	888	103,295	-	2,451	713,223	366,244
-	-	-	-	-	-	-
778	-	-	-	-	-	-
98,654	-	3,180	-	-	-	1,885
<u>99,432</u>	<u>-</u>	<u>3,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,885</u>
-	-	-	-	-	682,000	-
166,966	-	-	-	133,078	-	-
-	-	-	-	-	-	-
-	-	16,979	25,000	-	-	143,543
-	-	-	-	-	(713,223)	-
<u>166,966</u>	<u>-</u>	<u>16,979</u>	<u>25,000</u>	<u>133,078</u>	<u>(31,223)</u>	<u>143,543</u>
<u>\$ 266,398</u>	<u>\$ 888</u>	<u>\$ 123,454</u>	<u>\$ 25,000</u>	<u>\$ 135,529</u>	<u>\$ 682,000</u>	<u>\$ 511,672</u>

**City of Big Lake
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019**

	Capital Projects			
	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)	Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)
Assets				
Cash and investments	\$ 6,256	\$ 8,843	\$ 1,408	\$ 6,624
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	1,354	-	-	15,023
Notes receivable	-	-	-	-
Special assessment receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Land held for resale	-	95,160	-	-
Prepaid expenses	-	-	-	-
	<u>7,610</u>	<u>104,003</u>	<u>1,408</u>	<u>21,647</u>
Total assets	<u>\$ 7,610</u>	<u>\$ 104,003</u>	<u>\$ 1,408</u>	<u>\$ 21,647</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Escrow payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	632	-	-
Advances from other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>632</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - notes receivables	-	-	-	-
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	7,610	103,371	1,408	21,647
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>7,610</u>	<u>103,371</u>	<u>1,408</u>	<u>21,647</u>
	<u>\$ 7,610</u>	<u>\$ 104,003</u>	<u>\$ 1,408</u>	<u>\$ 21,647</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,610</u>	<u>\$ 104,003</u>	<u>\$ 1,408</u>	<u>\$ 21,647</u>

Capital Projects

Northern Star TIF1-7 (173)	Computer Replacement Fund (194)	Street Maintenance Fund (196)	Lake Maintenance Fund (197)	Equipment and Building Replacements (199)	Total Other Governmental Funds
\$ 66,660	\$ 213,452	\$ 471,042	\$ 33,289	\$ 1,462,209	\$ 5,800,531
-	-	-	-	-	48,375
-	-	-	-	-	6,880
-	-	-	-	-	51,821
-	-	-	-	-	375,000
-	-	-	-	-	179,067
-	-	-	-	-	1,041,782
-	-	-	-	-	839,085
-	-	-	-	-	425
<u>\$ 66,660</u>	<u>\$ 213,452</u>	<u>\$ 471,042</u>	<u>\$ 33,289</u>	<u>\$ 1,462,209</u>	<u>\$ 8,342,966</u>
\$ 831	-	-	-	\$ 42,124	111,974
-	-	-	-	-	1,550
-	-	-	-	-	358,173
-	-	-	-	-	48,304
-	-	-	-	-	133,402
-	-	-	-	-	921,190
<u>831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,124</u>	<u>1,574,593</u>
-	-	-	-	-	375,000
-	-	-	-	-	48,375
-	-	-	-	-	1,220,849
-	-	-	-	-	1,644,224
-	-	-	-	-	682,130
65,829	-	-	-	-	2,706,469
-	-	-	-	-	120,314
-	213,452	471,042	33,289	1,420,085	2,328,459
-	-	-	-	-	(713,223)
<u>65,829</u>	<u>213,452</u>	<u>471,042</u>	<u>33,289</u>	<u>1,420,085</u>	<u>5,124,149</u>
<u>\$ 66,660</u>	<u>\$ 213,452</u>	<u>\$ 471,042</u>	<u>\$ 33,289</u>	<u>\$ 1,462,209</u>	<u>\$ 8,342,966</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2019

	Special Revenue			
	Economic Development Authority (275)	Crime Reward Fund (130)	Narcotic Forfeiture (276)	DWI Forfeiture (277)
Revenues				
Property taxes	\$ 128,702	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	2,428	21,786
Miscellaneous				
Investment and other interest income	1,045	-	38	195
Contributions and donations	-	1,200	-	-
Other	-	-	-	-
Total revenues	<u>129,747</u>	<u>1,200</u>	<u>2,466</u>	<u>21,981</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	1,200	666	8,358
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	106,702	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	2,127	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	2,156	7,273
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>108,829</u>	<u>1,200</u>	<u>2,822</u>	<u>15,631</u>
Excess of revenues over (under) expenditures	20,918	-	(356)	6,350
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	20,918	-	(356)	6,350
Fund Balances				
Beginning balance	<u>99,396</u>	<u>-</u>	<u>1,606</u>	<u>5,912</u>
End of year	<u>\$ 120,314</u>	<u>\$ -</u>	<u>\$ 1,250</u>	<u>\$ 12,262</u>

Special Revenue			Debt Service			
Traffic Safety Program (278)	Farmers Market (280)	Veterans Memorial Fund (281)	G.O. Taxable Refunding 2016A (223)	G.O. CIP Bond 2016B (224)	G.O. Improvement Refunding 2016C (226)	G.O. Tax Increment Bonds of 2004C (250)
\$ -	\$ -	\$ -	\$ 242,129	\$ 54,795	\$ 187,700	\$ 214
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,430	-	-	-	-	-
-	1,769	-	44,291	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3	430	108	10,352	(409)	8,123	(326)
-	11,824	14,456	-	-	-	-
-	47	-	-	-	-	-
<u>3</u>	<u>16,500</u>	<u>14,564</u>	<u>296,772</u>	<u>54,386</u>	<u>195,823</u>	<u>(112)</u>
-	-	-	-	-	-	-
351	-	-	-	-	-	-
-	-	-	-	-	-	-
-	13,418	900	-	-	-	-
-	-	-	-	-	-	-
-	-	-	210,000	45,000	-	675,000
-	-	-	66,473	8,871	37,993	19,621
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>351</u>	<u>13,418</u>	<u>900</u>	<u>276,473</u>	<u>53,871</u>	<u>37,993</u>	<u>694,621</u>
(348)	3,082	13,664	20,299	515	157,830	(694,733)
-	-	-	-	-	-	-
-	-	-	51,289	-	-	675,406
-	-	-	(645,000)	-	(1,826,524)	-
-	-	-	<u>(593,711)</u>	<u>-</u>	<u>(1,826,524)</u>	<u>675,406</u>
(348)	3,082	13,664	(573,412)	515	(1,668,694)	(19,327)
<u>368</u>	<u>15,645</u>	<u>(8,595)</u>	<u>653,089</u>	<u>12,961</u>	<u>1,857,302</u>	<u>19,327</u>
<u>\$ 20</u>	<u>\$ 18,727</u>	<u>\$ 5,069</u>	<u>\$ 79,677</u>	<u>\$ 13,476</u>	<u>\$ 188,608</u>	<u>\$ -</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2019

	Debt Service			
	G.O. Refunding Bond 2015A (222)	G.O. Improvement Bond 2018A (227)	G.O. State Aid Loan (211)	G.O. Refunding Bonds of 2014A (221)
Revenues				
Property taxes	\$ 314,323	\$ -	\$ -	\$ 24,718
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	147,630	63,370	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	152,122	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	(1,612)	13,552	363	265
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>460,341</u>	<u>76,922</u>	<u>152,485</u>	<u>24,983</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	500,000	-	127,000	27,330
Interest and other charges	88,102	76,653	26,218	4,673
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>588,102</u>	<u>76,653</u>	<u>153,218</u>	<u>32,003</u>
Excess of revenues over (under) expenditures	(127,761)	269	(733)	(7,020)
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	113,063	792,025	-	7,150
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>113,063</u>	<u>792,025</u>	<u>-</u>	<u>7,150</u>
Net change in fund balances	(14,698)	792,294	(733)	130
Fund Balances				
Beginning balance	<u>222,750</u>	<u>266,926</u>	<u>14,039</u>	<u>33,015</u>
End of year	<u>\$ 208,052</u>	<u>\$ 1,059,220</u>	<u>\$ 13,306</u>	<u>\$ 33,145</u>

Debt Service			Capital Projects			
G.O.						
G.O. Refunding Bond of 2011A (214)	Improvement Refunding Bond of 2011B (216)	GO Refunding Bonds 2012A (217)	Neighborhood Stabilization Program (116)	Street Improvement (175)	Parks and Trails Maintenance (195)	Park Development (120)
\$ 100,664	\$ 250,462	\$ 15,409	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
16,847	92,069	-	-	-	-	-
-	-	-	-	-	-	-
-	-	50,524	-	-	-	-
-	-	-	-	-	-	97,500
-	-	-	-	-	-	-
6,390	(71)	3,371	-	3,214	-	3,220
-	-	-	-	-	-	-
-	-	-	3,551	-	-	-
<u>123,901</u>	<u>342,460</u>	<u>69,304</u>	<u>3,551</u>	<u>3,214</u>	<u>-</u>	<u>100,720</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	15,225	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
310,000	415,000	95,000	-	-	-	-
13,930	32,578	5,014	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	881,743	-	-
-	-	-	-	-	-	110,779
-	-	-	3,551	-	-	-
<u>323,930</u>	<u>447,578</u>	<u>100,014</u>	<u>3,551</u>	<u>896,968</u>	<u>-</u>	<u>110,779</u>
(200,029)	(105,118)	(30,710)	-	(893,754)	-	(10,059)
-	-	-	-	-	-	-
-	-	-	-	809,555	25,000	-
-	-	-	-	(140,962)	-	-
-	-	-	-	<u>668,593</u>	<u>25,000</u>	<u>-</u>
(200,029)	(105,118)	(30,710)	-	(225,161)	25,000	(10,059)
569,679	314,415	197,676	-	242,140	-	143,137
<u>\$ 369,650</u>	<u>\$ 209,297</u>	<u>\$ 166,966</u>	<u>\$ -</u>	<u>\$ 16,979</u>	<u>\$ 25,000</u>	<u>\$ 133,078</u>

