

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2013

CITY OF BARNESVILLE, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2013

INTRODUCTORY SECTION	
PRINCIPAL CITY OFFICIALS	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	17
STATEMENT OF ACTIVITIES	18
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	20
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	21
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	23
STATEMENT OF NET POSITION – PROPRIETARY FUNDS	24
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS	26
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	28
STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS	30
NOTES TO FINANCIAL STATEMENTS	31
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
BARNESVILLE FIREMAN'S RELIEF ASSOCIATION – SCHEDULE OF FUNDING PROGRESS	60
OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF FUNDING PROGRESS	61
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	62
BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATIONS SPECIAL REVENUE FUND	63
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	64

**CITY OF BARNESVILLE, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2013**

FINANCIAL SECTION (CONTINUED)

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	65
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	66
COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS	67
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS	68
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS	69
OTHER COMBINING SCHEDULES	
COMBINING BALANCE SHEET – DEBT SERVICE FUND – BY BOND ISSUE	70
COMBINING STATEMENT REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – DEBT SERVICE FUND – BY BOND ISSUE	72
COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT	74
COMBINING STATEMENT REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – CAPITAL PROJECTS FUND – BY PROJECT	76

OTHER REPORTS SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	78
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	80
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	83

INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2013**

ELECTED	NAME	TERM EXPIRES
Mayor	Gene Prim	12/31/2015
City Council	Betty Strom	12/31/2015
City Council	Richard Sylvester	12/31/2015
City Council	Catherine Enstad	12/31/2015
City Council	Larry Davis, Jr.	12/31/2017
City Council	Jason Rick	12/31/2017
City Council	Don Goedtke	12/31/2017

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Barnesville
Barnesville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barnesville (City), Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2013, the respective changes in financial position and, where applicable, cash flows thereof 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, schedules of funding progress and budgetary comparison 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, the debt service fund by bond issue financial statements, and the capital projects fund by project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the debt service fund by bond issue financial statements, and the capital projects fund by project financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the debt service fund by bond issue financial statements, and the capital projects fund by project financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and
Members of the City Council
City of Barnesville

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
April 28, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

This section of the City of Barnesville's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2013. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year (2013) and the prior year (2012) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 include the following:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$17,676,793 (net position). Of this amount, \$8,275,087 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$752,588 or 4.45% over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$2,915,988, a decrease of \$130,163 in comparison to the prior year. Approximately 42% of this amount, or \$1,221,583, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$313,328, or 17% of General Fund expenditures.
- The City's total long-term debt increased by \$9,335 during the current year. This small increase is the result of the issuance of \$345,000 of General Obligation Improvement Bonds, less the scheduled repayment of bond principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more detail than the City-wide statements.
 - The governmental funds statements tell how basic services such as general government, public safety, and public works were financed in the short-term, as well as what remains for future spending.
 - The proprietary funds statements tell how the City's various business-type activities such as water, sewer, electric, telephone, municipal liquor, cable television, sanitation, storm sewer, ambulance, and broadband internet activities are operating as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources belong.

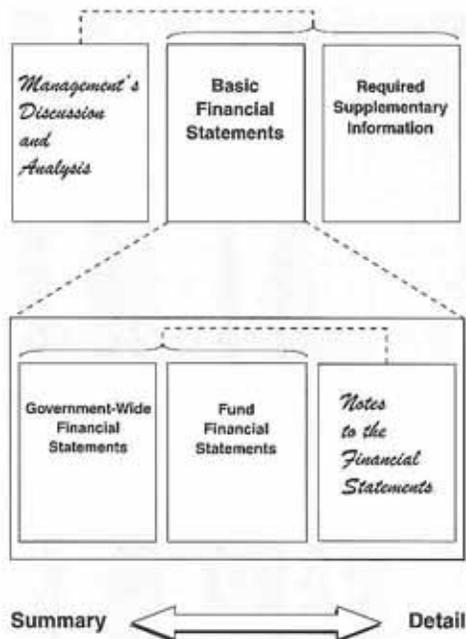
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements				
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: water, sewer, telephone, municipal liquor as examples.	Instances in which the City is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of revenues, expenses, and changes in fund net position and statement of cash flows.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset and Deferred Outflow of Resources/ Liability and Deferred Inflow of Resources Information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

City-Wide Statements

The City-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two City-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of City buildings and other facilities.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

In the City-wide financial statements the City's activities are shown in two categories:

- *Governmental Activities* – The City's basic services are included here. Property taxes, special assessments and state aids finance most of these activities.
- *Business-Type Activities* – The City's enterprise fund operations are included here. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The City has three kinds of funds:

- *Governmental Funds* – The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the City-wide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary Funds* – The City reports eleven 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, electric, telephone, municipal liquor, cable television, sanitation, storm sewer, ambulance, and broadband internet services. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.
- *Fiduciary Funds* – The City is the fiscal agent, or fiduciary, for assets that belong to others. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City-wide financial statements because the City cannot use these assets to finance its operations.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$17,676,793 on December 31, 2013 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 5,410,600	\$ 5,711,332	\$ 7,103,218	\$ 7,269,532	\$ 12,513,818	\$ 12,980,864
Capital Assets	4,134,405	3,889,086	10,724,422	10,902,188	14,858,827	14,791,274
Total Assets	<u>9,545,005</u>	<u>9,600,418</u>	<u>17,827,640</u>	<u>18,171,720</u>	<u>27,372,645</u>	<u>27,772,138</u>
Current Liabilities	983,130	567,936	928,702	1,467,433	1,911,832	2,035,369
Long-Term Liabilities	2,478,787	2,862,141	5,305,233	5,950,423	7,784,020	8,812,564
Total Liabilities	<u>3,461,917</u>	<u>3,430,077</u>	<u>6,233,935</u>	<u>7,417,856</u>	<u>9,695,852</u>	<u>10,847,933</u>
Net Position						
Net Investment in Capital Assets	1,634,192	1,502,314	4,792,740	4,655,950	6,426,932	6,158,264
Restricted	2,974,774	3,761,596	-	-	2,974,774	3,761,596
Unrestricted	1,474,122	906,431	6,800,965	6,097,914	8,275,087	7,004,345
Total Net Position	<u>\$ 6,083,088</u>	<u>\$ 6,170,341</u>	<u>\$ 11,593,705</u>	<u>\$ 10,753,864</u>	<u>\$ 17,676,793</u>	<u>\$ 16,924,205</u>

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$8,042,759 for the year ended December 31, 2013. Property taxes and intergovernmental revenues accounted for 15.6% of total revenue for the year, while user charges accounted for 72.0% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 210,650	\$ 202,317	\$ 5,581,120	\$ 5,500,749	\$ 5,791,770	\$ 5,703,066
Operating Grants and Contributions	56,242	69,415	41,513	38,444	97,755	107,859
Capital Grants and Contributions	230,544	278,784	18,916	13,673	249,460	292,457
<u>General Revenues</u>						
Property Taxes	594,208	506,215	-	43,680	594,208	549,895
Tax Increments	144,887	140,187	-	-	144,887	140,187
Unrestricted State Aid	659,473	608,625	-	-	659,473	608,625
Investment Earnings	21,295	47,378	2,519	2,538	23,814	49,916
Other	73,041	71,016	408,351	264,188	481,392	335,204
Total Revenues	1,990,340	1,923,937	6,052,419	5,863,272	8,042,759	7,787,209
EXPENSES						
General Government	682,187	661,668	-	-	682,187	661,668
Public Safety	611,770	592,788	-	-	611,770	592,788
Public Works	558,756	379,258	-	-	558,756	379,258
Culture and Recreation	483,091	478,229	-	-	483,091	478,229
Economic Development	287,665	288,906	-	-	287,665	288,906
Interest	128,630	75,058	-	-	128,630	75,058
Water	-	-	289,650	270,419	289,650	270,419
Sewer	-	-	320,661	307,542	320,661	307,542
Electric	-	-	1,781,262	1,701,352	1,781,262	1,701,352
Telephone	-	-	675,228	724,735	675,228	724,735
Municipal Liquor	-	-	381,611	422,496	381,611	422,496
Cable Television	-	-	434,714	432,721	434,714	432,721
Sanitation	-	-	184,723	188,667	184,723	188,667
Storm Sewer	-	-	21,901	22,122	21,901	22,122
Ambulance	-	-	389,523	396,435	389,523	396,435
Broadband Internet	-	-	58,799	44,399	58,799	44,399
Total Expenses	2,752,099	2,455,907	4,538,072	4,510,908	7,290,171	6,968,815
Transfers	674,506	878,500	(674,506)	(878,500)	-	-
CHANGE IN NET POSITION	(87,253)	346,530	839,841	473,864	752,588	820,394
Net Position - Beginning of Year	6,170,341	5,823,811	10,753,864	10,280,000	16,924,205	16,103,811
NET POSITION - END OF YEAR	<u>\$ 6,083,088</u>	<u>\$ 6,170,341</u>	<u>\$ 11,593,705</u>	<u>\$ 10,753,864</u>	<u>\$ 17,676,793</u>	<u>\$ 16,924,205</u>

Total revenues surpassed expenses, increasing city-wide net position by \$752,588 as compared to an increase of \$820,394 in 2012. The smaller increase in net position for 2013 is primarily due to more expenses in 2013 than 2012. Revenues were very consistent between the two years.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The City-wide cost of all governmental activities this year was \$2,752,099.

- Some of the cost was paid by the users of the City's programs (\$210,650).
- Federal and state government payments (\$286,786) subsidized certain programs.
- Ad valorem property taxes (\$594,208) and unrestricted state grants (\$659,473) also helped fund the net costs of governmental services.
- Transfers from the City's business-type operations also subsidize governmental operations (\$674,506).

Figure A-3 Sources of City's Governmental Revenues for Fiscal 2013

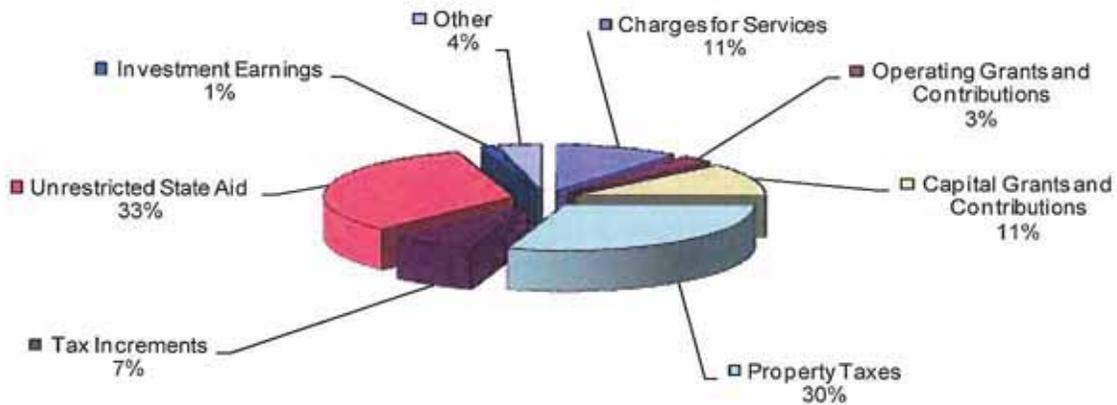
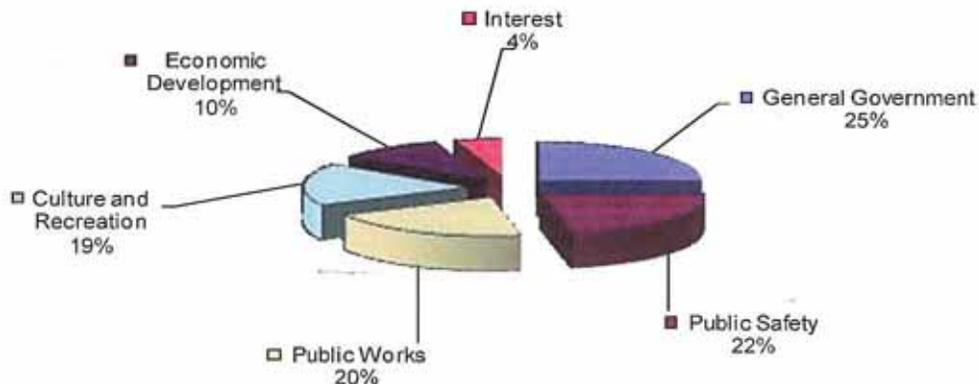


Figure A-4 City's Governmental Expenses for Fiscal 2013



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**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Net Revenue (Cost of Services) After Program Revenues	
	2013	2012	2013	2012
GOVERNMENTAL ACTIVITIES				
General Government	\$ 682,187	\$ 661,668	\$ (650,707)	\$ (632,568)
Public Safety	611,770	592,788	(394,981)	(476,665)
Public Works	558,756	379,258	(489,529)	(145,412)
Culture and Recreation	483,091	478,229	(303,151)	(306,782)
Economic Development	287,665	268,906	(287,665)	(268,906)
Interest and Fiscal Charges on Interest	128,630	75,058	(128,630)	(75,058)
Total	\$ 2,752,099	\$ 2,455,907	\$ (2,254,663)	\$ (1,905,391)
BUSINESS-TYPE ACTIVITIES				
Water	\$ 289,650	\$ 270,419	\$ 146,830	\$ 161,420
Sewer	320,661	307,542	290,376	289,898
Electric	1,781,262	1,701,352	275,623	257,816
Telephone	675,228	724,735	268,905	212,881
Municipal Liquor	381,611	422,496	9,222	26,155
Cable Television	434,714	432,721	20,825	(4,273)
Sanitation	184,723	188,687	30,330	25,339
Storm Sewer	21,901	22,122	10,559	9,140
Ambulance	389,523	396,435	(79,632)	(111,623)
Broadband Internet	58,799	44,399	130,439	175,205
Total	\$ 4,538,072	\$ 4,510,908	\$ 1,103,477	\$ 1,041,958

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$2,915,988.

