

**CITY OF BARNESVILLE, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2011**





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DECEMBER 31, 2011**

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## **INTRODUCTORY SECTION**





**CITY OF BARNESVILLE, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
DECEMBER 31, 2011**

<b>ELECTED</b>	<b>NAME</b>	<b>TERM EXPIRES</b>
Mayor	Fred Dahnke	12/31/2011
City Council	Del Ellefson	12/31/2011
City Council	Merlin Strom	12/31/2011
City Council	Jeremy Krause	12/31/2011
City Council	Larry Davis, Jr.	12/31/2013
City Council	Jason Rick	12/31/2013
City Council	Darin Allmaras	12/31/2013

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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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Barnesville's management. 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Barnesville, Minnesota, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the City of Barnesville adopted the provisions of Government Accounting Standards Board Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. Adoption of the provisions of this statement results in significant changes to the classification of the components of fund balances and certain beginning fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2012, on our consideration of the City of Barnesville, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in conjunction with this report in assessing the results of our audit.

Honorable Mayor and  
Members of the City Council  
City of Barnesville

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information, made up of the combining balance sheet – nonmajor governmental funds, combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds, combining statement of net assets – nonmajor proprietary funds, combining statement of revenues, expenses, and changes in net assets – nonmajor proprietary funds, combining statement of cash flows – nonmajor proprietary funds, combining balance sheet – debt service fund – by bond issue, combining state of revenues, expenditures, and changes in fund balance – debt service – by bond issue, combining balance sheet – capital projects fund, by project, and combining statement of revenues, expenditures, and changes in fund balances – capital projects fund – by project are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental information and the schedule of expenditures of federal awards 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 30, 2012

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## **REQUIRED SUPPLEMENTARY INFORMATION**





**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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* issued in June 1999. Certain comparative information between the current year (2011) and the prior year (2010) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2011 include the following:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$16,103,811 (net assets). Of this amount, \$7,392,696 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net assets increased \$1,673,444 or 11.6 percent over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$2,413,222, an increase of \$443,460 in comparison to the prior year. Approximately 30% of this amount, or \$713,015, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$267,303, or 17.8% of General Fund expenditures.
- The City's total long-term debt increased by \$1,303,424 during the current fiscal year. The increase is attributed to issuing 2011A Temporary General Obligation Bonds.

**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, golf course, 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.

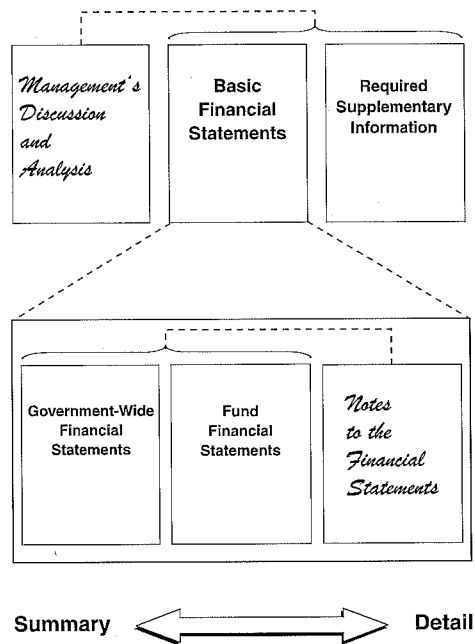
**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**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, 2011**

**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.

<b>Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements</b>				
<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
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 assets.	Balance sheet.	Statement of net assets.	Statement of fiduciary net assets.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of revenues, expenses, and changes in fund net assets statement of cash flows.	Statement of changes in fiduciary net assets.
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/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities 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 assets 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 assets and how they have changed. Net assets – 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 assets 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, 2011**

**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, golf course, 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 assets. 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, 2011**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Assets**

The City's net assets were \$16,103,811 on December 31, 2011 (see Table A-1).