City of Big Lake
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2019

	Capital Projects			
	Industrial Park Expansion Land Purchase (141)	Local Development (150)	Lake Street Redevelopment TIF 1-3 (165)	Commercial Redevelopment TIF 1-4 (170)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	44,640	38,944
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	46,361	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment and other interest income	(635)	10,408	182	139
Contributions and donations	-	-	-	-
Other	-	-	-	-
Total revenues	<u>45,726</u>	<u>10,408</u>	<u>44,822</u>	<u>39,083</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	92,721	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	23,218	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	1	-	992	991
Total expenditures	<u>115,940</u>	<u>-</u>	<u>992</u>	<u>991</u>
Excess of revenues over (under) expenditures	(70,214)	10,408	43,830	38,092
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	70,214	-	-	-
Transfers out	-	(44)	(46,081)	(35,613)
Total other financing sources (uses)	<u>70,214</u>	<u>(44)</u>	<u>(46,081)</u>	<u>(35,613)</u>
Net change in fund balances	-	10,364	(2,251)	2,479
Fund Balances				
Beginning balance	<u>(31,223)</u>	<u>133,179</u>	<u>9,861</u>	<u>100,892</u>
End of year	<u>\$ (31,223)</u>	<u>\$ 143,543</u>	<u>\$ 7,610</u>	<u>\$ 103,371</u>

Capital Projects

Commercial Redevelopment TIF 1-5 (171)	TIF 1-6 Cherrywood (172)	Northern Star TIF1-7 (173)	Computer Replacement Fund (194)	Street Maintenance Fund (196)	Lake Maintenance Fund (197)	Equipment and Building Replacements (199)	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,319,116
12,830	30,046	103,512	-	-	-	-	229,972
-	-	-	23,566	-	-	48,240	71,806
-	-	-	-	-	-	-	319,916
-	-	-	-	-	-	-	2,430
-	-	-	-	-	-	811,068	1,106,135
-	-	-	-	-	-	-	97,500
-	-	-	-	-	-	-	24,214
26	135	432	998	1,042	625	28,403	90,006
-	-	-	-	-	-	4,000	31,480
-	-	-	-	-	-	-	3,598
<u>12,856</u>	<u>30,181</u>	<u>103,944</u>	<u>24,564</u>	<u>1,042</u>	<u>625</u>	<u>891,711</u>	<u>3,296,173</u>
-	-	-	6,830	-	-	38,001	44,831
-	-	-	-	-	-	3,369	13,944
-	-	-	-	-	-	-	15,225
-	-	-	-	-	-	9,108	23,426
-	-	30	-	-	-	-	199,453
-	-	-	-	-	-	7,548	2,411,878
-	-	-	-	-	-	1,335	406,806
-	-	-	29,190	-	-	58,635	87,825
-	-	-	-	-	-	424,963	434,392
-	-	-	-	-	-	42,924	924,667
-	-	-	-	-	-	-	110,779
18,408	42,865	79,177	-	-	-	-	145,985
<u>18,408</u>	<u>42,865</u>	<u>79,207</u>	<u>36,020</u>	<u>-</u>	<u>-</u>	<u>585,883</u>	<u>4,819,211</u>
(5,552)	(12,684)	24,737	(11,456)	1,042	625	305,828	(1,523,038)
-	-	-	-	-	-	44,958	44,958
-	-	-	224,908	470,000	32,664	236,840	3,508,114
-	-	-	-	-	-	(224,908)	(2,919,132)
-	-	-	<u>224,908</u>	<u>470,000</u>	<u>32,664</u>	<u>56,890</u>	<u>633,940</u>
(5,552)	(12,684)	24,737	213,452	471,042	33,289	362,718	(889,098)
6,960	34,331	41,092	-	-	-	1,057,367	6,013,247
<u>\$ 1,408</u>	<u>\$ 21,647</u>	<u>\$ 65,829</u>	<u>\$ 213,452</u>	<u>\$ 471,042</u>	<u>\$ 33,289</u>	<u>\$ 1,420,085</u>	<u>\$ 5,124,149</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 2,717,153	\$ 2,779,053	\$ 2,849,748	\$ 70,695
Franchise fees	415,273	415,273	428,316	13,043
Special assessments	500	500	4,473	3,973
Licenses and permits	343,600	356,600	581,628	225,028
Intergovernmental revenue				
PERA aid	3,106	3,106	3,106	-
Fire aid	99,000	106,432	106,432	-
Police aid	118,000	118,000	150,384	32,384
Federal grants	15,919	15,919	19,255	3,336
Other grants and aids	163,095	185,495	184,877	(618)
Total intergovernmental revenue	<u>399,120</u>	<u>428,952</u>	<u>464,054</u>	<u>35,102</u>
Charges for services				
General government	63,636	63,636	67,142	3,506
Public safety	36,180	36,180	41,764	5,584
Public works	165,141	170,141	171,441	1,300
Culture and recreation	1,350	1,350	2,207	857
Total charges for services	<u>266,307</u>	<u>271,307</u>	<u>282,554</u>	<u>11,247</u>
Fines and forfeitures	46,525	46,525	54,786	8,261
Miscellaneous revenues				
Investment income	31,500	31,500	223,852	192,352
Contributions and donations	9,330	31,330	28,024	(3,306)
Other	5,250	15,250	16,672	1,422
Total miscellaneous revenues	<u>46,080</u>	<u>78,080</u>	<u>268,548</u>	<u>190,468</u>
Total revenues	<u>4,234,558</u>	<u>4,376,290</u>	<u>4,934,107</u>	<u>557,817</u>
Expenditures				
General government				
Mayor and council	33,773	33,773	33,621	(152)
Administrative and finance	513,741	513,741	517,806	4,065
Other general government	264,546	269,546	253,709	(15,837)
Total general government	<u>812,060</u>	<u>817,060</u>	<u>805,136</u>	<u>(11,924)</u>
Public safety				
Police				
Current	1,854,962	1,881,215	1,893,745	12,530
Capital outlay	11,000	31,000	27,754	(3,246)
Total police	<u>1,865,962</u>	<u>1,912,215</u>	<u>1,921,499</u>	<u>9,284</u>

City of Big Lake
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Expenditures (Continued)				
Public safety (continued)				
Fire				
Current	\$ 263,118	\$ 277,550	\$ 277,670	\$ 120
Other:				
Current	195,566	222,849	199,056	(23,793)
Total public safety	<u>2,324,646</u>	<u>2,412,614</u>	<u>2,398,225</u>	<u>(14,389)</u>
Public works				
Streets and highways				
Street maintenance and storm sewers	480,540	494,540	499,295	4,755
Street engineering	60,636	60,636	56,453	(4,183)
Street lighting	98,400	98,400	89,299	(9,101)
Total streets and highways	<u>639,576</u>	<u>653,576</u>	<u>645,047</u>	<u>(8,529)</u>
Sanitation				
Garbage and other refuse				
Collection and disposal	1,545	1,545	1,786	241
Total public works	<u>641,121</u>	<u>655,121</u>	<u>646,833</u>	<u>(8,288)</u>
Culture and recreation				
Libraries				
Current	63,383	63,383	64,799	1,416
Capital outlay	1,000	1,000	-	(1,000)
Total libraries	<u>64,383</u>	<u>64,383</u>	<u>64,799</u>	<u>416</u>
Parks and recreation				
Current	620,776	620,776	582,213	(38,563)
Total culture and recreation	<u>685,159</u>	<u>685,159</u>	<u>647,012</u>	<u>(38,147)</u>
Economic Development				
Current	120,222	122,322	121,650	(672)
Total expenditures	<u>4,583,208</u>	<u>4,692,276</u>	<u>4,618,856</u>	<u>(73,420)</u>
Excess of revenues over (under) expenditures	<u>(348,650)</u>	<u>(315,986)</u>	<u>315,251</u>	<u>631,237</u>
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	50,000	56,214	6,214
Insurance recoveries	7,000	7,000	4,613	(2,387)
Transfers in	600,000	600,000	600,044	44
Transfers out	(273,990)	(356,654)	(678,650)	(321,996)
Total other financing sources (uses)	<u>333,010</u>	<u>300,346</u>	<u>(17,779)</u>	<u>(318,125)</u>
Net change in fund balances	<u>\$ (15,640)</u>	<u>\$ (15,640)</u>	<u>297,472</u>	<u>\$ 313,112</u>
Fund Balances				
Beginning of year			<u>3,215,978</u>	
End of year			<u>\$ 3,513,450</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, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses on Internal Control that we consider to be a significant deficiency, audit finding 2019-001.

Compliance and Other Matters

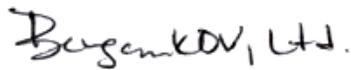
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

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

Purpose of this Report

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



St. Cloud, Minnesota
March 30, 2020

Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

BergankDV, Ltd.

St. Cloud, Minnesota
March 30, 2020

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

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Audit Finding 2019-001 – Lack of Segregation of Accounting Duties

During the year ended December 31, 2019, the City had a lack of segregation of accounting duties. In order to have appropriate segregation of duties the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions and financial information, and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

City's Response:

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

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

Communications Letter

December 31, 2019



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

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

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Big Lake, Minnesota, as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated March 30, 2020, on such statements.

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

BergankDV, Ltd.

St. Cloud, Minnesota
March 30, 2020

**City of Big Lake
Significant Deficiency**

Lack of Segregation of Accounting Duties

During the year ended December 31, 2019, the City had a lack of segregation of accounting duties. In order to have appropriate segregation of duties the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording, and processing of transactions, reconciliation and reporting of transactions and financial information, and custody of assets. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

City of Big Lake Required Communication

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2019. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

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

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

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

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

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

City of Big Lake Required Communication

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during the year ended December 31, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

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

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

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

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

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

City of Big Lake Required Communication

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Representations Requested from Management

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

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

**City of Big Lake
Required Communication**

Other Information in Documents Containing Audited Financial Statements (Continued)

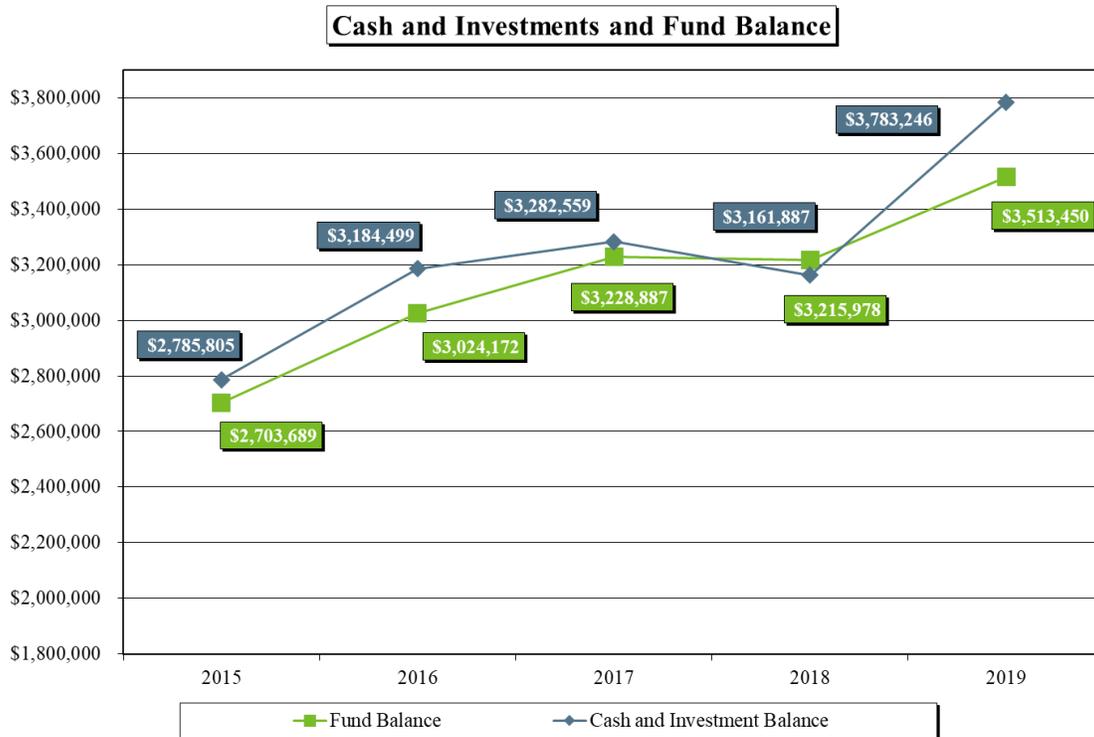
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United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