Revenues for the City's governmental funds were \$2,135,659, while total expenditures were \$3,300,186.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL (CONTINUED)

General Fund

The General Fund includes the primary operations of the City in providing services to citizens and some capital outlay projects.

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

Fund	Year Ended		Change Increase (Decrease)
	December 31, 2013	December 31, 2012	
Taxes	\$ 183,460	\$ 131,132	\$ 52,328
Special Assessments	41,682	5,267	36,415
Licenses and Permits	26,148	21,096	5,052
Intergovernmental	823,042	672,663	150,379
Charges for Services	1,423	886	537
Fines and Forfeits	6,839	7,841	(1,002)
Interest	9,615	40,707	(31,092)
Miscellaneous and Other	49,850	50,693	(843)
Total General Fund Revenues	\$ 1,142,059	\$ 930,285	\$ 211,774

Total General Fund revenue increased by \$211,774, or 22.8%, from the previous year. The primary reason for the increase is an increase to intergovernmental revenues and taxes.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change Increase (Decrease)
	December 31, 2013	December 31, 2012	
General Government	\$ 723,857	\$ 622,773	\$ 101,084
Public Safety	549,096	537,722	11,374
Public Works	255,479	200,403	55,076
Airport	1,268	1,336	(68)
Economic Development	152,743	160,929	(8,186)
Capital Outlay	143,478	85,238	58,240
Debt Service	345	3,129	(2,784)
Total Expenditures	\$ 1,826,266	\$ 1,611,530	\$ 214,736

The General Fund's expenditures increased \$214,736 from 2012. This increase is due largely to increases in general government due to back taxes and elevator project, public works due to increased fuel costs, insurance costs and an increase in insurance, and capital outlay due to an increase in projects.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL (CONTINUED)

General Fund (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City did not revise the annual operating budget. Historically, the City has not made budget amendments during the year.

- Actual revenues were \$94,419 more than expected. This is primarily due to more than expected taxes and special assessments.
- The actual expenditures were \$57,054 less than budget. This is primarily due to the City reducing expenditures in public works and capital purchases.

Parks and Recreation Fund

The Parks and Recreation Fund for 2013 had an increase in fund balance of \$70,768. The fund was also over budget in revenues and under budget in expenditures during 2013 by \$18,641 and \$55,291 respectively.

Capital Projects Fund

During 2013, the City was still working on completing the expansion in the commercial park, and also started an infrastructure improvement district which accounted for approximately \$330,000 in current year expenditures.

Debt Service Fund

During 2013, the City issued the 2013A General Obligation Improvement Bonds.

Business-Type Funds

Water and Sewer Fund

The Water and Sewer Funds showed net income (before transfers to other funds) of approximately \$153,000 and \$298,000, respectively, for the year ended December 31, 2013, as compared to \$117,000 and \$249,000 for 2012.

Liquor and Cable Television Fund

The operations of the Municipal Liquor and Cable Television Funds remained essentially consistent with the prior year showing income (before transfers to other funds) of approximately \$11,000 and \$22,000, respectively, for the year ended December 31, 2013.

Electric Fund

The Electric Fund showed an increase in sales of approximately \$98,000 resulting from an increase in consumption; however, purchased power costs increased by approximately \$124,000. The net result was net income (before transfers to other funds) of approximately \$296,000 for the year ended December 31, 2013.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL (CONTINUED)

Business-Type Funds (Continued)

Telephone Fund

The Telephone Fund showed an increase in sales of approximately \$7,000, or 0.7%, resulting from an increase in customers. At the same time, expenses (primarily miscellaneous) increased by approximately \$52,000. Income of approximately \$343,000 (compared to \$195,000 in the prior year) was reflected in the Telephone Fund's fiber optic Joint Venture, resulting in a net income (before transfers to other funds) of approximately \$623,000 as compared to \$422,000 in the prior year.

CONSTRUCTION PROJECTS AND DEBT SERVICE

An annual levy is made to fund the bond payments for all previous bond issues. Other improvement projects have special assessments to fund the bond payments.

CAPITAL ASSETS

By the end of 2013, the City had invested approximately \$15,000,000 (net of accumulated depreciation) in a broad range of capital assets, including buildings, computers, improvements, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements). Total depreciation expense for the year was (including the enterprise funds).

Table A-6
The City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 551,831	\$ 551,831	\$ 113,908	\$ 113,908	\$ 665,739	\$ 665,739
Construction-in-Progress	-	225,144	32,733	-	32,733	225,144
Buildings	1,616,409	1,616,409	1,330,997	1,330,997	2,947,406	2,947,406
Infrastructure	4,700,523	4,062,567	11,816,883	11,816,883	16,517,406	15,879,450
Improvements	263,978	263,978	979,170	979,170	1,243,148	1,243,148
Machinery and Equipment	683,800	864,491	2,664,527	2,543,972	3,348,327	3,208,463
Vehicles	362,669	398,869	337,722	326,094	700,391	724,963
Less: Accumulated Depreciation	(4,044,805)	(3,694,203)	(6,551,518)	(6,208,836)	(10,596,323)	(10,103,039)
Total	\$ 4,134,405	\$ 3,869,086	\$ 10,724,422	\$ 10,902,188	\$ 14,858,827	\$ 14,791,274

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

LONG-TERM LIABILITIES

At year-end, the City had in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt decreased \$1,182,060 due primarily to no significant bond issues in the current year and continuing pay down of existing debt as scheduled.

Table A-7
The City's Long-Term Liabilities

	2013	2012
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 3,110,000	\$ 3,135,000
Capital Leases Payable	6,323	9,302
Compensated Absences Payable	115,234	95,280
Other Postemployment Benefits Payable	99,961	78,798
Less: Bond Discounts	(10,790)	(11,800)
Total Governmental Activities	3,320,728	3,306,580
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	985,000	1,105,000
General Obligation Revenue Notes	2,895,000	3,113,000
General Obligation Bonds	2,070,000	2,939,672
Compensated Absences Payable	33,743	24,683
Other Postemployment Benefits Payable	25,115	21,014
Less: Bond Discounts	(18,318)	(21,434)
Total Business-Type Activities	5,990,540	7,181,935
Total City-Wide Long-Term Liabilities	\$ 9,311,268	\$ 10,488,515

FACTORS BEARING ON THE CITY'S FUTURE

The City is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again. Also, the City depends heavily in the general fund on operational transfers, in lieu of a higher tax levy, from the City's business-type activities which are based on profitability of the business-type funds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration and Finance Department, City of Barnesville, 102 Front Street, Barnesville, Minnesota, 56514.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Pooled Investments	\$ 2,448,814	\$ 3,466,987	\$ 5,915,801	\$ 160,757
Cash with Escrow Agent	527,738	146,498	674,236	-
Taxes Receivable				
Delinquent	42,789	-	42,789	-
Special Assessments Receivable				
Delinquent	27,040	5,346	32,386	-
Noncurrent	2,251,889	422,189	2,674,078	-
Tax Increments Receivables	1,221	-	1,221	-
Accounts Receivable - Net	14,854	943,407	958,261	-
Accrued Interest Receivable	905	-	905	-
Notes Receivable - Net	14,171	-	14,171	-
Due from Component Unit	70,053	-	70,053	-
Inventories	1,200	57,669	58,869	-
Land Held for Resale	-	-	-	396,288
Advances to Component Unit	9,926	-	9,926	-
Advances to Primary Government	-	-	-	4,854
Investment in Joint Venture	-	2,061,122	2,061,122	-
Capital Assets not Being Depreciated				
Land	551,831	146,641	698,472	-
Capital Assets Being Depreciated				
Buildings	871,698	698,344	1,570,042	-
Infrastructure	2,284,401	8,109,039	10,393,440	-
Improvements	79,978	362,739	442,717	-
Machinery and Equipment	190,056	1,325,590	1,515,646	-
Vehicles	156,441	82,069	238,510	-
Total Assets	9,545,005	17,827,640	27,372,645	561,899
LIABILITIES				
Accounts Payable	46,368	63,429	109,797	4,976
Salaries and Benefits Payable	57,682	30,908	88,590	4,552
Deposits Payable	-	1,240	1,240	-
Accrued Interest Payable	32,285	46,405	78,690	-
Due to Other Governments	-	17,272	17,272	-
Due to Primary Government	-	-	-	70,053
Advances from Primary Government	-	-	-	9,926
Advances from Component Unit	4,854	-	4,854	-
Unearned Utility Payments	-	84,141	84,141	1,000
Notes Payable - Due Within One Year	-	-	-	369
Bonds Payable - Due Within One Year	755,000	660,000	1,415,000	1,751
Capital Leases Payable - Due Within One Year	3,424	-	3,424	-
Compensated Absences Payable - Due Within One Year	83,517	25,307	108,824	-
Special Assessments Payable - Due in More Than One Year	-	-	-	219,999
Bonds Payable - Due in More Than One Year	2,344,210	5,271,682	7,615,892	8,663
Capital Leases Payable - Due in More Than One Year	2,899	-	2,899	-
Compensated Absences Payable - Due in More Than One Year	31,717	8,436	40,153	-
Other Postemployment Benefits Payable - Due in More Than One Year	99,961	25,115	125,076	5,094
Total Liabilities	3,461,917	6,233,935	9,695,852	326,383
NET POSITION				
Net Investment in Capital Assets	1,634,192	4,792,740	6,426,932	-
Restricted for				
Debt Service	2,861,929	-	2,861,929	-
Public Safety	6,839	-	6,839	-
Public Works	55,886	-	55,886	-
Economic Development	50,120	-	50,120	-
Unrestricted	1,474,122	6,800,965	8,275,087	235,516
Total Net Position	\$ 6,083,088	\$ 11,593,705	\$ 17,676,793	\$ 235,516

See accompanying Notes to the Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

Functions/Programs	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 682,187	\$ 35,567	\$ (4,087)	\$ -
Public Safety	611,770	-	45,022	171,767
Public Works	558,756	1,143	9,307	58,777
Culture and Recreation	483,091	173,940	6,000	-
Economic Development	287,665	-	-	-
Interest	128,630	-	-	-
Total Governmental Activities	2,752,099	210,650	56,242	230,544
Business-Type Activities				
Water	289,650	429,556	-	6,924
Sewer	320,661	599,045	-	11,992
Electric	1,781,262	2,056,885	-	-
Telephone	675,228	941,814	2,319	-
Municipal Liquor	381,611	390,833	-	-
Cable Television	434,714	455,539	-	-
Sanitation	184,723	183,359	31,694	-
Storm Sewer	21,901	32,460	-	-
Ambulance	389,523	302,391	7,500	-
Broadband Internet	58,799	189,238	-	-
Total Business-Type Activities	4,538,072	5,581,120	41,513	18,916
Total Primary Government	\$ 7,290,171	\$ 5,791,770	\$ 97,755	\$ 249,460
Component Unit				
EDA	\$ 216,702	\$ 73,577	\$ -	\$ -