Table A-1  
The City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 5,138,362	\$ 4,451,460	\$ 6,248,310	\$ 5,708,693	\$ 11,386,672	\$ 10,160,153
Capital Assets	3,665,327	2,798,913	11,246,174	10,689,517	14,911,501	13,488,430
Total Assets	8,803,689	7,250,373	17,494,484	16,398,210	26,298,173	23,648,583
Current Liabilities	1,225,270	350,362	1,971,887	1,148,711	3,197,157	1,499,073
Long-Term Liabilities	1,754,608	1,933,054	5,242,597	5,786,089	6,997,205	7,719,143
Total Liabilities	2,979,878	2,283,416	7,214,484	6,934,800	10,194,362	9,218,216
Net Assets						
Invested in Capital Assets						
Net of Related Debt	1,105,754	736,978	4,411,551	4,384,588	5,517,305	5,121,566
Restricted	3,193,810	2,803,232	-	-	3,193,810	2,803,232
Unrestricted	1,524,247	1,426,747	5,868,449	5,078,822	7,392,696	6,505,569
Total Net Assets	\$ 5,823,811	\$ 4,966,957	\$ 10,280,000	\$ 9,463,410	\$ 16,103,811	\$ 14,430,367

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)**

**Changes in Net Assets**

The City-wide total revenues were \$8,350,140 for the year ended December 31, 2011. Property taxes and intergovernmental revenues accounted for 15% of total revenue for the year, while user charges accounted for 66% of total revenue (see Table A-2).

Table A-2  
Change in Net Assets

	Governmental Activities		Total %	Business-Type Activities		Total %	Total		Total %
	2011	2010	Change	2011	2010	Change	2011	2010	Change
<b>REVENUES</b>									
<u>Program Revenues</u>									
Charges for Services	\$ 88,167	\$ 79,038	11.6 %	\$ 5,450,907	\$ 5,490,450	(0.7)%	\$ 5,539,074	\$ 5,569,488	(0.5)%
Operating Grants and Contributions	80,378	74,043	8.6	37,086	39,371	(5.8)	117,464	113,414	3.6
Capital Grants and Contributions	552,319	88,583	523.5	487,349	-	-	1,039,688	88,583	1073.7
<u>General Revenues</u>									
Property Taxes	412,295	395,362	4.3	68,680	-	-	480,975	395,362	21.7
Tax Increments	125,371	108,657	15.4	-	-	-	125,371	108,657	15.4
Unrestricted State Aid	657,769	657,305	0.1	-	-	-	657,769	657,305	0.1
Investment Earnings	24,725	30,533	(19.0)	4,046	7,447	(45.7)	28,771	37,980	(24.2)
Other	47,306	64,186	(26.3)	313,742	376,354	(16.6)	361,048	440,540	(18.0)
Total Revenues	1,988,330	1,497,707	32.8	6,361,810	5,913,622	7.6	8,350,140	7,411,329	12.7
<b>EXPENSES</b>									
General Government	527,134	515,520	2.3	-	-	-	527,134	515,520	2.3
Public Safety	570,000	525,068	8.6	-	-	-	570,000	525,068	8.6
Public Works	433,592	543,814	(20.3)	-	-	-	433,592	543,814	(20.3)
Culture and Recreation	288,520	277,591	3.9	-	-	-	288,520	277,591	3.9
Economic Development	295,029	290,059	1.7	-	-	-	295,029	290,059	1.7
Interest	95,935	113,487	(15.5)	-	-	-	95,935	113,487	(15.5)
Water	-	-	-	269,453	270,945	(0.6)	269,453	270,945	(0.6)
Sewer	-	-	-	315,454	313,442	0.6	315,454	313,442	0.6
Electric	-	-	-	1,657,998	1,690,225	(1.9)	1,657,998	1,690,225	(1.9)
Telephone	-	-	-	689,456	714,795	(3.5)	689,456	714,795	(3.5)
Municipal Liquor	-	-	-	387,769	391,503	(1.0)	387,769	391,503	(1.0)
Cable Television	-	-	-	386,680	364,848	6.0	386,680	364,848	6.0
Sanitation	-	-	-	183,230	172,893	6.0	183,230	172,893	6.0
Storm Sewer	-	-	-	21,903	24,777	(11.6)	21,903	24,777	(11.6)
Golf Course	-	-	-	119,037	153,517	(22.5)	119,037	153,517	(22.5)
Ambulance	-	-	-	381,645	323,743	17.9	381,645	323,743	17.9
Broadband Internet	-	-	-	53,861	80,805	(33.3)	53,861	80,805	(33.3)
Total Expenses	2,210,210	2,265,539	(2.4)	4,466,486	4,501,493	(0.8)	6,676,696	6,767,032	(1.3)
Transfers	1,078,734	838,493	28.7	(1,078,734)	(838,493)	(28.7)	-	-	-
<b>CHANGE IN NET ASSETS</b>	856,854	70,661	1112.6	816,590	573,636	42.4	1,673,444	644,297	159.7
Net Assets - Beginning of Year	4,966,957	4,896,296	1.4	9,463,410	8,889,774	6.5	14,430,367	13,786,070	4.7
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,823,811</u>	<u>\$ 4,966,957</u>	<u>17.3</u>	<u>\$ 10,280,000</u>	<u>\$ 9,463,410</u>	<u>8.6</u>	<u>\$ 16,103,811</u>	<u>\$ 14,430,367</u>	<u>11.6</u>