City of Big Lake Financial Analysis

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

GENERAL FUND – FUND BALANCE

The following graph illustrates the relationship between cash and investments and fund balance over the past five years. As shown below, the cash balance has increased \$997,441 from 2015 to 2019. The amount of cash increased at December 31, 2019, after decreasing the previous year. The fund balance increased \$809,761 from 2015 to 2019. At December 31, 2019, the General Fund balance consisted of \$93,477 nonspendable, \$92,114 assigned and \$3,327,859 unassigned. The total unassigned fund balance represented over eight and a half months of expenditures at current levels. The Office of the State Auditor has issued a statement of position recommending cities maintain an unrestricted fund balance of approximately 35% to 50% of fund operating revenues, or no less than five months of operating expenditures. The City's Fund Balance Policy states that the City will maintain an unrestricted fund balance amount not less than 50% of the next year's budgeted expenditures in the General Fund. Based on the 2020 budgeted expenditures of \$5,145,962, the City's unassigned General Fund balance was at 65% at December 31, 2019.



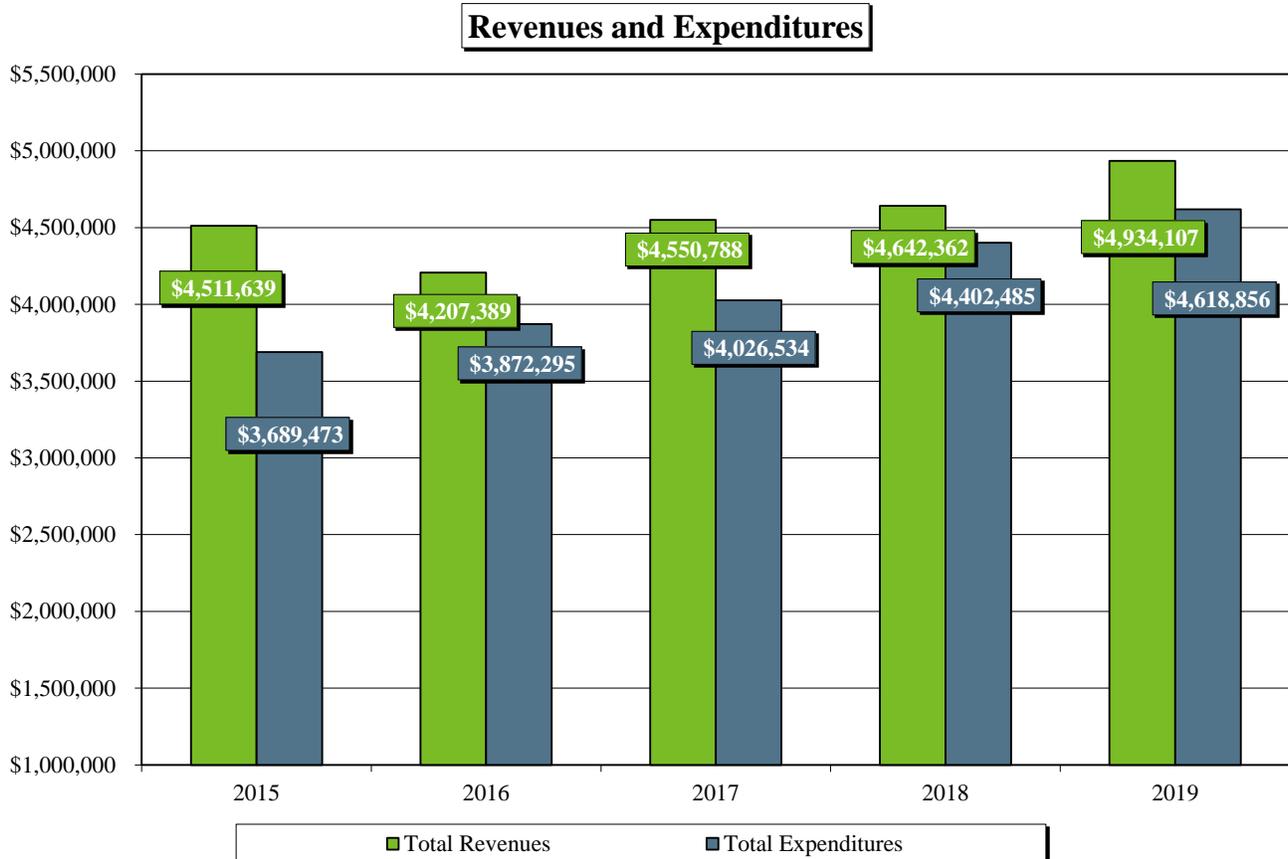
On the following pages, we will discuss the revenues and expenditures of the General Fund and the variations in the fund balance.

City of Big Lake Financial Analysis

GENERAL FUND – REVENUES AND EXPENDITURES

The following table and graph show the overall operations of the General Fund. Revenues have fluctuated over the five years shown from a high in 2019 of \$4,934,107 to a low of \$4,207,389 in 2016. Overall from 2015 to 2019, revenues have increased \$422,468. Similarly, expenditures have fluctuated over the five years presented. In 2019, expenditures were \$4,618,856, an increase from the prior year of \$216,371. Since 2015, expenditures have increased \$929,383. Revenues have exceeded expenditures in each of the five years presented. Transfers out for 2015 through 2019 were made for capital related items.

	2015	2016	2017	2018	2019
Revenues	\$ 4,511,639	\$ 4,207,389	\$ 4,550,788	\$ 4,642,362	\$ 4,934,107
Expenditures	3,689,473	3,872,295	4,026,534	4,402,485	4,618,856
Proceeds from the sale of capital assets	1,625	4,947	3,188	6,671	56,214
Insurance recoveries	-	50,893	25,532	3,417	4,613
Proceeds from capital lease	-	26,213	-	-	-
Net transfers	(721,517)	(96,664)	(348,259)	(262,874)	(78,606)
Net change in fund balance	\$ 102,274	\$ 320,483	\$ 204,715	\$ (12,909)	\$ 297,472



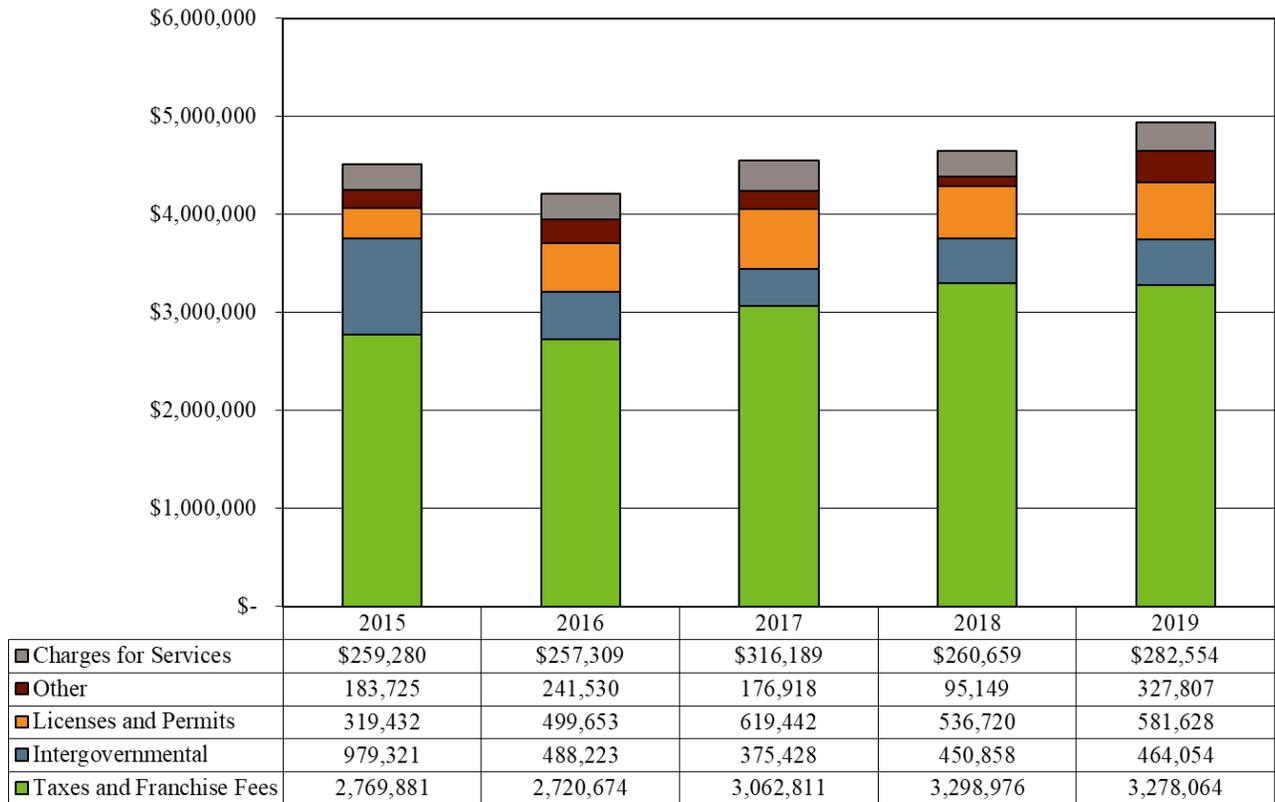
City of Big Lake Financial Analysis

GENERAL FUND – REVENUES

The following graph presents comparisons of revenues by type, illustrating the majority of revenue for the City is from taxes, intergovernmental sources, and licenses and permits. These three sources represent 66.4%, 9.4%, and 11.8% of total General Fund revenues, respectively. Other revenues include items such as fines and forfeitures, investment income and other miscellaneous items.