General Revenues
Property Taxes
Tax Increments
Grants and Contributions not Restricted for a Particular Purpose
Investment Earnings
Miscellaneous
Sale of Capital Assets
Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (650,707)	\$ -	\$ (650,707)	\$ -
(394,981)	-	(394,981)	-
(489,529)	-	(489,529)	-
(303,151)	-	(303,151)	-
(287,665)	-	(287,665)	-
(128,630)	-	(128,630)	-
(2,254,663)	-	(2,254,663)	-
-	146,830	146,830	-
-	290,376	290,376	-
-	275,623	275,623	-
-	268,905	268,905	-
-	9,222	9,222	-
-	20,825	20,825	-
-	30,330	30,330	-
-	10,559	10,559	-
-	(79,632)	(79,632)	-
-	130,439	130,439	-
-	1,103,477	1,103,477	-
(2,254,663)	1,103,477	(1,151,186)	-
-	-	-	(143,125)
594,208	-	594,208	-
144,887	-	144,887	-
659,473	-	659,473	150,718
21,295	2,519	23,814	26
64,069	408,351	472,420	27,629
8,972	-	8,972	-
674,506	(674,506)	-	-
2,167,410	(263,636)	1,903,774	178,373
(87,253)	839,841	752,588	35,248
6,170,341	10,753,864	16,924,205	200,268
\$ 6,083,088	\$ 11,593,705	\$ 17,676,793	\$ 235,516

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FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 1,388,226	\$ 257,821	\$ 686,261	\$ 74,205	\$ 42,301	\$ 2,448,814
Cash with Escrow Agent	-	-	527,738	-	-	527,738
Taxes Receivable						
Current	37,431	-	5,358	-	-	42,789
Special Assessments Receivable						
Delinquent	16,485	-	10,555	-	-	27,040
Noncurrent	38,155	-	2,192,040	91,747	-	2,321,942
Accounts Receivable	9,307	5,547	-	-	-	14,854
Tax Increments Receivables	-	-	-	-	1,221	1,221
Accrued Interest Receivable	905	-	-	-	-	905
Notes Receivable	369	-	-	-	13,802	14,171
Inventory	-	1,200	-	-	-	1,200
Advance to Component Unit	9,926	-	-	-	-	9,926
Due from Other Funds	147,377	-	-	-	-	147,377
Total Assets	\$ 1,648,181	\$ 264,568	\$ 3,421,952	\$ 165,952	\$ 57,324	\$ 5,557,977
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 26,297	\$ 1,387	\$ -	\$ 18,319	\$ 365	\$ 46,368
Salaries and Benefits Payable	51,574	6,108	-	-	-	57,682
Due to Other Funds	-	-	-	147,377	-	147,377
Advance from Component Unit	4,854	-	-	-	-	4,854
Total Liabilities	82,725	7,495	-	165,696	365	256,281
Deferred Inflows of Resources						
Unavailable Taxes	25,150	-	3,621	-	-	28,771
Unavailable Special Assessments	54,640	-	2,196,748	91,747	-	2,343,135
Unavailable Loans Receivable	-	-	-	-	13,802	13,802
Total Deferred Inflows of Resources	79,790	-	2,200,369	91,747	13,802	2,385,708
Fund Balances (Deficit)						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Advances	9,926	-	-	-	-	9,926
Restricted for Debt Repayment	-	-	1,221,583	-	-	1,221,583
Restricted for Other Governmental Funds	-	-	-	-	43,157	43,157
Restricted for Front Street Project	-	-	-	55,886	-	55,886
Committed for Capital Outlay	130,000	36,592	-	-	-	166,592
Committed for Community Projects	1,031,372	-	-	-	-	1,031,372
Committed for Park Operations	-	219,281	-	-	-	219,281
Assigned for the Library	1,040	-	-	-	-	1,040
Unassigned	313,328	-	-	(147,377)	-	165,951
Total Fund Balances (Deficit)	1,485,666	257,073	1,221,583	(91,491)	43,157	2,915,988
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 1,648,181	\$ 264,568	\$ 3,421,952	\$ 165,952	\$ 57,324	\$ 5,557,977

See accompanying Notes to Financial Statements.

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**CITY OF BARNESVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	\$ 2,915,988
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,134,405
Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as a deferred inflow of resources in the governmental funds.	2,385,708
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds Payable, Net of Unamortized Bond Discounts	\$ (3,099,210)
Capital Lease Obligations	(6,323)
Accrued Compensated Absences	(115,234)
Other Postemployment Benefits Payable	(99,961)
Accrued Interest Payable on General Obligation Bonds	(32,285)
	<u>(3,353,013)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,083,088</u>

See accompanying Notes to Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 183,460	\$ 346,678	\$ 67,910	\$ -	\$ -	\$ 598,048
Tax Increments	-	-	-	-	144,887	144,887
Special Assessments	41,682	-	193,777	-	-	235,459
Licenses and Permits	26,148	185	-	-	-	26,333
Intergovernmental	823,042	5,000	-	27,637	-	855,679
Charges for Services	1,423	173,755	-	-	-	175,178
Fines and Forfeits	6,839	-	-	-	-	6,839
Gifts and Contributions	-	1,000	-	-	3,100	4,100
Interest on Investments	9,615	12	7,924	1	2	17,554
Miscellaneous	49,850	17,646	-	-	4,086	71,582
Total Revenues	1,142,059	544,276	269,611	27,638	152,075	2,135,659
EXPENDITURES						
Current						
General Government	723,857	-	-	-	-	723,857
Public Safety	549,096	-	-	-	5,042	554,138
Public Works	255,479	-	-	-	-	255,479
Airport	1,268	-	-	-	-	1,268
Parks and Recreation	-	413,505	-	-	-	413,505
Economic Development	152,743	-	-	-	149,735	302,478
Capital Outlay						
General Government	28,658	-	-	-	-	28,658
Public Works	114,820	-	-	370,316	-	485,136
Parks and Recreation	-	62,339	-	-	-	62,339
Debt Service						
Principal	-	-	370,000	-	-	370,000
Interest and Other Charges	345	-	91,629	-	-	91,974
Bond Issue Costs	-	-	-	11,354	-	11,354
Total Expenditures	1,826,266	475,844	461,629	381,670	154,777	3,300,186
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(684,207)	68,432	(192,018)	(354,032)	(2,702)	(1,164,527)
OTHER FINANCING SOURCES (USES)						
Transfers In	719,000	2,336	1,265	-	1,875	724,476
Transfers Out	(48,561)	-	(1,409)	-	-	(49,970)
Bond Proceeds	-	-	407	344,593	-	345,000
Discounts on Bonds Issued	-	-	-	(4,312)	-	(4,312)
Proceeds from Sale of Capital Assets	19,170	-	-	-	-	19,170
Total Other Financing Sources (Uses)	689,609	2,336	263	340,281	1,875	1,034,364
NET CHANGE IN FUND BALANCES	5,402	70,768	(191,755)	(13,751)	(827)	(130,163)
Fund Balance (Deficit) - Beginning of Year	1,480,264	186,305	1,413,338	(77,740)	43,984	3,046,151
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,485,666	\$ 257,073	\$ 1,221,583	\$ (91,491)	\$ 43,157	\$ 2,915,988

See accompanying Notes to Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (130,163)**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 454,462	
Current Year Depreciation	<u>(193,601)</u>	260,861

In the statement of activities, only the gain or loss on the disposal of capital assets are reported whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net cost of the capital assets disposed of. (15,542)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (153,946)

Bond and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The proceeds, net of issuance costs, for debt issuance are:

Gross Bond Proceeds (345,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments:		
General Obligation Bonds	370,000	
Capital Lease	<u>2,979</u>	372,979

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest Payable	11,111	
Write off of Bond Issue Costs	(45,426)	
Amortization of Discounts	(1,010)	
Change in Compensated Absences	(19,954)	
Change in Other Postemployment Benefits Payable	<u>(21,163)</u>	<u>(76,442)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (87,253)**

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013**

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Current Assets			
Cash and Cash Equivalents	\$ 538,856	\$ 1,021,159	\$ 537,017
Cash with Escrow Agent	-	146,498	-
Accounts Receivable - Net	83,748	122,438	368,274
Special Assessments Receivable			
Delinquent	2,840	2,506	-
Noncurrent	221,346	200,843	-
Inventories	-	-	-
Total Current Assets	<u>846,790</u>	<u>1,493,444</u>	<u>905,291</u>
Noncurrent Assets			
Investment in Joint Venture	-	-	-
Capital Assets			
Land	-	100,831	-
Buildings (Net)	397,795	2,583	70,694
Infrastructure (Net)	1,949,345	5,025,575	264,656
Improvements (Net)	-	-	-
Machinery and Equipment (Net)	119,575	58,724	183,000
Vehicles (Net)	-	-	-
Total Capital Assets	<u>2,466,715</u>	<u>5,187,713</u>	<u>518,350</u>
Total Noncurrent Assets	<u>2,466,715</u>	<u>5,187,713</u>	<u>518,350</u>
Total Assets	<u>3,313,505</u>	<u>6,681,157</u>	<u>1,423,641</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	4,827	749	12,010
Salaries and Benefits Payable	793	488	3,059
Deposits Payable	-	-	1,240
Accrued Interest Payable	7,846	22,575	1,512
Due to Other Governments	200	-	7,736
Unearned Utility Payments	-	-	34,277
Compensated Absences - Due Within One Year	183	183	2,441
Bonds Payable - Due Within One Year	107,000	428,000	34,000
Total Current Liabilities	<u>120,849</u>	<u>451,995</u>	<u>96,275</u>
Noncurrent Liabilities			
Compensated Absences Payable -			
Due in More than One Year	61	61	814
Other Postemployment Benefits Payable -			
Due in More than One Year	823	767	2,819
Bonds Payable - Due in More than One Year	1,149,281	3,273,472	112,598
Total Noncurrent Liabilities	<u>1,150,165</u>	<u>3,274,300</u>	<u>116,231</u>
Total Liabilities	<u>1,271,014</u>	<u>3,726,295</u>	<u>212,506</u>
Net Position			
Net Investment in Capital Assets	1,210,434	1,486,241	371,752
Unrestricted	832,057	1,468,621	839,383
Total Net Position	<u>\$ 2,042,491</u>	<u>\$ 2,954,862</u>	<u>\$ 1,211,135</u>

See accompanying Notes to Financial Statements.

Telephone	Municipal Liquor	Cable Television	Nonmajor Proprietary Funds	Total
\$ 396,805	\$ 29,282	\$ 57,701	\$ 886,167	\$ 3,466,987
-	-	-	-	146,498
140,027	2,766	96,855	129,299	943,407
-	-	-	-	5,346
-	-	-	-	422,189
-	57,669	-	-	57,669
536,832	89,717	154,556	1,015,466	5,042,096
2,061,122	-	-	-	2,061,122
32,733	-	-	13,077	146,641
1,251	45,310	73,733	106,978	698,344
-	-	349,750	519,713	8,109,039
362,739	-	-	-	362,739
344,931	-	564,046	55,314	1,325,590
34,579	-	18,791	28,699	82,069
776,233	45,310	1,006,320	723,781	10,724,422
2,837,355	45,310	1,006,320	723,781	12,785,544
3,374,187	135,027	1,160,876	1,739,247	17,827,640
23,355	1,374	6,579	14,535	63,429
10,481	4,535	999	10,553	30,908
-	-	-	-	1,240
2,269	-	12,203	-	46,405
2,505	2,798	2,565	1,468	17,272
-	-	49,864	-	84,141
13,318	2,433	1,630	5,119	25,307
51,000	-	40,000	-	660,000
102,928	11,140	113,840	31,675	928,702
4,439	811	543	1,707	8,436
15,253	-	1,940	3,513	25,115
168,898	-	567,433	-	5,271,682
188,590	811	569,916	5,220	5,305,233
291,518	11,951	683,756	36,895	6,233,935
556,335	45,310	398,887	723,781	4,792,740
2,526,334	77,766	78,233	978,571	6,800,965
\$ 3,082,669	\$ 123,076	\$ 477,120	\$ 1,702,352	\$ 11,593,705

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Cost of Sales	-	-	-
Gross Profit	-	-	-
Charges for Services	429,556	599,045	2,056,885
OPERATING EXPENSES			
Professional Services	107,651	90,444	100,791
Wages, Salaries, and Compensation	18,801	11,321	67,226
Repairs and Maintenance	26,729	4,992	16,211
Insurance	6,821	4,271	4,799
Utilities	-	-	3,798
Depreciation	76,346	130,097	29,053
Materials and Supplies	4,671	-	1,012
Miscellaneous Expenses	9,823	12,611	50,465
Purchased Power	-	-	1,460,268
License Fees	1,110	-	-
Equipment	-	-	41,419
Medicare/Medicaid Fee Reductions	-	-	-
Total Operating Expenses	251,952	253,736	1,775,042
OPERATING INCOME (LOSS)	177,604	345,309	281,843
NONOPERATING REVENUES (EXPENSES)			
Investment Income	491	1,503	202
Joint Venture Income	-	-	-
Special Assessments	6,924	11,992	-
Intergovernmental Grants	-	-	-
Miscellaneous - Nonoperating	5,486	5,757	19,963
Interest Expense and Fiscal Charges	(37,698)	(66,925)	(6,220)
Gain (Loss) on Sale of Capital Assets	-	-	-
Total Nonoperating Revenues (Expenses)	(24,797)	(47,673)	13,945
Income (Loss) before Transfers	152,807	297,636	295,788
Transfers In	-	1,409	-
Transfers Out	(36,265)	(50,000)	(205,000)
CHANGE IN NET POSITION	116,542	249,045	90,788
Net Position - Beginning of Year	1,925,949	2,705,817	1,120,347
NET POSITION - END OF YEAR	<u>\$ 2,042,491</u>	<u>\$ 2,954,862</u>	<u>\$ 1,211,135</u>

See accompanying Notes to Financial Statements.