Total revenues surpassed expenses, increasing net assets \$1,673,444 over last year. The business-type activities net assets increased primarily due to new capital grants and contributions. The governmental activities net assets increased primarily from the increase in intergovernmental revenues and additional special assessment revenue collections.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

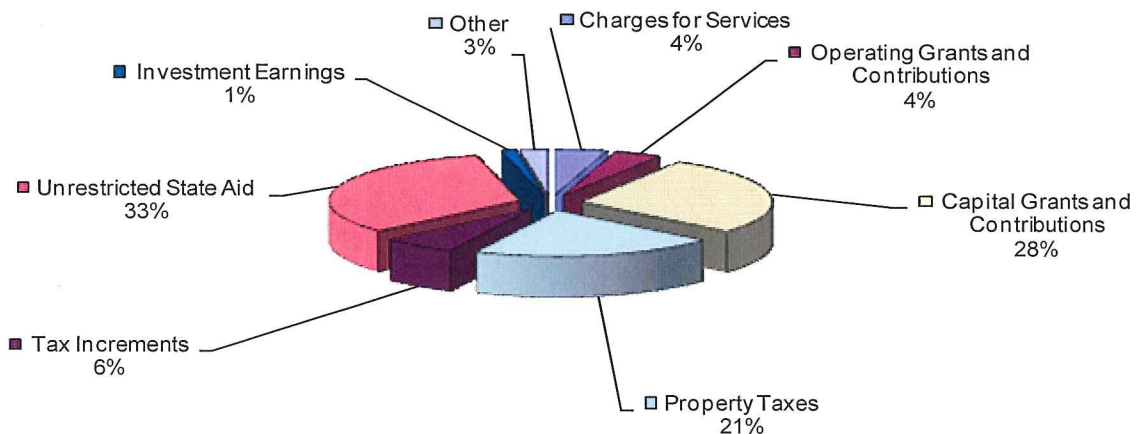
**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)**

**Changes in Net Assets (Continued)**

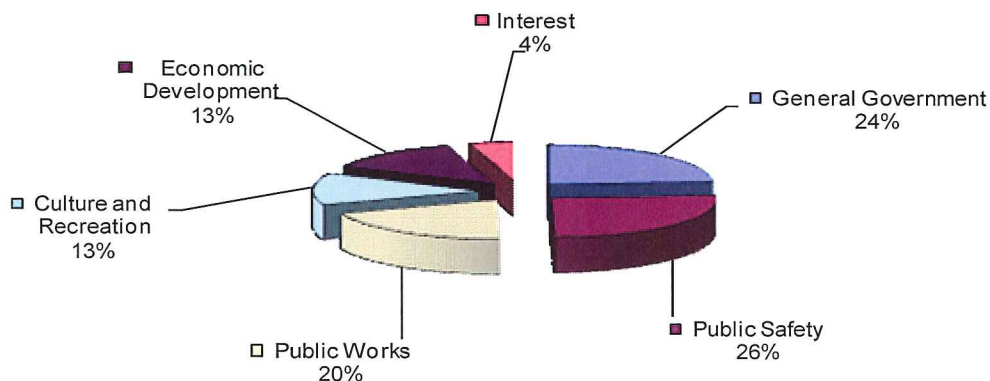
The City-wide cost of all governmental activities this year was \$2,210,210 .

- Some of the cost was paid by the users of the City's programs (\$88,167).
- Federal and state government payments (\$632,697) subsidized certain programs.
- Ad valorem property taxes (\$412,295) and unrestricted state grants (\$657,769) also helped fund the net costs of governmental services.
- Transfers from the City's business-type operations also subsidize governmental operations (\$1,078,734).