Revenues of the General Fund increased from 2018 to 2019 by \$291,745. Other sources of revenue increased \$232,658 due to a significant increase in investment income. Licenses and permits increased \$44,908 in 2019 as a result of more housing development compared to 2018.

General Fund Revenues



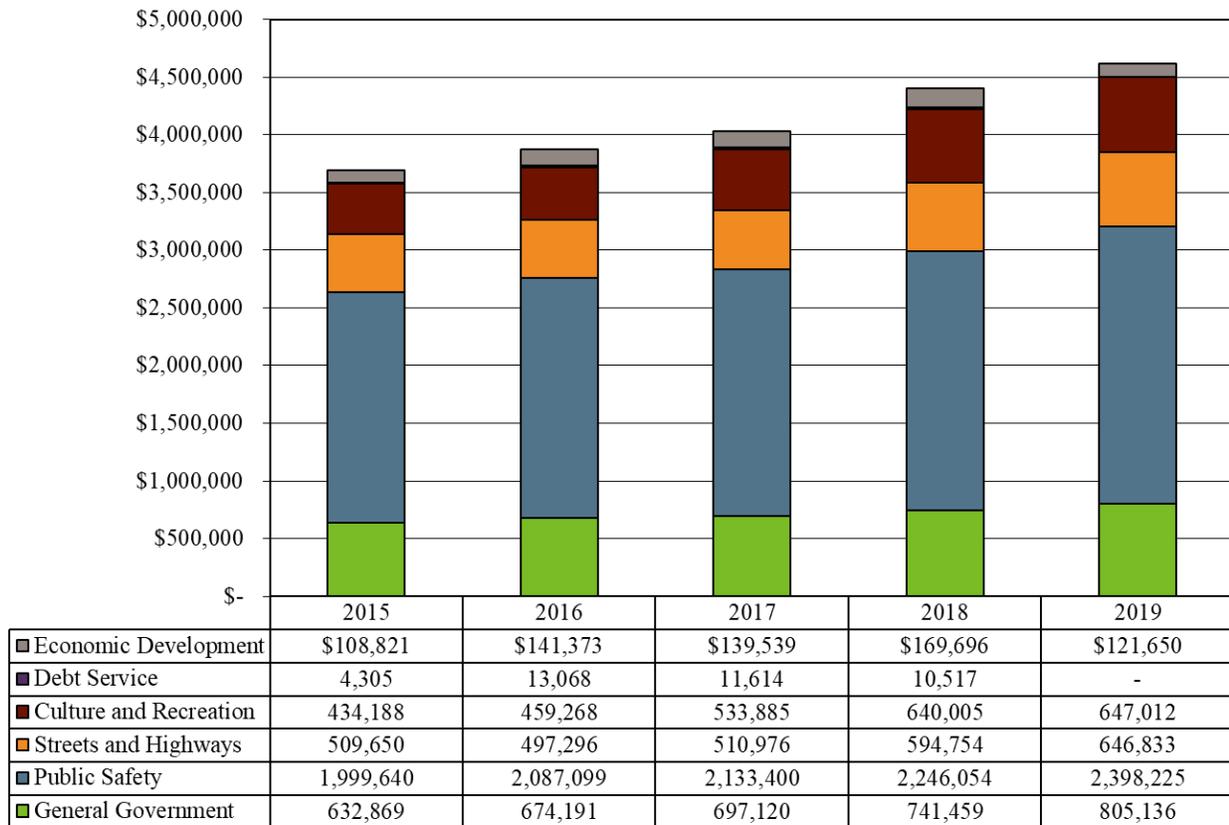
City of Big Lake Financial Analysis

GENERAL FUND – EXPENDITURES

The graph below represents the breakdown of expenditures by department. Public Safety continues to comprise the largest portion of General Fund expenditures, representing 51.9%. Overall, General Fund expenditures increased \$216,371 from 2018.

Public Safety increased \$152,171 due to salary and benefit increases and increased operating expenditures. General government increased \$63,677 primarily due to increased salary and benefits. Streets and highways increased \$52,079 due to equipment repairs and an increase in contractor hired snow removal costs. Other functions were relatively consistent with the prior year.

General Fund Expenditures



**City of Big Lake
Financial Analysis**

GENERAL FUND – BUDGETARY COMPARISON

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget -
Revenues				
Taxes	\$ 3,132,926	\$ 3,194,826	\$ 3,282,537	\$ 87,711
Intergovernmental	399,120	428,952	464,054	35,102
Licenses and permits	343,600	356,600	581,628	225,028
Charges for services	266,307	271,307	282,554	11,247
Fines	46,525	46,525	54,786	8,261
Miscellaneous	46,080	78,080	268,548	190,468
Total revenues	<u>4,234,558</u>	<u>4,376,290</u>	<u>4,934,107</u>	<u>557,817</u>
Expenditures				
General government	812,060	817,060	805,136	(11,924)
Public safety	2,324,646	2,412,614	2,398,225	(14,389)
Streets and highways	641,121	655,121	646,833	(8,288)
Culture and recreation	685,159	685,159	647,012	(38,147)
Economic development	120,222	122,322	121,650	(672)
Total expenditures	<u>4,583,208</u>	<u>4,692,276</u>	<u>4,618,856</u>	<u>(73,420)</u>
Excess of revenues over (under) expenditures	(348,650)	(315,986)	315,251	631,237
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	50,000	56,214	6,214
Insurance recoveries	7,000	7,000	4,613	(2,387)
Net transfers	326,010	243,346	(78,606)	(321,952)
Total other financing sources (uses)	<u>333,010</u>	<u>300,346</u>	<u>(17,779)</u>	<u>(318,125)</u>
Net change in fund balances	\$ (15,640)	\$ (15,640)	\$ 297,472	\$ 313,112

Overall, actual revenue was \$557,817, or 12.7%, over budget. Licenses and permits were over budget \$225,028 as a result of the increased permits with significant development that were not anticipated. Miscellaneous revenues were \$190,468 over budget due to budgeting conservatively for investment earnings. All other revenue categories were relatively consistent with the budget.

Overall, actual expenditures were less than budgeted amounts by \$73,420. Culture and recreation was under budget \$38,147 due primarily to budgeting conservatively for salaries and wages. All other functions had only minor variances from the budgeted amounts.