Telephone	Municipal Liquor	Cable Television	Nonmajor Proprietary Funds	Total
\$ -	\$ 390,833	\$ -	\$ -	\$ 390,833
-	295,843	-	-	295,843
-	94,990	-	-	94,990
941,814	-	455,539	707,448	5,190,287
38,183	-	9,040	151,493	497,602
236,365	63,112	20,480	213,648	630,953
29,014	1,696	9,682	8,459	96,783
4,050	7,337	5,125	8,117	40,520
-	-	-	-	3,798
73,314	912	30,909	46,703	387,334
4,742	975	1,440	25,129	37,969
279,303	11,736	10,492	71,848	446,278
-	-	-	-	1,460,268
-	-	285,643	-	286,753
-	-	12,982	5,945	60,346
-	-	-	123,604	123,604
664,971	85,768	385,793	654,946	4,072,208
276,843	9,222	69,746	52,502	1,213,069
287	5	3	28	2,519
343,383	-	-	-	343,383
-	-	-	-	18,916
2,319	-	-	39,194	41,513
10,001	2,238	1,057	20,466	64,968
(9,331)	-	(47,905)	-	(168,079)
(926)	-	(1,016)	-	(1,942)
345,733	2,243	(47,861)	59,688	301,278
622,576	11,465	21,885	112,190	1,514,347
5,846	-	-	44,350	51,605
(300,250)	(6,000)	-	(128,596)	(726,111)
328,172	5,465	21,885	27,944	839,841
2,754,497	117,611	455,235	1,674,408	10,753,864
\$ 3,082,669	\$ 123,076	\$ 477,120	\$ 1,702,352	\$ 11,593,705

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 425,645	\$ 594,655	\$ 2,093,318
Payments to Suppliers	(152,285)	(112,429)	(1,675,236)
Payments to Employees	(18,649)	(11,207)	(65,044)
Net Cash Provided by Operating Activities	254,711	471,019	353,038
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(36,265)	(50,000)	(205,000)
Transfers In	-	1,409	-
Other Miscellaneous Receipts	5,486	5,757	19,963
Intergovernmental Grants	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(30,779)	(42,834)	(185,037)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	(807,427)	(280,245)	(32,000)
Interest Paid on Debt	(40,328)	(65,296)	(7,996)
Special Assessments	16,127	14,574	-
Proceeds from Disposal of Capital Assets	-	-	-
Acquisition of Capital Assets	(30,786)	(30,789)	(8,596)
Net Cash Provided (Used) by Capital and Related Financing Activities	(862,414)	(361,756)	(48,592)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from Joint Venture	-	-	-
Interest and Dividends Received	491	1,503	202
Net Cash Provided (Used) by Investing Activities	491	1,503	202
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(637,991)	67,932	119,611
Cash and Cash Equivalents - Beginning of Year	1,176,847	1,099,725	417,406
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 538,856</u>	<u>\$ 1,167,657</u>	<u>\$ 537,017</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 177,604	\$ 345,309	\$ 281,843
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	76,346	130,097	29,053
(Increase) Decrease in Assets			
Accounts Receivable	(3,911)	(4,390)	30,096
Inventory	-	-	-
Increase (Decrease) in Liabilities			
Customer Deposits	-	-	(50)
Accounts Payable	4,577	(111)	1,441
Salaries and Benefits Payable	71	33	219
Other Postemployment Benefits Payable	118	118	863
Due to Other Governments	(57)	-	2,086
Compensated Absences Payable	(37)	(37)	1,100
Unavailable Utility Payments	-	-	6,387
Total Adjustments	77,107	125,710	71,195
Net Cash Provided by Operating Activities	<u>\$ 254,711</u>	<u>\$ 471,019</u>	<u>\$ 353,038</u>

See accompanying Notes to Financial Statements.

Telephone	Municipal Liquor	Cable Television	Nonmajor Proprietary Funds	Total
\$ 906,710	\$ 392,566	\$ 453,932	\$ 695,130	\$ 5,561,956
(344,171)	(316,760)	(331,847)	(395,540)	(3,328,268)
(229,322)	(61,701)	(19,336)	(211,346)	(616,605)
333,217	14,105	102,749	88,244	1,617,083
(300,250)	(6,000)	-	(128,596)	(726,111)
5,846	-	-	44,350	51,605
10,001	2,238	1,057	20,466	64,968
2,319	-	-	39,194	41,513
(282,084)	(3,762)	1,057	(24,586)	(568,025)
(48,000)	-	(40,000)	-	(1,207,672)
(11,994)	-	(31,538)	-	(157,152)
-	-	-	-	30,701
(926)	-	(1,016)	-	(1,942)
(111,690)	-	(27,709)	-	(209,570)
(172,610)	-	(100,263)	-	(1,545,635)
92,474	-	-	-	92,474
287	5	3	27	2,518
92,761	5	3	27	94,992
(28,716)	10,348	3,546	63,685	(401,585)
425,521	18,934	54,155	822,482	4,015,070
\$ 396,805	\$ 29,282	\$ 57,701	\$ 886,167	\$ 3,613,485
\$ 276,843	\$ 9,222	\$ 69,746	\$ 52,502	\$ 1,213,069
73,314	912	30,909	46,703	387,334
(35,104)	1,733	(6,317)	(12,318)	(30,211)
-	(233)	-	-	(233)
-	-	-	-	(50)
9,631	2,045	2,416	(935)	19,064
(53)	300	65	552	1,187
2,083	-	553	366	4,101
1,490	(985)	141	(10)	2,665
5,013	1,111	526	1,384	9,060
-	-	4,710	-	11,097
56,374	4,883	33,003	35,742	404,014
\$ 333,217	\$ 14,105	\$ 102,749	\$ 88,244	\$ 1,617,083

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013**

ASSETS

Cash and Pooled Investments	<u>\$ 146,765</u>
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LIABILITIES

Due to Food Pantry	\$ 26,034
Due to Fire Department	<u>120,731</u>
Total Liabilities	<u>\$ 146,765</u>

See accompanying Notes to Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Barnesville (City) was incorporated as a home-rule city, under the provisions of the State of Minnesota. The City operates under a Mayor-Council form of government with a full-time City Chief Operating Officer and provides the following services as authorized by its charter: public safety, streets, sanitation, culture and recreation, public improvements, planning and zoning and general administrative services. The City also operates utilities, telephone, golf course, municipal liquor store, cable television, and ambulance services.

The financial statements of the City of Barnesville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of the City (Primary Government) and the component unit (legally separate organization) for which the Primary Government is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Primary Government.

Discretely Presented Component Unit

While part of the reporting entity, a discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The Economic Development Authority of Barnesville (EDA) meets the criteria to be included as a discrete presentation. The EDA was created under the provision of *Minnesota Statutes* §458C. The EDA is governed by seven commissioners appointed among the residents and business owners of the City. Two of the commissioners must be members of the City Council. The EDA's primary operations include those activities necessary to encourage the promotion and development of the City, which is reported in its General Fund. The EDA has a Debt Service Fund, which has been established for the retirement of its lease revenue bonds. The EDA did not issue separate audited financial statements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Jointly Governed Organization

The City entered into a formal joint powers agreement with eight townships located in the area during 1999. The agreement set up the Barnesville Area Joint Fire Board, which is composed of two members from the City Council of the City and one member appointed by each of the eight township boards. The Fire Chief serves on the board as a nonvoting, advisory member. The cost of running the Barnesville Area Joint Fire Department is allocated to each participating government proportionally based on population and the market valuation of buildings within each jurisdiction. The Barnesville Area Joint Fire Department did not issue separate audited financial statements. Copies of the Barnesville Area Joint Fire Department financial information may be obtained from the City's general accounting office at Barnesville City Hall.

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 about the Primary Government and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. 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 to users of the services for support.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Parks and Recreations Special Revenue Fund – The Parks and Recreations Special Revenue Fund is used to account for the operations of the City's parks and golf course. The revenues of this fund are committed by the City Council to only be used within the parks system.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds.

Capital Project Fund – The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the activities of the City's water utility.

Sewer Fund – The Sewer Fund accounts for the activities of the City's sanitary sewer system.

Electric Utility Fund – The Electric Utility Fund accounts for the operations of the City's electric utility.

Telephone Fund – The Telephone Fund accounts for the operations of the City's telephone utility.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major proprietary funds (Continued):

Municipal Liquor Fund – The Municipal Liquor Fund accounts for the operations of the City's liquor store.

Cable Television Fund – The Cable Television Fund accounts for the operations of the City's cable television utility.

Additionally, the City reports the following fiduciary fund types:

Fire Department Agency Fund – The Fire Department Fund accounts for the fire department activity held by the City in a strictly custodial capacity.

Barnesville Food Pantry Agency Fund – The Food Pantry Fund accounts for the activity held by the City in a strictly custodial capacity.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various 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 revenue of the City's enterprise funds are charges to customers for sales of goods and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Cash and Investments (Including Cash Equivalents)

Cash balances are invested to the extent available in various securities as authorized by *Minnesota Statutes*. Investment earnings are recorded in the individual fund carrying the investment. Investments are stated at fair value.

Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments (Including Cash Equivalents) (Continued)

For the purposes of the statement of cash flows of the proprietary fund types, the City considers all cash and investments under the classification current assets to be cash and cash equivalents. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, and money market savings accounts.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

3. Accounts Receivable

No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary. Write-offs are done on a case-by-case basis.

4. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with *Minnesota Statutes*. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30th of each year are certified to the County for collection with property taxes during the following year. Special assessments receivable represents the past six years of uncollected special assessments. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as a deferred inflow of resources at the time of the levy. Deferred inflows of resources are recognized as current revenue as the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

5. Inventory

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

6. Land Held for Resale

Land held of resale by the EDA is for redevelopment purposes and for subsequent resale. Land held for resale is reported as an asset at the lower of cost or estimated fair value. Fair value estimates have been based on estimated realizable sales proceeds net of selling expenses.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items. That portion of the relevant funds' balances equal to the prepaid items is considered nonspendable.

8. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the Primary Government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	25-75
Infrastructure	15-75
Machinery, Furniture, and Equipment	3-15

9. Compensated Absences

City and component unit employees are granted annual leave and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated annual leave, compensatory time and 15% of any accrued sick leave.

Sick leave payments are reported as expenditures for governmental fund types when the payments are made to employees. Appropriations lapse at year-end and accordingly, there are no available expendable financial resources. However, the estimated commitment for sick leave (compensated absences) for governmental activities is reported in the statement of net position.

In the City's proprietary funds, amounts for earned but unused vacation leave and that portion of earned but unused sick leave estimated to be payable upon retirement are reflected under the accrual basis of accounting.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line 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 during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Deferred Inflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis accounting. The City does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fund Balance and Net Position

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. When restricted and unrestricted fund balance is available for use, it is the City's policy to first use restricted fund balance. When committed, assigned, and unassigned fund balance is available for use, it is the City's policy to use committed, assigned, and finally unassigned fund balance.

In the financial statements, proprietary funds and government wide statement of net position is presented in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitation imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is presented as unrestricted.

E. Revenues, Expenditures, and Expense

1. Revenues

In the fund financial statements, property taxes are recognized to the extent they are collected and received in the current period or within 60 days after year-end. Portions paid by the state in the form of market value credit aid, and other state tax credits are included in intergovernmental revenues. Delinquent property taxes receivable which have not been recognized as revenue are equally offset in the fund financial statements by deferred inflows of resources.

Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recorded as revenues when measurable and available.

Special assessments principal and interest earnings are recorded as revenues in the same manner as property taxes.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

Property Tax Collection Calendar

The City levies its property taxes for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. Clay County is the collecting agency for the levy and then remits the collection to the City. All taxes not collected as of December 31 are shown as delinquent taxes receivable.

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

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

Property owners are required to pay one-half of their real estate taxes by May 15 and the balances by October 15.