**Figure A-3 Sources of City's Governmental Revenues for Fiscal 2011**



**Figure A-4 City's Governmental Expenses for Fiscal 2011**



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**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)**

**Changes in Net Assets (Continued)**

Table A-3  
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage Change	Net Revenue (Cost of Services) After Program Revenues		Percentage Change
	2011	2010		2011	2010	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 527,134	\$ 515,520	2.3 %	\$ (496,551)	\$ (490,612)	1.2 %
Public Safety	570,000	525,068	8.6	(449,722)	(414,621)	8.5
Public Works	433,592	543,814	(20.3)	62,730	(480,219)	(113.1)
Culture and Recreation	288,520	277,591	3.9	(232,441)	(234,877)	(1.0)
Economic Development	295,029	290,059	1.7	(295,029)	(290,059)	1.7
Interest and Fiscal Charges on						
Interest	95,935	113,487	(15.5)	(78,333)	(113,487)	(31.0)
Total	<u>\$ 2,210,210</u>	<u>\$ 2,265,539</u>	(2.4)	<u>\$ (1,489,346)</u>	<u>\$ (2,023,875)</u>	(26.4)
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	\$ 269,453	\$ 270,945	(0.6)%	\$ 421,868	\$ 134,460	213.7 %
Sewer	315,454	313,442	0.6	493,695	287,874	71.5
Electric	1,657,998	1,690,225	(1.9)	246,419	245,549	0.4
Telephone	689,456	714,795	(3.5)	220,813	252,243	(12.5)
Municipal Liquor	387,769	391,503	(1.0)	24,553	22,784	7.8
Cable Television	386,680	364,848	6.0	18,695	34,476	(45.8)
Sanitation	183,230	172,893	6.0	23,346	32,963	(29.2)
Storm Sewer	21,903	24,777	(11.6)	7,178	4,505	59.3
Golf Course	119,037	153,517	(22.5)	(15,156)	(32,832)	(53.8)
Ambulance	381,645	323,743	17.9	(86,674)	(77,872)	11.3
Broadband Internet	53,861	80,805	(33.3)	154,119	124,178	24.1
Total	<u>\$ 4,466,486</u>	<u>\$ 4,501,493</u>	(0.8)	<u>\$ 1,508,856</u>	<u>\$ 1,028,328</u>	46.7

**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 \$2,413,222.

Revenues for the City's governmental funds were \$1,734,726, while total expenditures were \$2,893,629.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**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	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
Taxes *	\$ 38,392	\$ 11,152	\$ 27,240	244.3 %
Special Assessments	12,200	11,445	755	6.6
Licenses and Permits	21,549	11,836	9,713	82.1
Intergovernmental	711,850	701,740	10,110	1.4
Charges for Services	2,634	10,950	(8,316)	(75.9)
Fines and Forfeits	7,930	13,518	(5,588)	(41.3)
Interest *	19,149	20,503	(1,354)	(6.6)
Miscellaneous and Other	43,660	60,256	(16,596)	(27.5)
Total General Fund Revenues	<u>\$ 857,364</u>	<u>\$ 841,400</u>	<u>\$ 15,964</u>	1.9

\* = The December 31, 2010 numbers were adjusted for implementation of GASB No. 54.

Total General Fund revenue increased by \$15,964 or 1.9 percent, from the previous year. The primary reason for the increase is an increase to tax revenues and intergovernmental revenues which offset a decrease in charges for services, fines and forfeits, and miscellaneous revenues.

The following schedule presents a summary of General Fund Expenditures:

Table A-5  
General Fund Expenditures

	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
General Government	\$ 585,662	\$ 550,534	\$ 35,128	6.4 %
Public Safety	505,043	455,731	49,312	10.8
Public Works	233,328	219,389	13,939	6.4
Airport	1,327	995	332	33.4
Economic Development	140,381	139,329	1,052	0.8
Capital Outlay	27,840	166,918	(139,078)	(83.3)
Debt Service	8,838	8,473	365	4.3
Total Expenditures	<u>\$ 1,502,419</u>	<u>\$ 1,541,369</u>	<u>\$ (38,950)</u>	(2.5)

The General Fund's expenditures decreased \$38,950 from 2010. This decrease is due largely to decreases in capital outlay.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**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 \$85,743 less than expected. This is primarily due to less than expected intergovernmental revenues.
- The actual expenditures were \$147,052 less than budget. This is primarily due to the City cutting expenditures in City departments to help offset the reductions in market value credits during 2011.