City of Big Lake Financial Analysis

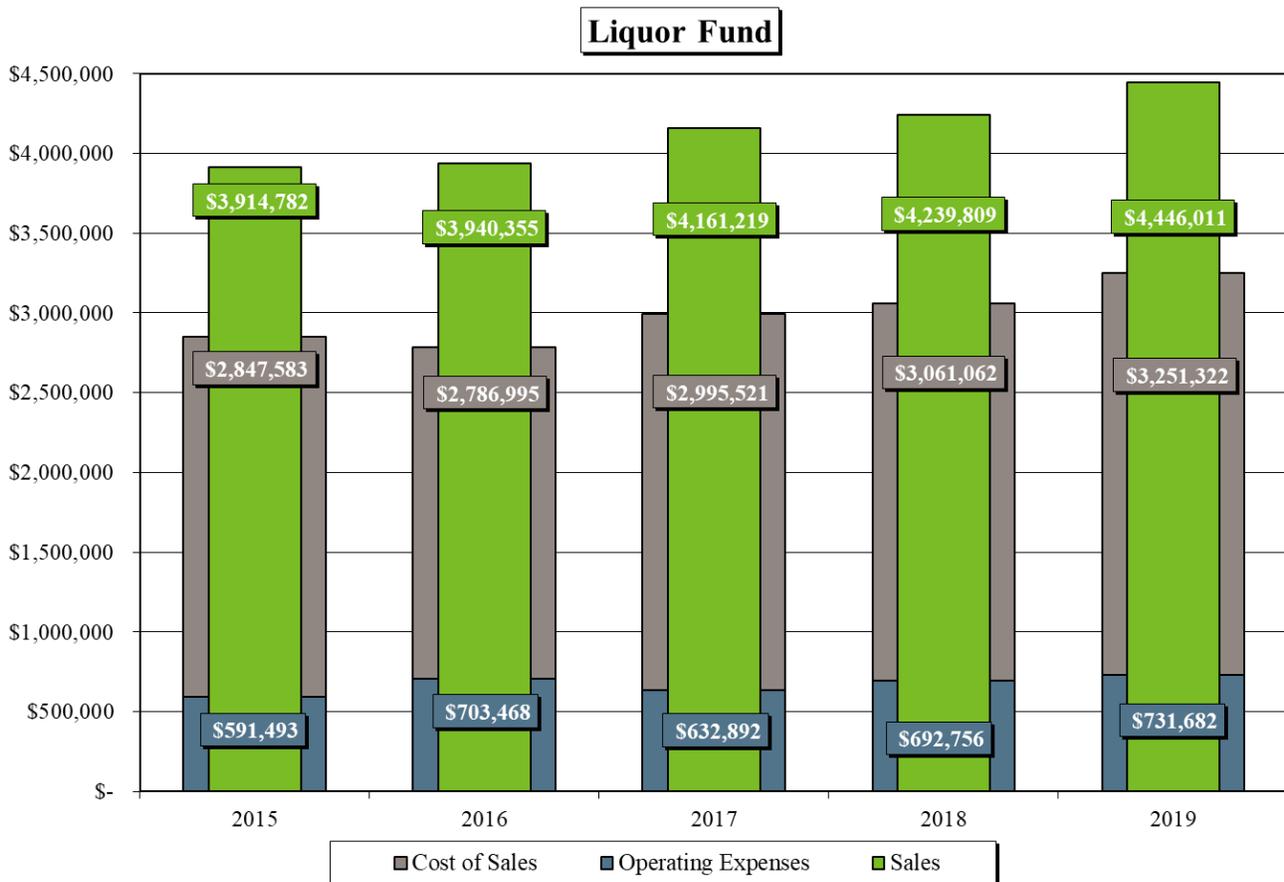
LIQUOR FUND

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

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

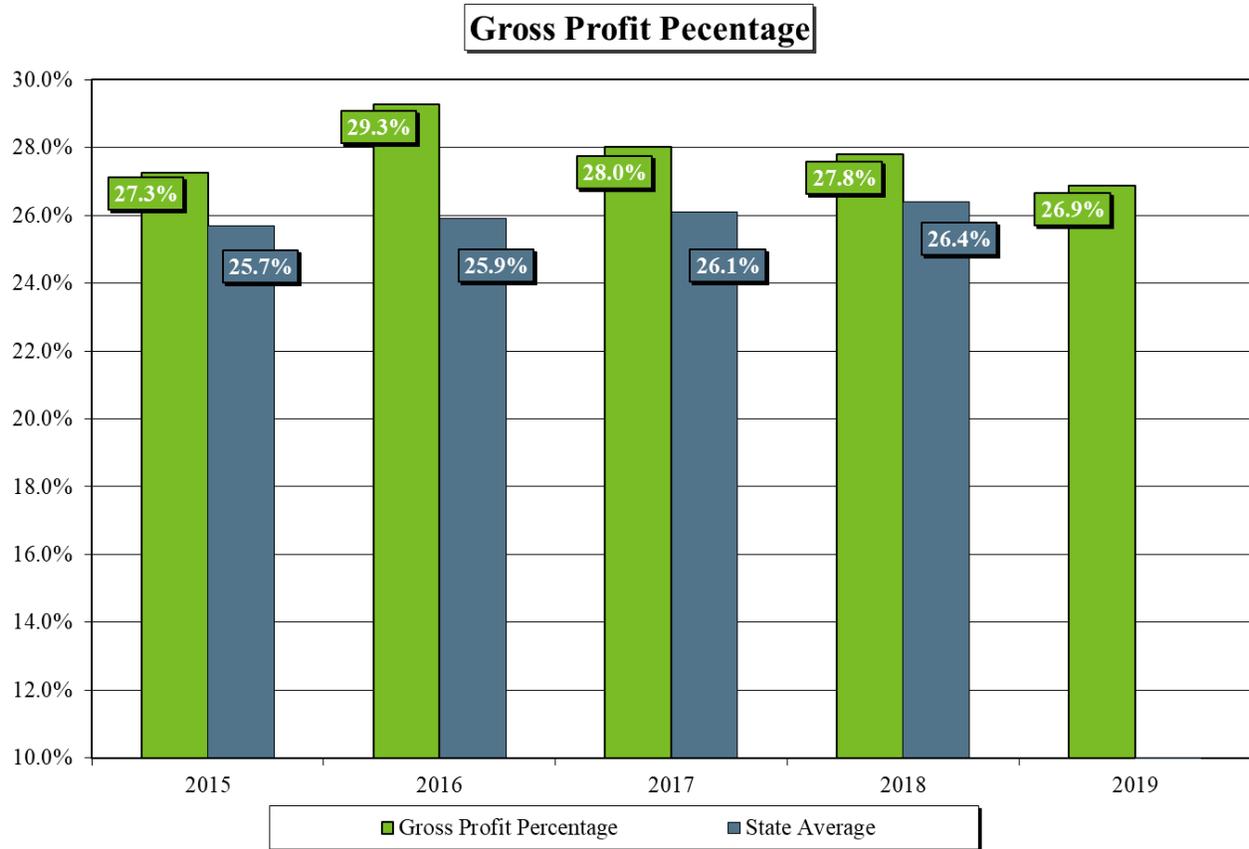
The liquor store sales have increased in each of the last five years. Total sales for 2019 reflected a 4.9% increase from 2018. During this same time period, cost of sales increased 6.2%. The result was a decrease in gross profit of 0.9%, to 26.9% in 2019 from 27.8% in 2018.

As of December 31, 2019, the Liquor Fund had an ending cash and investment balance of \$1,018,663. Unrestricted net position at year-end was \$1,021,421 compared to \$1,152,831 in 2018. The total debt outstanding at December 31, 2019, in the Liquor Fund was \$530,555, including interest of \$36,399.



City of Big Lake Financial Analysis

LIQUOR FUND (CONTINUED)



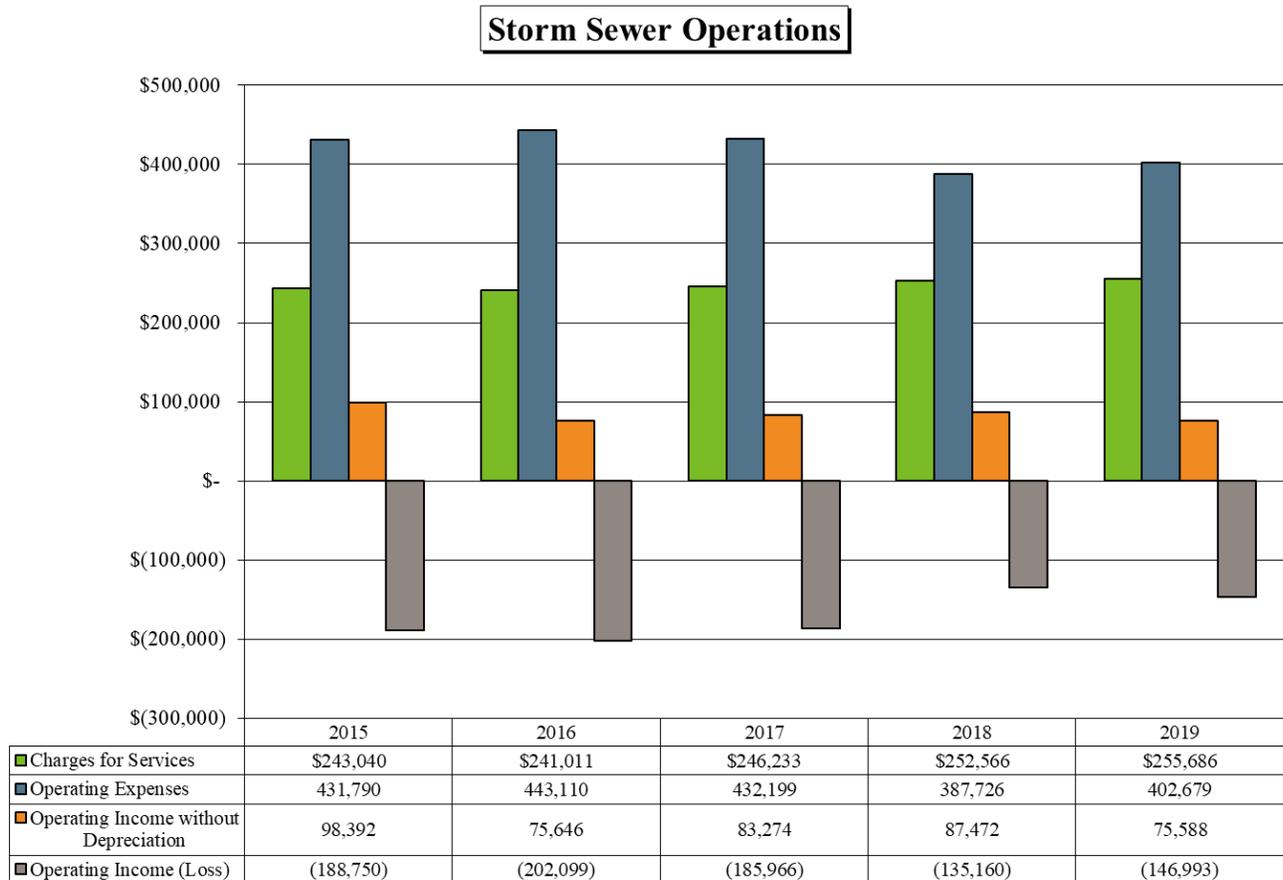
- State averages were taken from the 2015-2018 State of Minnesota "Analysis of Municipal Liquor Store Operations" for off-sale stores. Data for 2019 is not yet available.

City of Big Lake Financial Analysis

STORM SEWER FUND

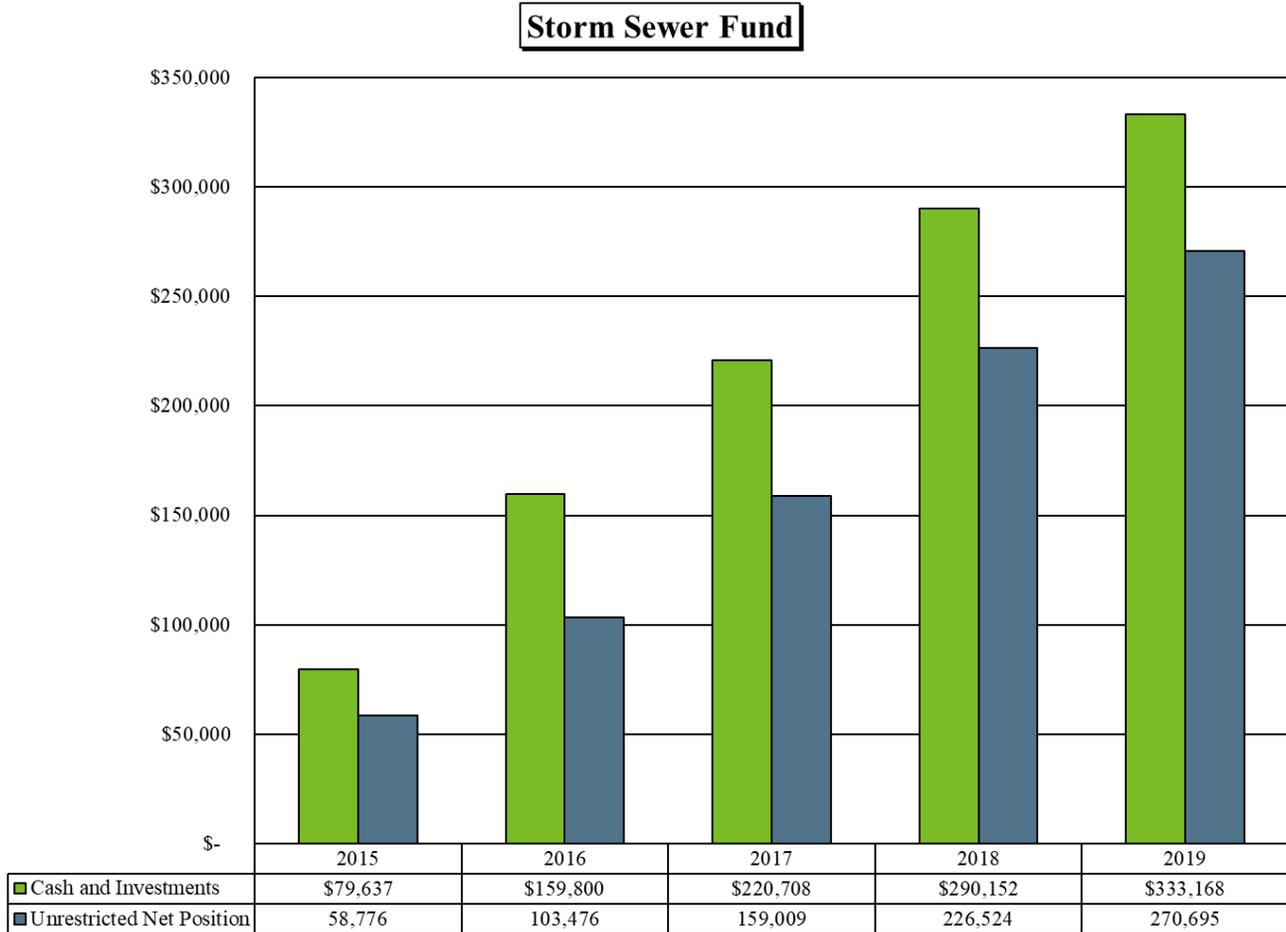
The following graph illustrates the current operations of the Storm Sewer Fund for the past five years. For each of the five years shown, the City's Storm Sewer Fund has generated an operating loss. Charges for services increased \$3,120 or 1.2% while operating expenses increased \$14,953 or 3.9%, compared to 2018. The net effect of the changes in revenues and expenses is a net loss of \$146,993. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$75,588.