Within 30 days after the May settlement, the County Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after the settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the County Treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

Any adjustments or abatements to either the current or any prior year levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year-end are classified as delinquent and not considered measurable and available and are fully offset by deferred revenue in the governmental fund financial statements. Delinquent taxes receivable represent the past six years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

2. Expenditures

Expenditures recognition for governmental fund types includes only amounts represented by current liabilities. Since noncurrent liabilities do not affect net current assets, they are not recognized as governmental fund expenditures or liabilities. They are reported as liabilities on the statement of net position.

3. Expenses

Proprietary funds recognize expenses, including compensated absences, when they are incurred.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of \$91,491 as of December 31, 2013. The City plans to eliminate this deficit through future revenues and/or transfers.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled by the City Administrator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices.

Deposits

In accordance with applicable Minnesota State Statutes, the City maintains deposits at financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System. *Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; issued of the U.S. government agency; general obligations of local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2013, the City's demand account balances totaled \$4,269,202. Although the City has 100% of its demand account deposits covered by FDIC and collateral coverage, the city did not meet the required 110% collateral level stipulated by state statute.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows *Minnesota Statutes* for deposits.

At December 31, 2013, \$79,947 of deposits were not properly collateralized as of the end of the year as required by *Minnesota Statutes* §118A.03.

Investments

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- a) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes* §118A.04 subd. 6;
- b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- c) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- d) bankers' acceptances of United States banks;
- e) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and with certain restrictions, repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

As of December 31, 2013, the City had the following investments in its pool:

Type	Maturity Date	Credit Rating	Fair Value	Percent of Total
Discover Bank CD	6/11/2014	NR	\$ 49,983	1.9 %
Firth Third BK Columbus Ohio	6/12/2014	NR	249,409	9.5
US Treasury Department State and Local	2/1/2014	NR	674,235	25.7
DMB Community Bank	11/3/2014	NR	249,124	9.5
Apple BK For SVGS	12/12/2014	NR	248,590	9.5
Goldman Sachs BK NY Medium Term CD	1/30/2015	NR	10,028	0.4
Goldman Sachs BK NY	11/30/2015	NR	248,770	9.5
State BK India NY	6/22/2017	NR	101,206	3.9
FNMA- Callable Agency	12/20/2018	NR	242,636	9.2
Fannie Mae	10/25/2022	NR	230,582	8.8
Federal National Mtg Assn	6/21/2032	AA+	89,492	3.4
Minnesota Municipal Money Market Fund (4M)	N/A	NR	30,558	1.2
Money Markey Funds	N/A	NR	203,744	7.8
			<u>\$ 2,628,357</u>	

NR = Not Rated

N/A = Not applicable, investment in the 4M Fund is liquid.

The Minnesota Municipal Money Market Trust Fund (4M) does not have its own credit rating. MBIA, Inc., who administers the Minnesota Municipal Money Market Fund Trust holds an organization credit rating of AA by Standard & Poor's.

The Minnesota Municipal Money Market Trust Fund (4M) is a common law trust organized in accordance with the Minnesota Joint Powers Act, which invests only in investment instruments allowable under *Minnesota Statutes* as described on the previous page. Its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

Interest Rate Risk – This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk – Minnesota Statutes restrict the types of investments in which the City may invest. The City has no investment policy that would further limit its investment choices.

Concentration Credit Risk – The City places no limits on the amount the City may invest in any one issuer.

Custodial Credit Risk – For an investment, this is the risk that, in the event of a failure by 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 does not have a policy regarding custodial credit risks for investments.

The City's total cash and investments are reported as follows:

Deposits	\$ 4,269,202
Investments	2,628,357
Total Cash and Investments	<u>\$ 6,897,559</u>
Governmental Funds	
Cash and Investments	\$ 2,448,814
Cash with Escrow Agent	527,738
Enterprise Funds	
Cash and Investments	3,466,987
Cash with Escrow Agent	146,498
Component Unit	160,757
Fiduciary Funds	146,765
Total Cash and Investments	<u>\$ 6,897,559</u>

2. Non-Marketable Investments/Investment in Joint Venture

The City's telephone company has entered into an agreement with Rothsay Telephone, Park Region Mutual Telephone, Red River Rural Telephone, Loretel Systems and East Ottertail Telephone to operate a fiber optic video transmission network to serve 17 area school districts. Each telephone company contributed capital and shares in the operating decisions. Barnesville's share is approximately 18.1%. All profits and losses are shared proportionately to each member's ownership. The City uses the equity method to account for its investments. Joint venture activity for 2013 is as follows:

Balance, January 1, 2013	\$ 1,810,213
Cash Distributions	(90,474)
Net Income	<u>341,383</u>
Balance, December 31, 2013	<u>\$ 2,061,122</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Non-Marketable Investments/Investment in Joint Venture (Continued)

Audited financial statements for Val-Ed Joint Venture, LLP, can be obtained through its main office at 702 Main Avenue, Moorhead, Minnesota, 56560 or by calling (218) 236-3297.

3. Capital Assets

Capital asset activity for the Primary Government for the year ended December 31, 2013, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 551,831	\$ -	\$ -	\$ 551,831
Construction in Progress	225,144	-	(225,144)	-
Total Capital Assets Not Being Depreciated	776,975	-	(225,144)	551,831
Capital Assets Being Depreciated				
Buildings	1,616,409	-	-	1,616,409
Infrastructure	4,062,567	637,956	-	4,700,523
Improvements	263,978	-	-	263,978
Machinery and Equipment	664,491	41,650	(22,341)	683,800
Vehicles	398,869	-	(36,200)	362,669
Total Capital Assets Being Depreciated	7,006,314	679,606	(58,541)	7,627,379
Less: Accumulated Depreciation for				
Buildings	716,755	27,956	-	744,711
Infrastructure	2,286,135	129,987	-	2,416,122
Improvements	176,753	7,247	-	184,000
Machinery and Equipment	475,521	25,022	(6,799)	493,744
Vehicles	239,039	3,389	(36,200)	206,228
Total Accumulated Depreciation	3,894,203	193,601	(42,999)	4,044,805
Total Capital Assets Being Depreciated, Net	3,112,111	486,005	(15,542)	3,582,574
Governmental Activities Capital Assets, Net	<u>\$ 3,889,086</u>	<u>\$ 486,005</u>	<u>\$ (240,686)</u>	<u>\$ 4,134,405</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

The following is a summary of the proprietary fund capital assets at December 31, 2013:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 113,908	\$ -	\$ -	\$ 113,908
Construction in Progress	-	32,733	-	32,733
Total Capital Assets Not Being Depreciated	113,908	32,733	-	146,641
Capital Assets Being Depreciated				
Buildings	1,330,997	-	-	1,330,997
Infrastructure	11,816,883	-	-	11,816,883
Improvements	979,170	-	-	979,170
Machinery and Equipment	2,543,972	120,555	-	2,664,527
Vehicles	326,094	58,222	(46,594)	337,722
Total Capital Assets Being Depreciated	16,997,116	178,777	(46,594)	17,129,299
Less: Accumulated Depreciation for				
Buildings	611,588	21,065	-	632,653
Infrastructure	3,486,649	221,195	-	3,707,844
Improvements	601,308	15,123	-	616,431
Machinery and Equipment	1,224,597	114,340	-	1,338,937
Vehicles	284,694	15,611	(44,652)	255,653
Total Accumulated Depreciation	6,208,836	387,334	(44,652)	6,551,518
Total Capital Assets Being Depreciated, Net	10,788,280	(208,557)	(1,942)	10,577,781
Business-Type Activities Capital Assets, Net	<u>\$ 10,902,188</u>	<u>\$ (175,824)</u>	<u>\$ (1,942)</u>	<u>\$ 10,724,422</u>

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

Governmental Activities:	
General Government	\$ 13,280
Public Safety	15,740
Public Works	126,361
Culture and Recreation	38,220
Total Depreciation Expense - Governmental Activities	<u>\$ 193,601</u>

Business-Type Activities:	
Water	\$ 76,346
Sewer	130,097
Electric	29,053
Telephone	73,314
Municipal Liquor	912
Cable Television	30,909
Sanitation	2,632
Storm Sewer	21,901
Ambulance	19,728
Broadband Internet	2,442
Total Depreciation Expense - Business-Type Activities	<u>\$ 387,334</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers

The Composition of interfund transfers as of December 31, 2013 is as follows:

	Transfers In:							Total
	General	Parks and Rec Fund	Debt Service Funds	Nonmajor Governmental Funds	Sewer Enterprise Funds	Telephone Enterprise Funds	Nonmajor Enterprise Funds	
Transfer Out:								
General Fund	\$ -	\$ 2,336	\$ -	\$ 1,875	\$ -	\$ -	\$ 44,350	\$ 48,561
Debt Service Funds	-	-	-	-	1,409	-	-	1,409
Water Enterprise Fund	35,000	-	1,265	-	-	-	-	36,265
Sewer Enterprise Fund	50,000	-	-	-	-	-	-	50,000
Electric Enterprise Fund	205,000	-	-	-	-	-	-	205,000
Telephone Enterprise Fund	300,250	-	-	-	-	-	-	300,250
Municipal Liquor Enterprise Fund	6,000	-	-	-	-	-	-	6,000
Nonmajor Enterprise Funds	122,750	-	-	-	-	5,846	-	128,596
Total	\$ 719,000	\$ 2,336	\$ 1,265	\$ 1,875	\$ 1,409	\$ 5,846	\$ 44,350	\$ 780,018

The purpose of the above transfers were to provide funding for operating purposes, maintain balances of unspent budget dollars and other miscellaneous items.

The composition of interfund balances at December 31, 2013, is as follows:

Due To/From Other Funds and Discrete Component Unit

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 147,377
General Fund	Component Unit - EDA	70,053
		<u>\$ 217,430</u>

The interfund receivables/payables between the General Fund and the EDA were to provide for the purchase of land improvement on lots that are considered land held for resale in the EDA. The interfund receivables/payables between the General Fund and the Capital Projects Fund are related to the elimination of negative cash balances at year-end.

Advances To/From Other Funds and Discrete Component Unit

Advance To	Advance From	Amount
General Fund	Component Unit - EDA	\$ 9,926
Component Unit - EDA	General Fund	4,854
		<u>\$ 14,780</u>

The advances between the General Fund and EDA were to provide for the purchase of land and land improvements on lots that are considered land held for resale in the EDA. These advances do not have set repayment schedules and repayment only occurs when lots are sold by the EDA.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued to provide funds for proprietary activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full-faith and credit of the City. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, tax increments and special assessments, are dedicated for the retirement of these bonds.

Capital Lease Obligations

The City has used lease purchase agreements to acquire equipment and land in the governmental funds. These lease agreements qualify as capital leases, and have been recorded at the present value of the future minimum lease payments.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt

	Authorized and Issued	Outstanding	Due in 2014	
			Principal	Interest
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds, Including Refunding Bonds				
G.O. Bonds, Refunding Portion of 2005: 3.50% to 4.10%; Issued 11/09/05; Debt was refunded on 2/1/13.	\$ 460,000	\$ -	\$ -	\$ -
G.O. Improvement and Refunding Bonds Series 2012A, 0.65% to 0.90%, Issued 04/12/12, Final Maturity 02/01/16.	150,000	150,000	60,000	950
G.O. Bonds of 2006; 3.62%, Issued 12/28/06; Final Maturity 2/01/22.	635,000	580,000	580,000	114,055
G.O. Improvement and Refunding Bonds Series 2012A, 0.80% to 2.20%, Issued 04/12/12, Final Maturity 02/01/22.	545,000	545,000	-	8,213
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	1,020,000	765,000	85,000	23,460
G.O. Improvement and Refunding Bonds Series 2012A, 0.55% to 3.30%, Issued 04/12/12, Final Maturity 02/01/32.	760,000	725,000	30,000	16,117
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	345,000	-	6,703
Total General Obligation Bonds, Including Refunding Bonds	3,915,000	3,110,000	755,000	169,498
Less: Unamortized Discount	-	(10,790)	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	3,915,000	3,099,210	755,000	169,498
Capital Leases	15,000	6,323	3,424	671
Total Long-Term Debt - Governmental Activities	3,930,000	3,105,533	758,424	170,169