**Capital Projects Fund**

The Capital Projects Fund issued approximately \$840,000 in temporary financing bonds for construction of the Front Street project during 2011 and spent approximately \$693,000 resulting in increased fund balance of approximately \$140,000 for the year.

**Debt Service Fund**

The Debt Service Fund received approximately \$183,000 more than combined expenditures; this is due primarily to the City receiving additional special assessment revenue in 2011.

**Business-Type Funds**

**Water and Sewer**

The Water and Sewer Funds showed net income (before transfers to other funds) of approximately \$425,000 and \$496,000, respectively, resulting from new special assessments related to the front street project.

**Liquor and Cable Television**

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 \$26,000, and \$20,000, respectively, for the year ended December 31, 2011.

**Electric**

The Electric Fund showed a decrease in sales of approximately \$31,000 (1.6%), resulting from a decrease in consumption; however, purchased power costs also decreased by approximately \$33,000. The net result was net income (before transfers to other funds) of approximately \$307,000 for the year ended December 31, 2011.

**Telephone**

The Telephone Fund showed a decrease in sales of approximately \$57,000 (5.9%), resulting from a decrease in customers. At the same time, expenses (primarily miscellaneous) decreased by approximately \$21,000 and income of \$204,000 was reflected in the Telephone Fund's fiber optic Joint Venture, resulting in a net income (before transfers to other funds) of approximately \$437,000 as compared to \$467,000 in the prior year.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**CONSTRUCTION PROJECTS AND DEBT SERVICE**

The City started a significant project on repaving Front Street along with updating the water and sewer infrastructure. The project will be completed in 2012.

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 2011, the City had invested approximately \$14,900,000 (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 2.A.3 to the financial statements). Total depreciation expense for the year was \$619,597 (including the enterprise funds).

Table A-6  
The City's Capital Assets

	Governmental Activities			Percent Change	Business-Type Activities			Percent Change	Total		
	2011	2010			2011	2010			2011	2010	
Land	\$ 617,741	\$ 617,741	- %		\$ 113,908	\$ 113,908	- %		\$ 731,649	\$ 731,649	- %
Construction-in-Progress	736,683	51,474	1331.2		1,049,285	-	-		1,785,968	51,474	3369.7
Buildings	1,616,409	1,229,498	31.5		1,330,997	1,650,856	(19.4)		2,947,406	2,880,354	2.3
Infrastructure	3,227,190	3,227,190	-		10,767,598	10,759,582	0.1		13,994,788	13,986,772	0.1
Improvements	263,978	168,897	56.3		979,170	1,056,370	(7.3)		1,243,148	1,225,267	1.5
Machinery and Equipment	623,324	488,247	27.7		2,522,189	2,531,189	(0.4)		3,145,513	3,019,436	4.2
Vehicles	294,830	329,830	(10.6)		326,094	326,094	-		620,924	655,924	(5.3)
Less: Accumulated Depreciation	(3,714,828)	(3,313,964)	12.1		(5,843,067)	(5,748,482)	1.6		(9,557,895)	(9,062,446)	5.5
Total	<u>\$ 3,665,327</u>	<u>\$ 2,798,913</u>	31.0		<u>\$ 11,246,174</u>	<u>\$ 10,689,517</u>	5.2		<u>\$ 14,911,501</u>	<u>\$ 13,488,430</u>	10.6

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011**

**LONG-TERM LIABILITIES**

At year-end, the City had \$9,839,664 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt increased \$1,303,424, due primarily to issuance of the 2011A temporary improvement general obligation bonds.

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

	2011	2010	Percentage Change
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds	\$ 2,714,914	\$ 2,056,467	32.0 %
Capital Leases Payable	11,894	19,677	(39.6)
Compensated Absences Payable	89,120	96,971	(8.1)
Other Postemployment Benefits Payable	57,247	38,599	48.3
Less: Bond Discounts	(14,222)	(14,209)	0.1
Total Governmental Activities	<u>\$ 2,858,953</u>	<u>\$ 2,197,505</u>	30.1
<b>BUSINESS-TYPE ACTIVITIES</b>			
Revenue Bonds	\$ 1,335,349	\$ 1,555,179	(14.1)%
General Obligation Revenue Notes	3,328,000	3,539,000	(6.0)
General Obligation Bonds	2,307,613	1,240,000	86.1
Compensated Absences Payable	20,202	22,453	(10.0)
Other Postemployment Benefits Payable	16,838	11,353	48.3
Less: Bond Discounts	(27,291)	(29,250)	(6.7)
Total Business-Type Activities	<u>6,980,711</u>	<u>6,338,735</u>	10.1
Total City-Wide Debt	<u>\$ 9,839,664</u>	<u>\$ 8,536,240</u>	15.3