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



**City of Big Lake
Financial Analysis**

STORM SEWER FUND (CONTINUED)



As of December 31, 2019, the Storm Water Fund had an ending net cash and investment balance of \$333,168. This is an increase of \$43,016 from 2018 levels. Total net position at year-end was \$3,342,812, while unrestricted net position at year-end was \$270,695. Unrestricted net position has increased \$211,919 since 2015.

City of Big Lake Financial Analysis

WATER AND SEWER FUNDS

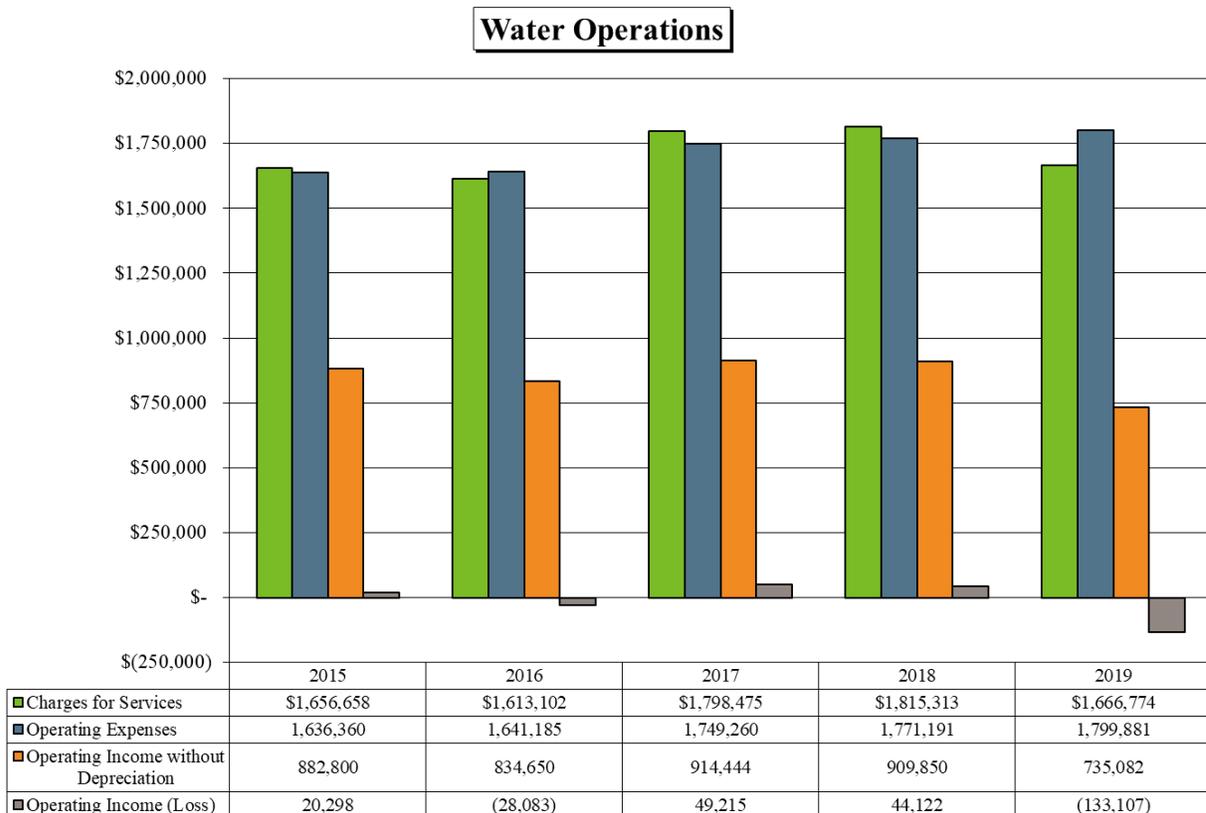
Water Fund

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

For the five years shown, 2016 and 2019 experienced operating losses. In 2015 and again in 2017 and 2018, the Fund generated an operating income. Charges for services decreased \$148,539 or 8.2% from 2018. Operating expenses increased by \$28,690, or 1.6%. The net effect of the decreased revenues and increased expenses is an operating loss of \$133,107. When depreciation is removed from the operating expenses, the Fund experienced operating income of \$735,082.

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

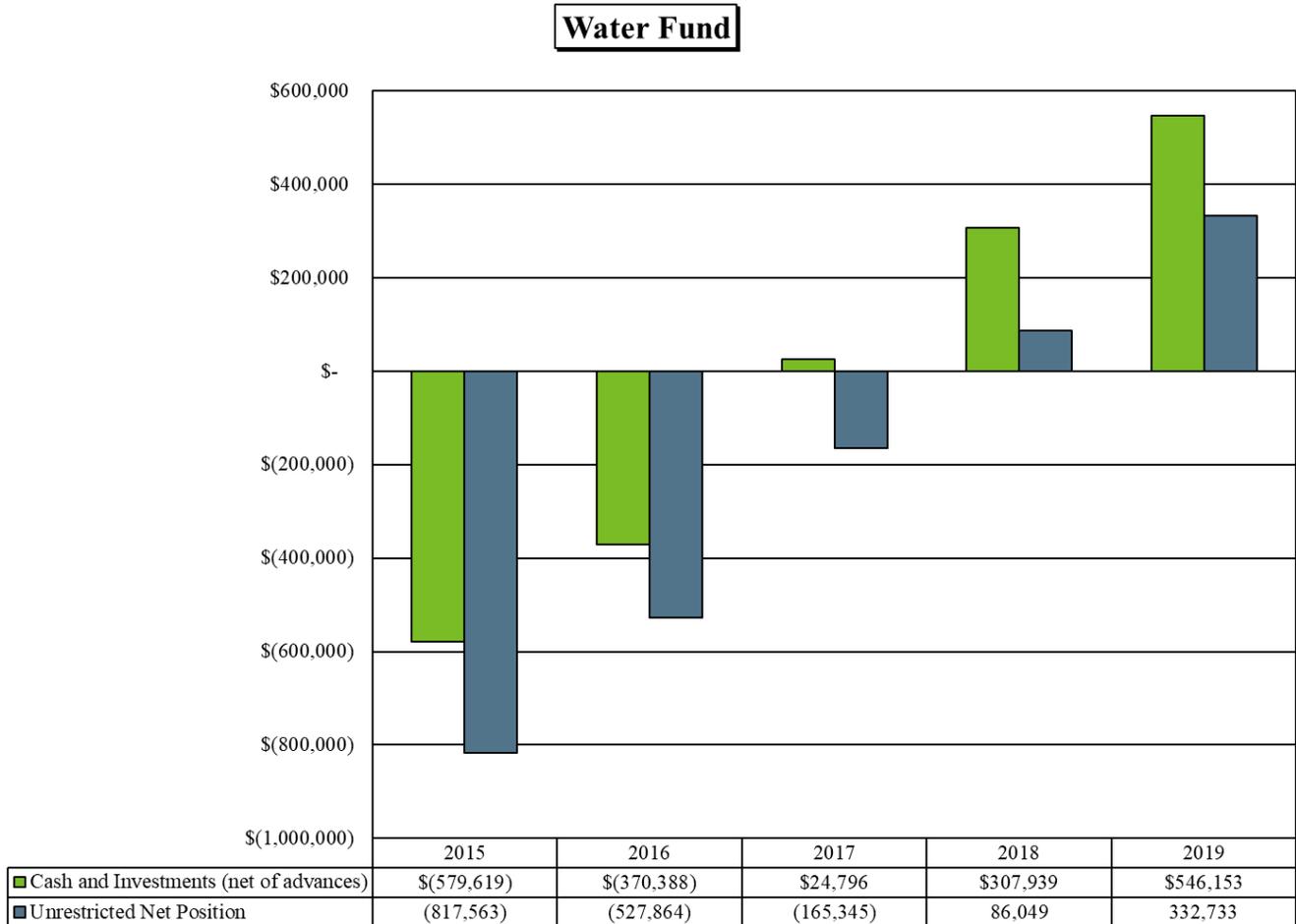
We recommend the City continue to evaluate water rates and monitor related expenditures to generate sufficient operating income in the future.



**City of Big Lake
Financial Analysis**

WATER AND SEWER FUNDS (CONTINUED)

Water Fund (Continued)



The above graph shows the cash and investments (net of advances) and unrestricted net position balances as of December 31 for the last five years. The Water Fund cash and investment balance has increased \$1,125,772 since 2015. A portion of the cash and investments in the Water Fund is currently being advanced from the Sewer Fund. That amount has been removed from the presentation above. Current year interest and principal payments on the Water Fund debt were \$812,842. The total amount of debt outstanding in the Water Fund at December 31, 2019, was \$4,699,212 including principal and interest. Principal and interest due in 2020 totals \$927,371.