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2014	
			Principal	Interest
BUSINESS-TYPE ACTIVITIES				
<u>Revenue Bonds</u>				
Electric and Telephone Revenue Bonds of 2001; 3.25% to 5.00% Issued 10/16/01; Final Maturity 02/01/17.	\$ 1,085,000	\$ 370,000	\$ 85,000	\$ 16,110
G.O. Lease Revenue and Refunding Bonds of 2008A; 4.30% to 5.00%; Issued 07/23/08; Final Maturity 08/1/25.	790,000	615,000	40,000	29,288
Total Revenue Bonds	1,875,000	985,000	125,000	45,398
Less: Unamortized Discount	-	(11,071)	-	-
Total Revenue Bonds - Net	1,875,000	973,929	125,000	45,398
<u>General Obligation Bonds</u>				
G.O. Improvement and Refunding Bonds Series 2012AA; 0.65% to 2.70%, Issued 04/12/12; Final Maturity 2/01/26.	740,000	740,000	55,000	12,953
G.O. Bonds of 2006A; 3.62%, Issued 12/28/06; Final Maturity 2/01/22.	245,000	160,000	160,000	3,241
G.O. Improvement and Refunding Bonds Series 2012A; 0.80% to 2.20%, Issued 04/12/12; Final Maturity 2/01/22.	150,000	150,000	-	2,280
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	2,895,000	221,000	45,162
G.O. Refunding Bonds Series 2010A, 1.00% to 2.20%, Issued 01/7/10; Final Maturity 02/01/14.	200,000	50,000	50,000	550
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	970,000	49,000	10,409
Total General Obligation Bonds	7,491,925	4,965,000	535,000	74,595
Less: Unamortized Discount	-	(7,247)	-	-
Total General Obligation Bonds - Net	7,491,925	4,957,753	535,000	74,595
Total Long-Term Debt - Business-Type Activities	9,366,925	5,931,682	660,000	119,993
Total Government-Wide Long-Term Liabilities	<u>\$ 13,296,925</u>	<u>\$ 9,037,215</u>	<u>\$ 1,418,424</u>	<u>\$ 290,162</u>
DISCRETELY PRESENTED COMPONENT UNIT				
<u>Revenue Bonds</u>				
Lease Revenue Bonds of 2009; 2.25%, Issued 09/15/09; Final Maturity 09/15/2022.	\$ 31,500	\$ 10,414	\$ 1,751	\$ 388

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2012	Additions	Retirements	December 31, 2013	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Debt, Including					
Refunding Bonds	\$ 3,135,000	\$ 345,000	\$ 370,000	\$ 3,110,000	\$ 755,000
Less: Unamortized Discounts	(11,800)	-	(1,010)	(10,790)	-
Capital Lease Obligations	9,302	-	2,979	6,323	3,424
Compensated Absences Payable	95,280	81,564	61,610	115,234	83,517
Other Postemployment Benefits Payable	78,798	21,163	-	99,961	-
Total Governmental Activities	<u>\$ 3,306,580</u>	<u>\$ 447,727</u>	<u>\$ 433,579</u>	<u>\$ 3,320,728</u>	<u>\$ 841,941</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	\$ 1,105,000	\$ -	\$ 120,000	\$ 985,000	\$ 125,000
Revenue Notes	3,113,000	-	218,000	2,895,000	221,000
General Obligation Bonds	2,939,672	-	869,672	2,070,000	314,000
Less: Unamortized Discounts	(21,434)	-	(3,116)	(18,318)	-
Compensated Absences Payable	24,683	-	(9,060)	33,743	25,307
Other Postemployment Benefits Payable	21,014	4,101	-	25,115	-
Total Business-Type Activities	<u>\$ 7,181,935</u>	<u>\$ 4,101</u>	<u>\$ 1,195,496</u>	<u>\$ 5,990,540</u>	<u>\$ 685,307</u>
DISCRETELY PRESENTED COMPONENT UNIT					
Revenue Bonds **	\$ 12,553	\$ -	\$ 2,139	\$ 10,414	\$ 1,751
Other Postemployment Benefits Payable	3,959	1,135	-	5,094	-
Special Assessments Payable	219,999	-	-	219,999	-
Total Discretely Presented Component Unit	<u>\$ 236,511</u>	<u>\$ 1,135</u>	<u>\$ 2,139</u>	<u>\$ 235,507</u>	<u>\$ 1,751</u>

** The total amount of the revenue bonds issued by the EDA during 2009 was \$31,500; however during 2009, the EDA had only received advances of \$24,718 leaving an additional \$6,782 to be drawn during 2014.

4. Minimum Debt Payments

The annual requirements to amortize general obligation debt outstanding are as follows:

Year	Governmental Activities			Discretely Presented Component Unit		
	G.O. Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 755,000	\$ 169,498	\$ 924,498	\$ 1,751	\$ 388	\$ 2,139
2015	245,000	55,520	300,520	1,790	349	2,139
2016	225,000	52,173	277,173	1,831	309	2,140
2017	195,000	48,682	243,682	1,872	267	2,139
2018	195,000	44,925	239,925	1,914	182	2,096
2019 - 2023	960,000	151,031	1,111,031	1,256	460	1,716
2024 - 2028	325,000	59,471	384,471	-	-	-
2029 - 2033	210,000	12,130	222,130	-	-	-
Total	<u>\$ 3,110,000</u>	<u>\$ 593,430</u>	<u>\$ 3,703,430</u>	<u>\$ 10,414</u>	<u>\$ 1,955</u>	<u>\$ 12,369</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Minimum Debt Payments (Continued)

Year	Business-Type Activities					
	Revenue Bonds			G.O. Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 125,000	\$ 45,398	\$ 170,398	\$ 221,000	\$ 45,162	\$ 266,162
2015	130,000	39,398	169,398	225,000	41,714	266,714
2016	140,000	33,063	173,063	228,000	38,204	266,204
2017	145,000	26,163	171,163	232,000	34,648	266,648
2018	45,000	21,638	66,638	235,000	31,028	266,028
2018 - 2022	270,000	73,463	343,463	1,234,000	98,904	1,332,904
2023 - 2027	130,000	9,750	139,750	520,000	12,199	532,199
Total	\$ 985,000	\$ 248,873	\$ 1,233,873	\$ 2,895,000	\$ 301,859	\$ 3,196,859

Year	G.O. Bonds			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 314,000	\$ 29,434	\$ 343,434	\$ 660,000	\$ 119,994	\$ 779,994
2015	124,000	24,640	148,640	479,000	105,752	584,752
2016	116,000	23,521	139,521	484,000	94,788	578,788
2017	121,000	22,295	143,295	498,000	83,106	581,106
2018	126,000	20,838	146,838	406,000	73,504	479,504
2018 - 2022	629,000	75,801	704,801	2,133,000	248,168	2,381,168
2023 - 2027	465,000	25,933	490,933	1,115,000	47,882	1,162,882
2028 - 2032	175,000	3,767	178,767	175,000	3,767	178,767
Total	\$ 2,070,000	\$ 226,229	\$ 2,296,229	\$ 5,950,000	\$ 776,961	\$ 6,726,961

5. Bonds Issued

During 2012, the City issued General Obligation Improvement and Refunding Bonds Series 2012A in the amount of \$2,345,000 with interest rates of 0.55-3.30%. This bond was used to refinance the Series 2011A Temporary Improvement Bonds and also refinance outstanding portions of the Series 2005A General Obligation Improvement Refunding Bonds and the Series 2006A General Obligation Improvement Bonds. This refunding results in a debt service savings of \$155,553 and a net present value of savings of \$134,881 over the remaining lives of the bonds that were refunded.

During 2013, the City issued General Obligation Improvement Bonds, Series 2013A in the amount of \$345,000 with interest rates of 1.5-3.75%. This bond is being used to finance road projects throughout the City.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Water and Sewer Revenue Note

During 2011, the City of Barnesville issued General Obligation Water Revenue Note of 2011 in the amount of \$624,655 with an interest rate of 1.14%. The note is disbursed under the Public Facilities Authority. The City completed its draw for funds on this note during 2012 in the amount of \$537,082. The City does not anticipate any further draw down of funds and the unused portion will be reallocated to other municipalities by the Public Facilities Authority.

During 2011, the City of Barnesville issued General Obligation Sewer Revenue Note of 2011 in the amount of \$547,958 with an interest rate of 1.00%. The note is disbursed under the Public Facilities Authority. As of December 31, 2012 the City completed its draw of funds on this note in the amount of \$512,203. The City does not anticipate any further draw down of funds and the unused portion will be reallocated to other municipalities by the Public Facilities Authority.

7. Notes Payable – Component Unit

The balance of \$369 represents a loan agreement to pay tax increment subsidies to various projects when increments become available. There is no set repayment schedule and payments are limited to increments received; therefore, no related liability is recognized in the financial statements.

8. Capital Leases

During 2010, the City entered into a 63-month lease with Konica Minolta for the purchase of a copier. Monthly installments including interest are \$341. At December 31, 2013, the City has assets under this capital lease of \$15,000 with related accumulated depreciation of \$10,000.

The future minimum lease payments are as follows:

Capital Leases	
Year	Minimum Payments
2014	\$ 4,095
2015	3,071
Total Minimum Lease Payments	7,166
Less: Amounts Representing Interest	(843)
Present Value of Minimum Lease Payments	\$ 6,323

**CITY OF BARNESVILLE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

9. Operating Lease

During 2010, the City entered into a lease with Konica Minolta for the lease of a copier. Monthly installments are \$102. The future minimum lease payments are as follows:

Operating Lease	
Year	Minimum Payments
2014	\$ 1,228
2015	921
Total Minimum Lease Payments	\$ 2,149

10. Risk Management

The City is exposed to various risks of loss related to: torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City (Primary Government) has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment is estimated to be immaterial based on worker's compensation rates and salaries for the year ended December 31, 2013.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 PENSION PLANS

A. Public Employees Retirement Association

Plan Description

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

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

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

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 PENSION PLAN (CONTINUED)

A. Public Employees Retirement Association (Continued)

Plan Description (Continued)

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the web at mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.40% of their annual covered salary in 2013. The City of Barnesville is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members and 14.4% for PEPFF members. The City's contributions to the GERF for the years ending December 31, 2013, 2012, and 2011 were as follows:

Year	General Employees Retirement Fund	Public Employees Police and Fire Fund
2013	\$ 66,633	\$ 44,916
2012	64,167	39,841
2011	61,209	37,103

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 PENSION PLAN (CONTINUED)

B. Barnesville Fire Department Relief Association

Plan Description

The Public Employee Retirement System (PERS) Plan is a single-employer defined benefit pension plan administered by the Barnesville Fire Department Relief Association (the Association). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Barnesville Fire Department Relief Association issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting the Barnesville Area Joint Fire Board.

Funding Policy

The funding policy provides for periodic City contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. City contribution rates are determined using the entry age normal actuarial funding method.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to PERS for the year ended December 31, 2013, were as follows:

Annual Required Contribution	\$ -
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	<u>32,814</u>
Annual Pension Cost	<u>32,814</u>
Less Contribution Made	<u>(32,814)</u>
Increase (Decrease) in Net Pension Obligation	-
Net Pension Obligation - Beginning of Year	-
Net Pension Obligation - End of Year	<u><u>\$ -</u></u>

The adjustment to annual required contribution above consists of \$24,814 of State Fire Aid and \$8,000 of voluntary contributions made by the City.

The annual required contribution for the current year was determined as part of December 31, 2013, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return and (b) age and service retirement was assumed to occur at age 50. The assumptions did not include post retirement benefit increases, which are funded by state statute when granted. Net position available for benefits exceeded the pension benefit obligation at December 31, 2013, 2012, and 2011.

Three-Year Trend Information

Disclosure	2013	2012	2011
Annual Pension Cost (APC)	\$ 32,814	\$ 24,344	\$ 27,436
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	N/A	N/A	N/A

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 4 PENSION PLAN (CONTINUED)

B. Barnesville Fire Department Relief Association (Continued)

Three-Year Trend Information (Continued)

Contributions Required and Made

The City makes contributions to the Association annually in an amount equal to the fire aid received from the State of Minnesota as required by state statutes. The City is required to make additional contributions to the Association in the following year if the following years anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. The City was not required to make any contributions in excess of fire aid for 2013 and 2012; and \$3,982 in 2011.

Funding Progress

As of December 31, 2012 (the most recent available information), the plan was overfunded by \$11,804. Additional information on the funding progress is included in the required supplementary information section of this report.

Related-Party Investments

As of December 31, 2013, and for the year then ended, the Association held no securities issued by the City or other related-parties.