**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 ASSETS**  
**DECEMBER 31, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 2,405,650	\$ 3,139,988	\$ 5,545,638	\$ 149,953
Taxes Receivable				
Delinquent	42,250	-	42,250	-
Special Assessments Receivable				
Delinquent	104,009	-	104,009	-
Deferred	2,509,966	456,034	2,966,000	-
Accounts Receivable - Net	5,330	878,757	884,087	-
Accrued Interest Receivable	1,175	-	1,175	-
Notes Receivable - Net	23,803	-	23,803	-
Due from Other Governments	11,052	-	11,052	-
Inventories	1,200	54,092	55,292	-
Land Held for Resale	-	-	-	335,585
Unamortized Bond Issue Costs	21,319	20,679	41,998	-
Advances to Component Unit	12,608	-	12,608	-
Advances to Primary Government	-	-	-	20,000
Investment in Joint Venture	-	1,698,760	1,698,760	-
Capital Assets not Being Depreciated				
Land	617,741	113,908	731,649	-
Construction-in-Progress	736,683	1,049,285	1,785,968	-
Capital Assets Being Depreciated				
Buildings	928,264	740,473	1,668,737	-
Infrastructure	1,027,361	7,475,910	8,503,271	-
Improvements	94,472	394,429	488,901	-
Machinery and Equipment	177,199	1,414,183	1,591,382	-
Vehicles	83,607	57,986	141,593	-
Total Assets	8,803,689	17,494,484	26,298,173	505,538
<b>LIABILITIES</b>				
Accounts Payable	21,065	46,167	67,232	11,615
Salaries and Benefits Payable	37,560	23,336	60,896	3,434
Deposits Payable	-	1,290	1,290	-
Accrued Interest Payable	42,300	88,244	130,544	-
Due to Other Governments	-	15,611	15,611	-
Advances from Primary Government	-	-	-	12,608
Advances from Component Unit	20,000	-	20,000	-
Deferred Revenue	-	59,125	59,125	-
Special Assessments Payable - Due Within One Year	-	-	-	6,000
Notes Payable - Due Within One Year	-	-	-	1,553
Bonds Payable - Due Within One Year	1,034,913	1,722,962	2,757,875	2,082
Capital Leases Payable - Due Within One Year	2,592	-	2,592	-
Compensated Absences Payable - Due Within One Year	66,840	15,152	81,992	-
Special Assessments Payable - Due in More Than One Year	-	-	-	134,507
Bonds Payable - Due in More Than One Year	1,665,779	5,220,709	6,886,488	18,609
Capital Leases Payable - Due in More Than One Year	9,302	-	9,302	-
Compensated Absences Payable - Due in More Than One Year	22,280	5,050	27,330	-
Other Postemployment Benefits Payable - Due in More Than One Year	57,247	16,838	74,085	2,803
Total Liabilities	2,979,878	7,214,484	10,194,362	193,167
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,105,754	4,411,551	5,517,305	-
Restricted for				
Debt Service	3,175,347	-	3,175,347	-
Public Safety	8,079	-	8,079	-
Economic Development	10,384	-	10,384	-
Unrestricted	1,524,247	5,868,449	7,392,696	312,371
Total Net Assets	\$ 5,823,811	\$ 10,280,000	\$ 16,103,811	\$ 312,371

See accompanying Notes to the Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011**

Functions/Programs	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 527,134	\$ 30,583	\$ -	\$ -
Public Safety	570,000	53	57,101	63,124
Public Works	433,592	1,477	23,252	471,593
Culture and Recreation	288,520	56,054	25	-
Economic Development	295,029	-	-	-
Interest	95,935	-	-	17,602
Total Governmental Activities	2,210,210	88,167	80,378	552,319
Business-Type Activities				
Water	269,453	432,405	-	258,916
Sewer	315,454	580,716	-	228,433
Electric	1,657,998	1,904,417	-	-
Telephone	689,456	907,718	2,551	-
Municipal Liquor	387,769	412,322	-	-
Cable Television	386,680	405,375	-	-
Sanitation	183,230	179,042	27,534	-
Storm Sewer	21,903	29,081	-	-
Golf Course	119,037	103,630	251	-
Ambulance	381,645	288,221	6,750	-
Broadband Internet	53,861	207,980	-	-
Total Business-Type Activities	4,466,486	5,450,907	37,086	487,349
Total Primary Government	\$ 6,676,696	\$ 5,539,074	\$ 117,464	\$ 1,039,668
Component Unit				
EDA	\$ 262,390	\$ 66,314	\$ -	\$ -
General Revenues				
Property Taxes				
Tax Increments				
Grants and Contributions not Restricted for a Particular Purpose				
Investment Earnings				
Miscellaneous				
Transfers				
Total General Revenues				
<b>CHANGE IN NET ASSETS</b>				
Net Assets - Beginning of Year				
<b>NET ASSETS - END OF YEAR</b>				