City of Big Lake Financial Analysis

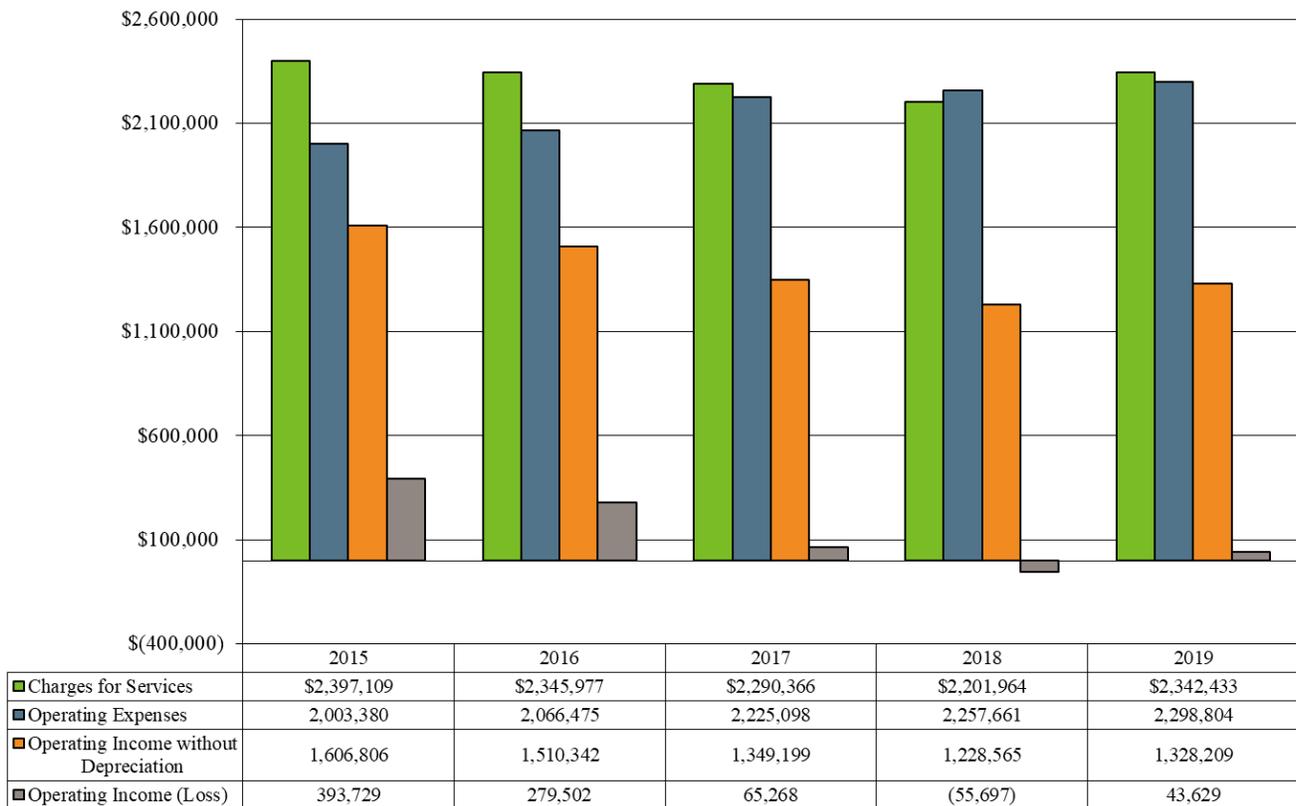
WATER AND SEWER FUNDS (CONTINUED)

Sewer Fund

In four of the past five years, the Sewer Fund has shown an operating income. In 2019, the Fund showed operating income of \$43,629. This is an increase in operating results of \$99,326 from 2018. The Fund experienced an increase in charges for services of \$140,469, due to increased rates and residents, while expenses increased \$41,143.

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

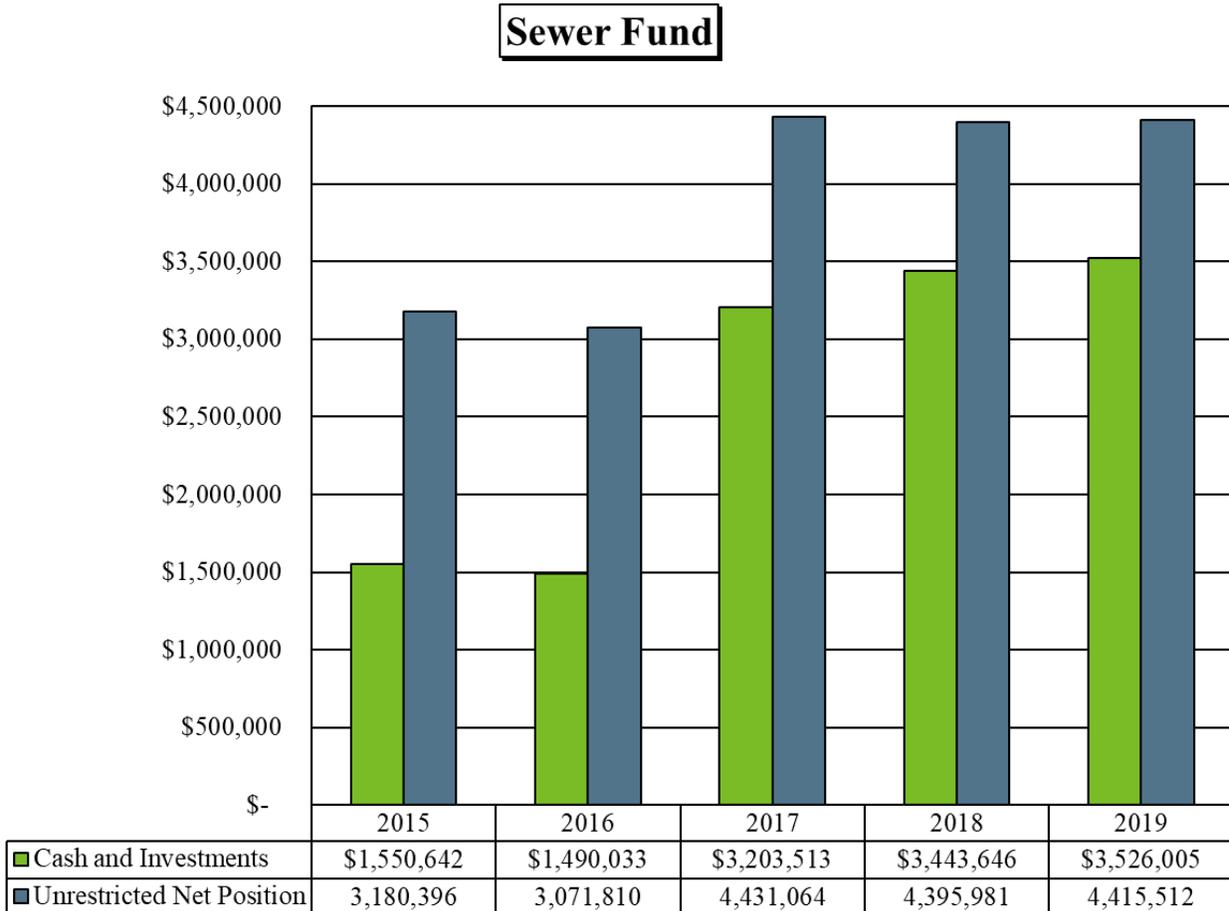
Sewer Operations



**City of Big Lake
Financial Analysis**

WATER AND SEWER FUNDS (CONTINUED)

Sewer Fund (Continued)



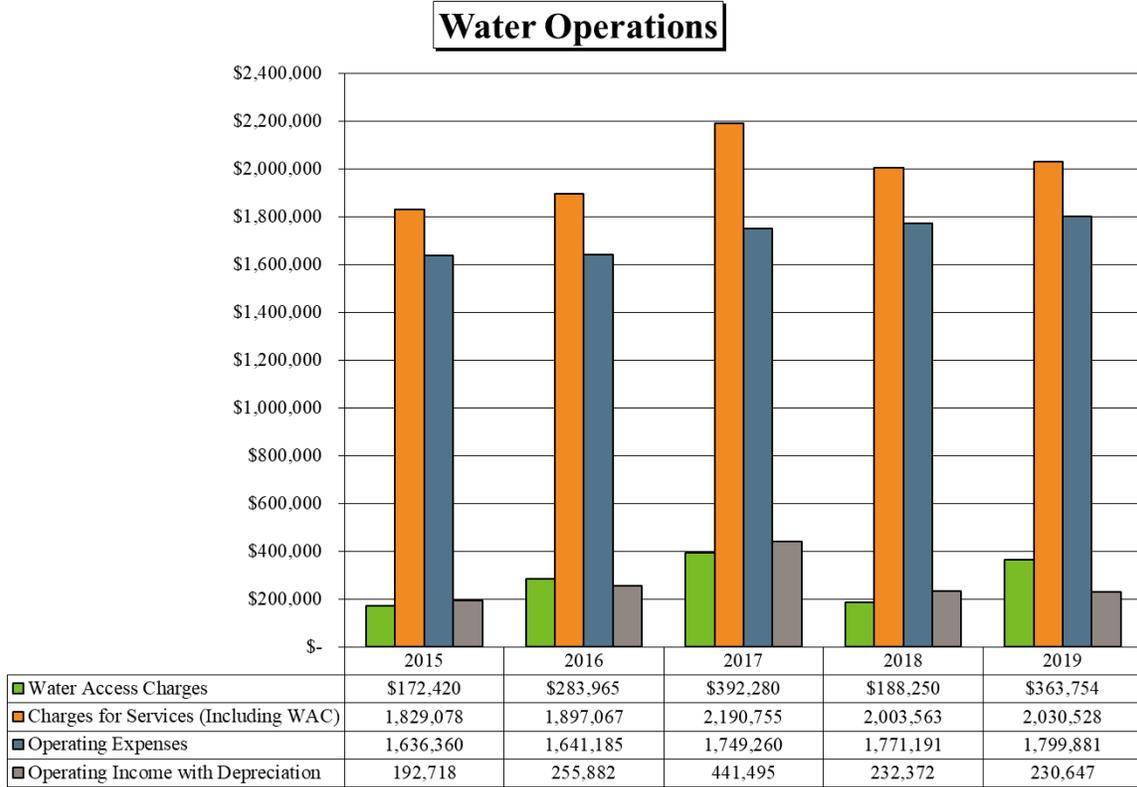
The graph above shows the cash and investment and unrestricted net position balances as of December 31 for the last five years. The Sewer Fund cash and investment balance increased \$82,359 in 2019. Starting in 2007, the Sewer Fund was used to finance the cash deficits of the other City's funds. In 2007, the amount of cash used to cover the deficits was \$1.3 million. In 2019, the Fund again used approximately \$1.2 million to cover cash deficits in other funds.

The current year interest and principal payments on the Sewer Fund debt were \$1,646,426. The total amount of debt outstanding at December 31, 2019, was \$14,111,739, including principal and interest. Principal and interest due in 2020 totals \$1,538,250 for the Sewer Fund.