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The City provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the City when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their spouse/partner under the City's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay the full amount of the total premium cost and therefore the only liability reflected in the City's financial statements represents "implicit rate subsidy" liability. As of January 1, there were no retirees receiving health benefits from the City's health plan.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Account Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost of 2013, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	City	EDA
Annual Required Contribution (ARC)	\$ 26,911	\$ 1,209
Interest on Net OPEB Obligation	4,469	201
Adjustment to ARC	(6,117)	(275)
Annual OPEB Cost	25,263	1,135
Contributions During the Year	-	-
Increase in Net OPEB Obligation	25,263	1,135
Net OPEB - Beginning of the Year	99,813	3,959
Net OPEB - End of the Year	<u>\$ 125,076</u>	<u>\$ 5,094</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011, 2010, and 2009 were as follows:

Year Ended	Entity	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	City	\$ 25,263	\$ -	- %	\$ 125,076
December 31, 2012	City	25,727	-	-	99,812
December 31, 2011	City	24,468	335	1.4	74,084
December 31, 2013	EDA	1,135	-	-	5,094
December 31, 2012	EDA	1,156	-	-	3,959
December 31, 2011	EDA	926	13	1.4	2,803

Funding Status

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Valuation Date	Entity	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	City	\$ -	\$ 158,126	\$ 158,126	- %	\$ 923,174	17.1 %
1/1/2012	EDA	-	7,106	7,106	-	41,486	17.1

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the City. The annual healthcare cost trend rate is 8.00% initially, reduced incrementally to an ultimate rate of 5.00% after eight years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Purchased Power

The City is obligated to purchase all of its wholesale power requirements from Missouri River Energy Services and Western Area Power Association through January 1, 2046.

Contingencies

The City may be involved in various claims. Although the outcome of any claim is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 7 SUBSEQUENT EVENTS

In February of 2014, the City committed to \$3.8 million of contracts for Fiber to the Home project set to begin during 2014. This project will be financed through bond issuance.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**CITY OF BARNESVILLE, MINNESOTA
BARNESVILLE FIREMAN'S RELIEF ASSOCIATION
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2013**

Fiscal Year End	Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Benefit Per Year of Services
12/31/2012	\$ 219,067	\$ 207,263	\$ 11,804	105.7 %	\$ 700
12/31/2011	200,950	188,446	12,504	106.6	700
12/31/2010	230,722	198,022	32,700	116.5	700

Additional information relating to the pension plan is provided in Note 4.B.
The December 31, 2013 report is not yet available.

**CITY OF BARNESVILLE, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2013**

Actuarial Valuation Date	Entity	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	City	\$ -	\$ 158,126	\$ 158,126	- %	\$ 923,174	17.1 %
1/1/2009	City	-	139,980	139,980	-	856,740	16.3
1/1/2012	EDA	-	7,106	7,106	-	41,486	17.1
1/1/2009	EDA	-	5,297	5,297	-	32,420	16.3

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 133,137	\$ 133,137	\$ 183,460	\$ 50,323
Special assessments	7,500	7,500	41,682	34,182
Licenses and Permits	17,000	17,000	26,148	9,148
Intergovernmental	826,638	826,638	823,042	(3,596)
Charges for Services	1,024	1,024	1,423	399
Fines and Forfeits	6,600	6,600	6,839	239
Interest on Investments	20,537	20,537	9,615	(10,922)
Miscellaneous	35,204	35,204	49,850	14,646
Total Revenues	<u>1,047,640</u>	<u>1,047,640</u>	<u>1,142,059</u>	<u>94,419</u>
EXPENDITURES				
Current				
General Government	625,078	625,078	723,857	98,779
Public Safety	560,407	560,407	549,096	(11,311)
Public Works	306,768	306,768	255,479	(51,289)
Airport	1,515	1,515	1,268	(247)
Economic Development	136,143	136,143	152,743	16,600
Capital Outlay				
General Government	128,063	128,063	28,658	(99,405)
Public Works	125,000	125,000	114,820	(10,180)
Debt service				
Interest and Other Charges	346	346	345	(1)
Total Expenditures	<u>1,883,320</u>	<u>1,883,320</u>	<u>1,826,266</u>	<u>(57,054)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(835,680)</u>	<u>(835,680)</u>	<u>(684,207)</u>	<u>151,473</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	722,937	722,937	719,000	(3,937)
Transfers Out	(54,434)	(54,434)	(48,561)	5,873
Proceeds From Sale of Capital Assets	-	-	19,170	19,170
Total Other Financing Sources (Uses)	<u>668,503</u>	<u>668,503</u>	<u>689,609</u>	<u>21,106</u>
NET CHANGE IN FUND BALANCE	<u>\$ (167,177)</u>	<u>\$ (167,177)</u>	<u>5,402</u>	<u>\$ 172,579</u>
Fund Balance - Beginning of Year			<u>1,480,264</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,485,666</u>	

The Notes to the Required Supplementary Information are an integral part of this schedule.

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 358,685	\$ 358,685	\$ 346,678	\$ (12,007)
Licenses and Permits	-	-	185	185
Intergovernmental	-	-	5,000	5,000
Charges for Services	159,150	159,150	173,755	14,605
Gifts and Contributions	-	-	1,000	1,000
Interest on Investments	-	-	12	12
Miscellaneous	7,800	7,800	17,646	9,846
Total Revenues	<u>525,635</u>	<u>525,635</u>	<u>544,276</u>	<u>18,641</u>
EXPENDITURES				
Current				
Parks and Recreation	455,135	455,135	413,505	(41,630)
Capital Outlay				
Parks and Recreation	76,000	76,000	62,339	(13,661)
Total Expenditures	<u>531,135</u>	<u>531,135</u>	<u>475,844</u>	<u>(55,291)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,500)	(5,500)	68,432	73,932
OTHER FINANCING SOURCES (USES)				
Transfers In	358,685	358,685	2,336	(356,349)
NET CHANGE IN FUND BALANCE	<u>\$ 353,185</u>	<u>\$ 353,185</u>	70,768	<u>\$ (282,417)</u>
Fund Balance - Beginning of Year			<u>186,305</u>	
FUND BALANCE - END OF YEAR			<u>\$ 257,073</u>	

The Notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2013

I. BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The City Council adopts the proposed budget as amended and adjusted by the Council and certifies the proposed property tax levy to the County Auditor according to *Minnesota Statutes*.
- b. Public hearings are conducted at the Council's chambers in the Municipal Building.
- c. On or before December 28, the final budget is legally enacted by Council resolution and the final property tax levy certified to the County Auditor.
- d. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are as originally adopted or amended by the City Council.
- e. The City has legally adopted budgets for the General Fund and Special Revenue Funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, charges for services, and capital outlay) within each program. All amounts over budget have been approved by the City Council through the disbursement process. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. The City is not legally required to adopt an annual budget for the capital projects. Project-length financial plans are adopted for the Capital Projects Funds.
- f. Budgets for the General and certain Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

II. EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended December 31, 2013, the City had no funds that were over in expenditures in accordance to their appropriations.

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SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Youth Alive Early Prevention</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 6,115	\$ 20,141	\$ 14,956	\$ 1,089	\$ 42,301
Tax Increment Receivables	-	-	1,221	-	1,221
Notes Receivable	-	13,802	-	-	13,802
Total Assets	<u>\$ 6,115</u>	<u>\$ 33,943</u>	<u>\$ 16,177</u>	<u>\$ 1,089</u>	<u>\$ 57,324</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 365	\$ -	\$ -	\$ -	\$ 365
Deferred Inflows of Resources					
Unavailable Loans Receivable	-	13,802	-	-	13,802
Fund Balances					
Restricted for Dare Program	5,750	-	-	-	5,750
Restricted for Economic Development	-	-	16,177	-	16,177
Restricted for Program Income	-	20,141	-	-	20,141
Restricted for Contracted Services	-	-	-	1,089	1,089
Total Fund Balances	<u>5,750</u>	<u>20,141</u>	<u>16,177</u>	<u>1,089</u>	<u>43,157</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,115</u>	<u>\$ 33,943</u>	<u>\$ 16,177</u>	<u>\$ 1,089</u>	<u>\$ 57,324</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2013**

	DARE	Small Cities	TIF Districts	Youth Alive Early Prevention	Total Nonmajor Funds
REVENUES					
Tax Increments	\$ -	\$ -	\$ 144,887	\$ -	\$ 144,887
Gifts and Contributions	3,100	-	-	-	3,100
Interest on Investments	-	2	-	-	2
Miscellaneous	-	4,086	-	-	4,086
Total Revenues	3,100	4,088	144,887	-	152,075
EXPENDITURES					
Current					
Public Safety	1,787	-	-	3,255	5,042
Economic Development	-	-	149,735	-	149,735
Total Expenditures	1,787	-	149,735	3,255	154,777
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,313	4,088	(4,848)	(3,255)	(2,702)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	1,875	1,875
NET CHANGE IN FUND BALANCES	1,313	4,088	(4,848)	(1,380)	(827)
Fund Balance (Deficit) - Beginning of Year	4,437	16,053	21,025	2,469	43,984
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 5,750</u>	<u>\$ 20,141</u>	<u>\$ 16,177</u>	<u>\$ 1,089</u>	<u>\$ 43,157</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2013**

	Sanitation	Storm Sewer	Ambulance	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 117,378	\$ 241,852	\$ 77,113	\$ 449,824	\$ 886,167
Accounts Receivable - Net	41,310	8,009	53,134	26,846	129,299
Total Current Assets	158,688	249,861	130,247	476,670	1,015,466
Noncurrent Assets					
Capital Assets					
Land	-	13,077	-	-	13,077
Buildings (Net)	104,117	-	2,861	-	106,978
Infrastructure (Net)	-	519,713	-	-	519,713
Machinery and Equipment (Net)	-	15,367	37,301	2,646	55,314
Vehicles (Net)	-	-	28,699	-	28,699
Net Capital Assets	104,117	548,157	68,861	2,646	723,781
Total Assets	262,805	798,018	199,108	479,316	1,739,247
LIABILITIES					
Current Liabilities					
Accounts Payable	12,512	-	1,924	99	14,535
Salaries and Benefits Payable	1,207	-	8,296	1,050	10,553
Due to Other Governments	1,468	-	-	-	1,468
Compensated Absences - Due Within One Year	779	-	3,273	1,067	5,119
Total Current Liabilities	15,966	-	13,493	2,216	31,675
Noncurrent Liabilities					
Compensated Absences - Due in More than One Year	260	-	1,091	356	1,707
Other Postemployment Benefits Payable - Due in More than One Year	352	-	1,859	1,302	3,513
Total Noncurrent Liabilities	612	-	2,950	1,658	5,220
Total Liabilities	16,578	-	16,443	3,874	36,895
NET POSITION					
Net Investment in Capital Assets	104,117	548,157	68,861	2,646	723,781
Unrestricted	142,110	249,861	113,804	472,796	978,571
Total Net Position	\$ 246,227	\$ 798,018	\$ 182,665	\$ 475,442	\$ 1,702,352

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Sanitation	Storm Sewer	Ambulance	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES					
Charges for Services	\$ 183,359	\$ 32,460	\$ 302,391	\$ 189,238	\$ 707,448
OPERATING EXPENSES					
Professional Services	133,353	-	18,140	-	151,493
Wages, Salaries, and Compensation	23,815	-	164,664	25,169	213,648
Repairs and Maintenance	128	-	8,331	-	8,459
Insurance	2,199	-	5,918	-	8,117
Depreciation	2,632	21,901	19,728	2,442	46,703
Materials and Supplies	814	-	24,315	-	25,129
Equipment	-	-	-	5,945	5,945
Miscellaneous Expenses	21,782	-	24,823	25,243	71,848
Medicare/Medicaid Fee Reductions	-	-	123,604	-	123,604
Total Operating Expenses	<u>184,723</u>	<u>21,901</u>	<u>389,523</u>	<u>58,799</u>	<u>654,946</u>
OPERATING INCOME (LOSS)	(1,364)	10,559	(87,132)	130,439	52,502
NONOPERATING REVENUES (EXPENSES)					
Investment Income	4	7	9	8	28
Intergovernmental Grants	31,694	-	7,500	-	39,194
Miscellaneous - Nonoperating	-	-	20,370	96	20,466
Total Nonoperating Revenues (Expenses)	<u>31,698</u>	<u>7</u>	<u>27,879</u>	<u>104</u>	<u>59,688</u>
Income (Loss) before Transfers	30,334	10,566	(59,253)	130,543	112,190
Transfers In	-	-	44,350	-	44,350
Transfers Out	<u>(15,000)</u>	<u>(7,500)</u>	<u>-</u>	<u>(106,096)</u>	<u>(128,596)</u>
CHANGE IN NET POSITION	15,334	3,066	(14,903)	24,447	27,944
Net Position - Beginning of Year	<u>230,893</u>	<u>794,952</u>	<u>197,568</u>	<u>450,995</u>	<u>1,674,408</u>
NET POSITION - END OF YEAR	<u>\$ 246,227</u>	<u>\$ 798,018</u>	<u>\$ 182,665</u>	<u>\$ 475,442</u>	<u>\$ 1,702,352</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Sanitation	Storm Sewer	Ambulance	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 183,085	\$ 32,170	\$ 279,071	\$ 200,804	\$ 695,130
Payments to Suppliers	(157,919)	-	(204,655)	(32,966)	(395,540)
Payments to Employees	(23,475)	-	(163,178)	(24,693)	(211,346)
Net Cash Provided (Used) by Operating Activities	1,691	32,170	(88,762)	143,145	88,244
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
FINANCING ACTIVITIES					
Transfers In	-	-	44,350	-	44,350
Transfers Out	(15,000)	(7,500)	-	(106,096)	(128,596)
Other Miscellaneous Receipts	-	-	20,370	96	20,466
Grant Receipts	31,694	-	7,500	-	39,194
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	16,694	(7,500)	72,220	(106,000)	(24,586)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends Received	4	6	9	8	27
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,389	24,676	(16,533)	37,153	63,685
Cash and Cash Equivalents - Beginning of Year	98,989	217,176	93,646	412,671	822,482
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 117,378</u>	<u>\$ 241,852</u>	<u>\$ 77,113</u>	<u>\$ 449,824</u>	<u>\$ 886,167</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (1,364)	\$ 10,559	\$ (87,132)	\$ 130,439	\$ 52,502
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	2,632	21,901	19,728	2,442	46,703
(Increase) Decrease in Assets					
Accounts Receivable	(274)	(290)	(23,320)	11,566	(12,318)
Increase (Decrease) in Liabilities					
Accounts Payable	367	-	476	(1,778)	(935)
Salaries and Benefits Payable	108	-	445	(1)	552
Other Postemployment Benefits Payable	-	-	249	117	366
Due to Other Governments	(10)	-	-	-	(10)
Compensated Absences Payable	232	-	792	360	1,384
Total Adjustments	3,055	21,611	(1,630)	12,706	35,742
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,691</u>	<u>\$ 32,170</u>	<u>\$ (88,762)</u>	<u>\$ 143,145</u>	<u>\$ 88,244</u>