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

**City of Big Lake
Financial Analysis**

WATER AND SEWER FUNDS (CONTINUED)



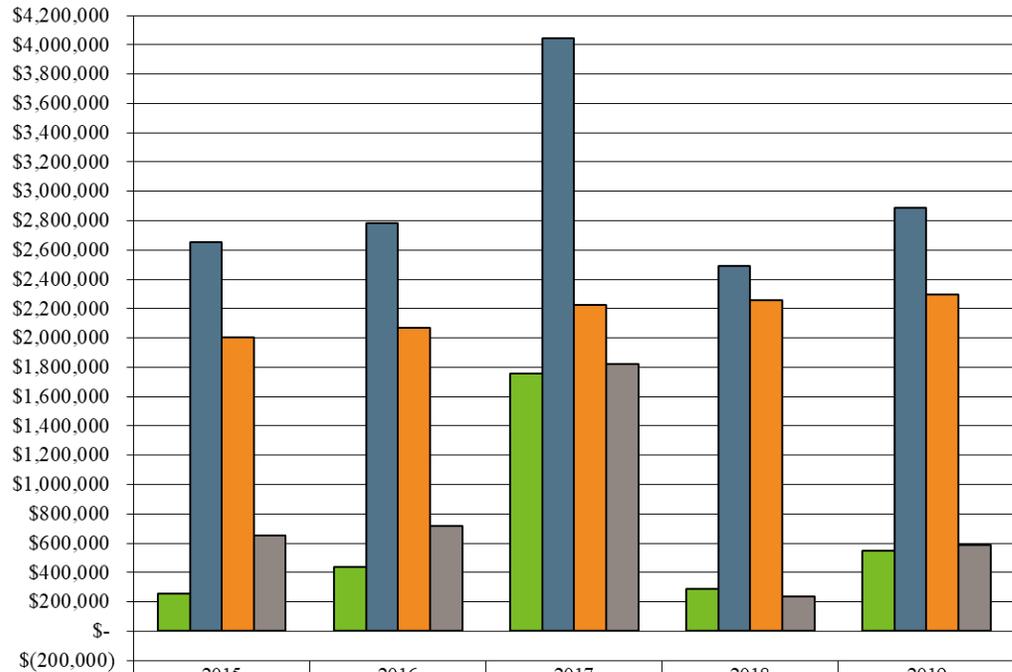
As presented below, the Water Fund had been collecting access charges and trunk fees, along with charges for services, sufficient to finance the construction of new lines and to cover the costs of the existing lines through depreciation in each year presented.

**City of Big Lake
Financial Analysis**

WATER AND SEWER FUNDS (CONTINUED)

In all five years shown, the Sewer Fund did collect sufficient access charges and trunk fees, in addition to charges for services, to finance construction and depreciation. Sewer access charges increased in 2019 compared to 2018 due to increased development.

Sewer Operations



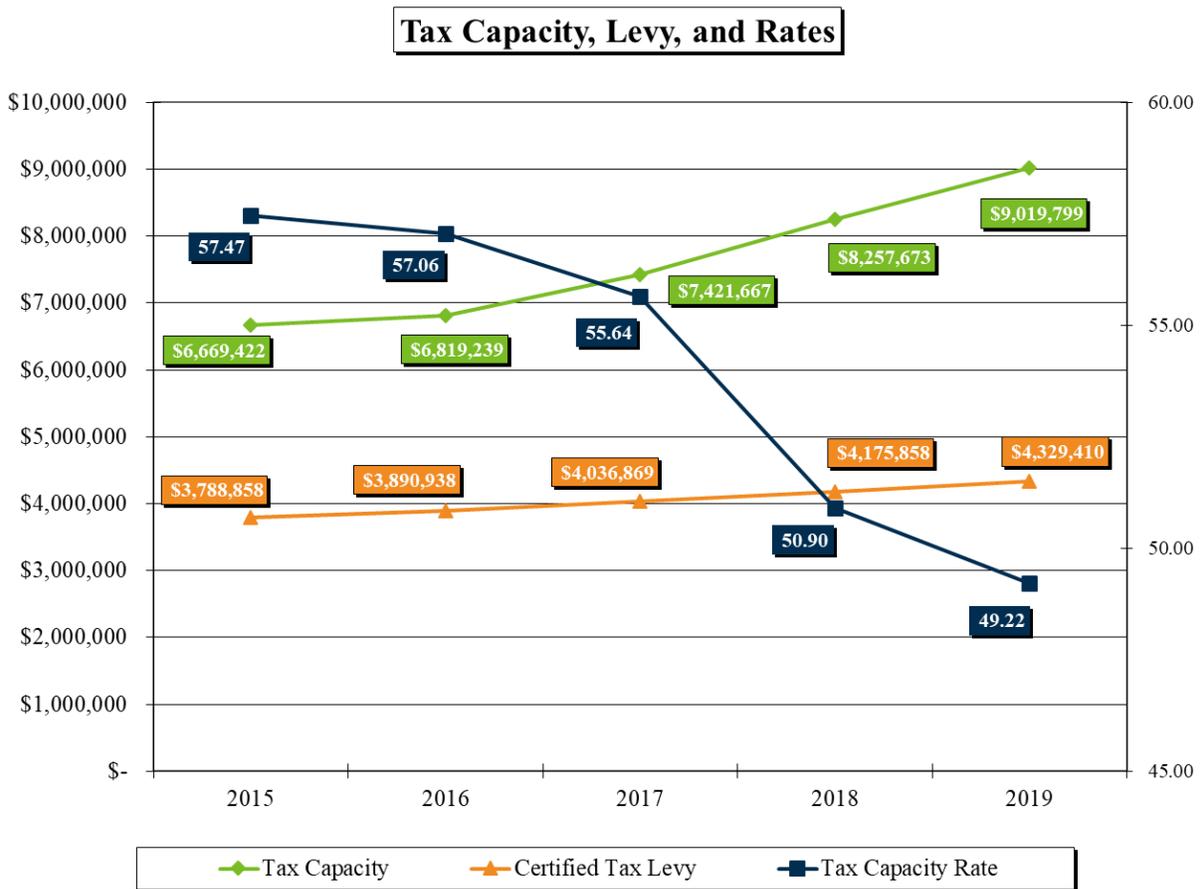
	2015	2016	2017	2018	2019
■ Sewer Access and Trunk Charges	\$258,115	\$436,422	\$1,757,326	\$291,000	\$546,227
■ Charges for Services (Including SAC and Trunk)	2,655,224	2,782,399	4,047,692	2,492,964	2,888,660
■ Operating Expenses	2,003,380	2,066,475	2,225,098	2,257,661	2,298,804
■ Operating Income (Loss) with Depreciation	651,844	715,924	1,822,594	235,303	589,856

City of Big Lake Financial Analysis

TAX CAPACITY, LEVY, AND RATES

The chart above graphs the tax capacity (not including Tax Increment Financing (TIF) Districts), certified tax levy and tax capacity rate for 2015 through 2019. The tax capacity is based on total tax capacity, prior to adjustments for captured TIF and fiscal 2019. The certified tax levy amount is also prior to fiscal disparity adjustments.

Comparing 2015 through 2019, the City's tax capacity has increased from \$6,669,422 to \$9,019,799 or \$2,350,377. This is a 35.2% increase in tax capacity. The City's certified levy over this same time frame has increased \$540,552, or 14.3%. As a result of the City's certified tax levy increase and the increase in the tax capacity for 2015 through 2019, the City's tax capacity rate decreased from 57.47% in 2015 to 49.22% in 2019.

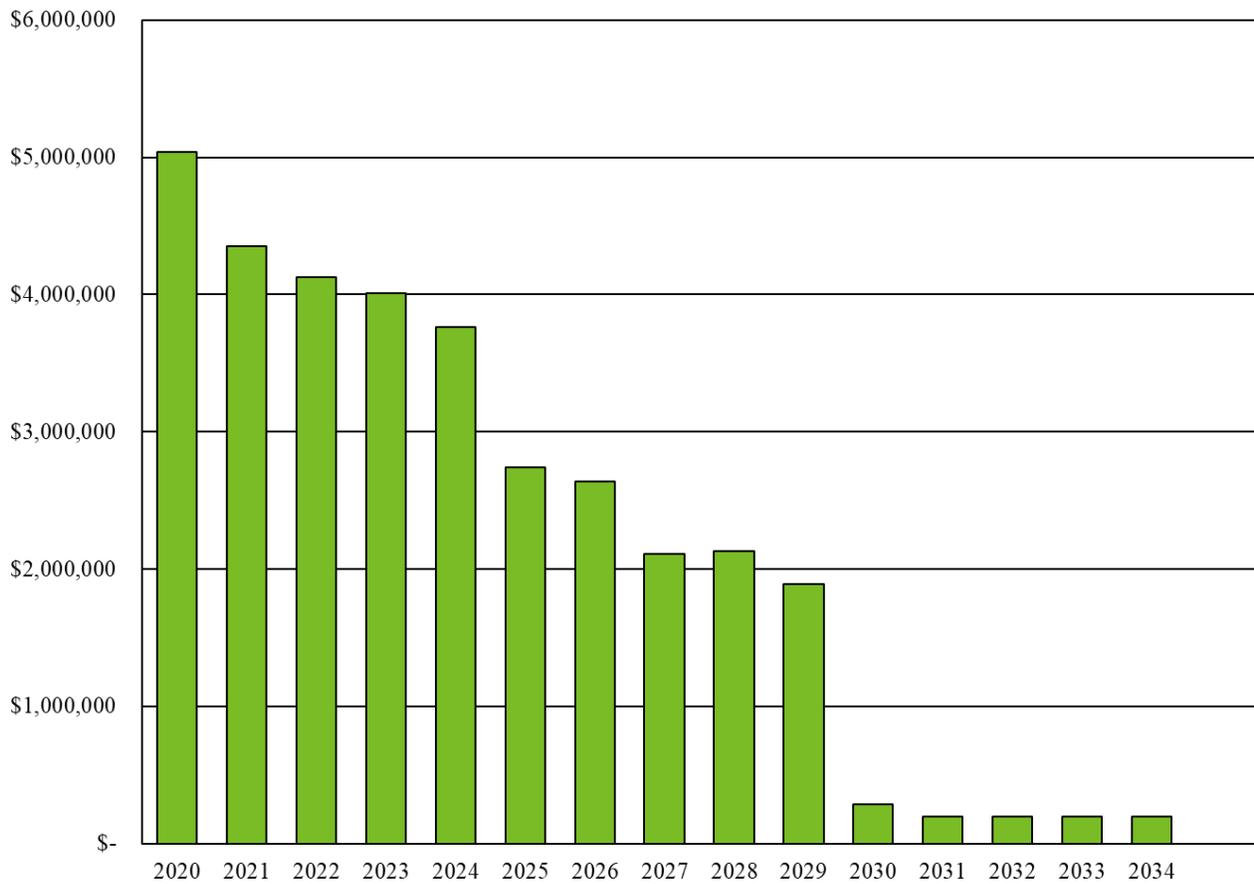


City of Big Lake Financial Analysis

DEBT SERVICE

The line graph below shows the City's annual debt service obligations for all outstanding bonds. The total debt payments outstanding at December 31, 2019, are \$33,856,381, including interest totaling \$3,546,380.

Annual Debt Service Principal and Interest Payments



City of Big Lake Emerging Issue

Executive Summary

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

- **Accounting Standard Update – GASB Statement No. 87 – Leases** – GASB has issued GASB Statement No. 87 relating to accounting and financial reporting for leases. This new statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

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

ACCOUNTING STANDARD UPDATE – GASB STATEMENT NO. 87 – LEASES

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

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

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

**City of Big Lake
Emerging Issue**

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

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

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

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

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