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OTHER COMBINING SCHEDULES

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND – BY BOND ISSUE
 DECEMBER 31, 2013**

ASSETS	<u>Series 2004A Refunding Bonds</u>	<u>G.O. Taxable Bonds</u>	<u>G.O. 2005 Bond Refinance</u>	<u>G.O. 2006 Bonds</u>
Cash and Pooled Investments	\$ 180,401	\$ 78,412	\$ 244,533	\$ 2,911
Cash with Escrow Agent	-	-	-	527,738
Taxes Receivable				
Delinquent	-	-	-	564
Special Assessments Receivable				
Delinquent	485	1,711	3,475	740
Noncurrent	150,793	90,199	242,205	1,167,986
Total Assets	<u>\$ 331,679</u>	<u>\$ 170,322</u>	<u>\$ 490,213</u>	<u>\$ 1,699,939</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Taxes	\$ -	\$ -	\$ -	\$ -
Unavailable Special Assessments	150,793	90,199	244,466	1,167,986
Total Deferred Inflows of Resources	<u>150,793</u>	<u>90,199</u>	<u>244,466</u>	<u>1,167,986</u>
Fund Balances				
Restricted for Debt Repayment	<u>180,886</u>	<u>80,123</u>	<u>245,747</u>	<u>531,953</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 331,679</u>	<u>\$ 170,322</u>	<u>\$ 490,213</u>	<u>\$ 1,699,939</u>

<u>G.O. 2010A Refunding Bonds</u>	<u>G.O. 2011A Improvement Bonds</u>	<u>Total Debt Service Fund</u>
\$ 118,395	\$ 61,609	\$ 686,261
-	-	527,738
-	4,794	5,358
1,137	3,007	10,555
<u>305,501</u>	<u>235,356</u>	<u>2,192,040</u>
<u>\$ 425,033</u>	<u>\$ 304,766</u>	<u>\$ 3,421,952</u>

\$ -	\$ 3,621	\$ 3,621
<u>305,501</u>	<u>237,803</u>	<u>2,196,748</u>
305,501	241,424	2,200,369
<u>119,532</u>	<u>63,342</u>	<u>1,221,583</u>
<u>\$ 425,033</u>	<u>\$ 304,766</u>	<u>\$ 3,421,952</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND – BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2013

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 23,299
Special assessments	40,351	29,260	58,300	17,716
Investment Earnings	156	309	67	6,824
Total Revenues	<u>40,507</u>	<u>29,569</u>	<u>58,367</u>	<u>47,839</u>
EXPENDITURES				
Debt Service				
Principal	-	-	195,000	55,000
Interest	-	-	5,436	39,755
Total Expenditures	<u>-</u>	<u>-</u>	<u>200,436</u>	<u>94,755</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	40,507	29,569	(142,069)	(46,916)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	20,000	1,265
Transfers Out	(40,000)	-	(1,409)	-
Bond Proceeds	-	-	-	407
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>-</u>	<u>18,591</u>	<u>1,672</u>
NET CHANGE IN FUND BALANCE	507	29,569	(123,478)	(45,244)
Fund Balance (Deficit) - Beginning of Year	<u>180,379</u>	<u>50,554</u>	<u>369,225</u>	<u>577,197</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 180,886</u>	<u>\$ 80,123</u>	<u>\$ 245,747</u>	<u>\$ 531,953</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds	Internal Eliminations	Total Debt Service Fund
\$ 8,717	\$ 35,894	\$ -	\$ 67,910
30,836	17,314	-	193,777
566	2	-	7,924
<u>40,119</u>	<u>53,210</u>	<u>-</u>	<u>269,611</u>
85,000	35,000	-	370,000
25,160	21,278	-	91,629
<u>110,160</u>	<u>56,278</u>	<u>-</u>	<u>461,629</u>
(70,041)	(3,068)	-	(192,018)
20,000	-	(40,000)	1,265
-	-	40,000	(1,409)
-	-	-	407
<u>20,000</u>	<u>-</u>	<u>-</u>	<u>263</u>
(50,041)	(3,068)	-	(191,755)
169,573	66,410	-	1,413,338
<u>\$ 119,532</u>	<u>\$ 63,342</u>	<u>\$ -</u>	<u>\$ 1,221,583</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND – BY PROJECT
 DECEMBER 31, 2013**

	<u>Heartland Addition</u>	<u>C.S.A.H. 52 Projects</u>	<u>McGrath & City Center Projects</u>	<u>Commercial Park Extension</u>
ASSETS				
Cash and Pooled Investments	\$ -	\$ 46,639	\$ -	\$ -
Special Assessments - Noncurrent	-	-	-	91,747
Total Assets	\$ -	\$ 46,639	\$ -	\$ 91,747
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS				
Liabilities				
Due to Other Funds	\$ 29,566	\$ -	\$ 7,500	\$ 110,311
Accounts Payable	-	-	-	-
Total Liabilities	29,566	-	7,500	110,311
Deferred Inflows of Resources				
Unavailable Special Assessments	-	-	-	91,747
Fund Balances (Deficits)				
Restricted for Front Street Project	-	46,639	-	-
Unassigned	(29,566)	-	(7,500)	(110,311)
Total Fund Balances	(29,566)	46,639	(7,500)	(110,311)
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ -	\$ 46,639	\$ -	\$ 91,747

Infrastructure Improvements District 2013-1	Total Capital Projects Fund
\$ 27,566	\$ 74,205
-	91,747
<u>\$ 27,566</u>	<u>\$ 165,952</u>

\$ -	\$ 147,377
18,319	18,319
18,319	165,696
-	91,747
9,247	55,886
-	(147,377)
<u>9,247</u>	<u>(91,491)</u>
<u>\$ 27,566</u>	<u>\$ 165,952</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2013

	Heartland Addition	C.S.A.H. 52 Projects	McGrath & City Center Projects	Commercial Park Extension
REVENUES				
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ 27,637
Investment Earnings	-	1	-	-
Total Revenues	-	1	-	27,637
EXPENDITURES				
Debt Service				
Bond Issue Costs	-	-	-	-
Capital Outlay				
Public Works	-	-	-	50,636
Total Expenditures	-	-	-	50,636
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	1	-	(22,999)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Discounts on Bonds Issued	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	-	1	-	(22,999)
Fund Balance (Deficit) - Beginning of Year	(29,566)	46,638	(7,500)	(87,312)
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (29,566)</u>	<u>\$ 46,639</u>	<u>\$ (7,500)</u>	<u>\$ (110,311)</u>

Infrastructure Improvements District 2013-1	Total Capital Projects Fund
\$ -	\$ 27,637
-	1
-	27,638
11,354	11,354
319,680	370,316
331,034	381,670
(331,034)	(354,032)
344,593	344,593
(4,312)	(4,312)
340,281	340,281
9,247	(13,751)
-	(77,740)
\$ 9,247	\$ (91,491)

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OTHER REPORTS SECTION



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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and
Members of the City Council
City of Barnesville
Barnesville, Minnesota

We have audited, in accordance with the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Barnesville (City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 28, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2013-001 through 2013-003 to be material weaknesses.

Honorable Mayor and
Members of the City Council
City of Barnesville

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*.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were 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 result 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.



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 28, 2014

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**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2013**

MATERIAL WEAKNESSES

2013-001 LACK OF SEGREGATION OF DUTIES

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: There is some lack of sufficient segregation of duties within the city as the senior accountant has access to the general ledger, access to physical assets, signature authority on bank accounts, utility billing adjustments, and authority to record transactions.

Cause: Size and budget constraints limiting the number of personnel within the accounting department.

Effect: The design of the internal control over financial reporting that could adversely affect the ability to initiate, authorize, record, process, summarize and report financial data consistent with the assertion of management in the financial statements. This could include the lack of the ability to prevent or detect fraud or misappropriation of assets in a timely manner.

Recommendation: The areas should be reviewed periodically and consideration given to improving the segregation of duties.

Management Response: The City will continue to explore further segregation of duties within the City office while weighing the related costs against the benefits of improved controls.

2013-002 YEAR-END CLOSING PROCEDURES

Criteria: The City of Barnesville's management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions, including account coding, reporting of accruals and net position, and cash flow reporting.

Condition: As part of the audit, we proposed material adjustments for closing the City's books at year-end, recording of accruals, reclassifications to the proper accounts, and note disclosure preparation.

Cause: The City has a limited number of personnel with limited financial reporting experience.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the City to provide accurate accrual basis financial information.

CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

MATERIAL WEAKNESSES (CONTINUED)

2013-002 YEAR-END CLOSING PROCEDURES (CONTINUED)

Recommendation: We recommend City management be consistently aware of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

Management Response: The City will continue to pursue additional training and knowledge with a long-term goal of recording all adjusting and closing entries prior to the audit.

2013-003 FINANCIAL STATEMENT PREPARATION

Criteria: City management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Condition: As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to the financial statements.

Cause: The City has a limited number of personnel with limited financial reporting experience.

Effect: The design of the controls over the financial reporting process would affect the ability of the City to report its financial data consistently with the assertions of management in the financial statements.

Recommendation: We recommend that the City be aware of the requirements for fair presentation of the financial statements in accordance with GAAP. Should the City elect, based upon an analysis of costs and benefits, to establish the full oversight of the financial statement preparation at an appropriate level, we suggest management establish effective review policies and procedures including but not limited to the following functions: reconciling general ledger amounts to the draft financial statements; review of all supporting documentation and explanations for journal entries proposed by us and approve the entries; review the adequacy of financial statement disclosures by completing a disclosure checklist; review and approval of schedules and calculations supporting the amounts included in the notes to the financial statements; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

Management Response: The City will explore the options and cost-effective feasibility of training existing personnel, or hiring/contracting additional personnel, to adequately prepare financial statements for the prevention or detection of a material misstatement in the annual financial statements of the City.

CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

OTHER ITEMS FOR CONSIDERATION - MINNESOTA LEGAL COMPLIANCE

2013-004 COLLATERAL COVERAGE

Criteria: *Minnesota Statutes* §118A.03 requires that, to the extent that deposited funds exceed federal deposit insurance, the City must obtain an assignment of pledged collateral in an amount equal to 110 percent of the amount on deposit plus accrued interest.

Condition: At December 31, 2013, the City did not meet the 110 percent collateralization requirement. \$79,947 of deposits were not fully collateralized.

Cause: Unknown.

Effect: The City was not in compliance with state statutes at year-end.

Recommendation: We recommend City management be constantly aware collateral requirements at each of its depositories to ensure compliance with state statutes.

Management Response: City management is currently working on verifying and updating their collateral amounts as necessary to be in compliance with state statutes on a monthly basis.

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and
Members of the City Council
City of Barnesville
Barnesville, 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 accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barnesville (City), as of December 31, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated April 28, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the City, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as noted in the Schedule of Findings and Recommendations as 2013-004. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
April 28, 2014

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