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (496,551)	\$ -	\$ (496,551)	\$ -
(449,722)	-	(449,722)	-
62,730	-	62,730	-
(232,441)	-	(232,441)	-
(295,029)	-	(295,029)	-
(78,333)	-	(78,333)	-
(1,489,346)	-	(1,489,346)	-
-	421,868	421,868	-
-	493,695	493,695	-
-	246,419	246,419	-
-	220,813	220,813	-
-	24,553	24,553	-
-	18,695	18,695	-
-	23,346	23,346	-
-	7,178	7,178	-
-	(15,156)	(15,156)	-
-	(86,674)	(86,674)	-
-	154,119	154,119	-
-	1,508,856	1,508,856	-
(1,489,346)	1,508,856	19,510	-
-	-	-	(196,076)
412,295	68,680	480,975	-
125,371	-	125,371	-
657,769	-	657,769	118,840
24,725	4,046	28,771	66
47,306	306,659	353,965	41,406
1,078,734	(1,078,734)	-	-
2,346,200	(692,266)	1,653,934	160,312
856,854	816,590	1,673,444	(35,764)
4,966,957	9,463,410	14,430,367	348,135
\$ 5,823,811	\$ 10,280,000	\$ 16,103,811	\$ 312,371

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## **FUND FINANCIAL STATEMENTS**





**CITY OF BARNESVILLE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	General	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 1,351,449	\$ 672,974	\$ 153,013	\$ 228,214	\$ 2,405,650
Taxes Receivable					
Delinquent	34,830	7,420	-	-	42,250
Special Assessments Receivable					
Delinquent	36,353	67,656	-	-	104,009
Deferred	40,369	2,469,597	-	-	2,509,966
Accounts Receivable	-	-	-	5,330	5,330
Accrued Interest Receivable	1,175	-	-	-	1,175
Notes Receivable	1,553	-	-	22,250	23,803
Inventory	-	-	-	1,200	1,200
Due From Other Governments	11,052	-	-	-	11,052
Advance to Component Unit	12,608	-	-	-	12,608
Due from Other Funds	61,254	-	-	-	61,254
<b>Total Assets</b>	<b>\$ 1,550,643</b>	<b>\$ 3,217,647</b>	<b>\$ 153,013</b>	<b>\$ 256,994</b>	<b>\$ 5,178,297</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 9,455	\$ -	\$ 8,979	\$ 2,631	\$ 21,065
Salaries and Benefits Payable	32,447	-	-	5,113	37,560
Due to Other Funds	-	-	37,066	24,188	61,254
Advance from Component Unit	20,000	-	-	-	20,000
Deferred Revenue	98,232	2,504,632	-	22,332	2,625,196
<b>Total Liabilities</b>	<b>160,134</b>	<b>2,504,632</b>	<b>46,045</b>	<b>54,264</b>	<b>2,765,075</b>
<b>Fund Balances</b>					
Nonspendable Inventory	-	-	-	1,200	1,200
Nonspendable Advances	12,608	-	-	-	12,608
Restricted for Forfeitures	50	-	-	-	50
Restricted for Debt Repayment	-	713,015	-	-	713,015
Restricted for Other Governmental Funds	-	-	-	18,413	18,413
Restricted for Front Street Project	-	-	106,968	-	106,968
Committed for Capital Outlay	80,000	-	-	-	80,000
Committed for Community Projects	1,023,222	-	-	-	1,023,222
Committed for Other Governmental Funds	-	-	-	183,117	183,117
Assigned for the Library	7,326	-	-	-	7,326
Unassigned	267,303	-	-	-	267,303
<b>Total Fund Balances</b>	<b>1,390,509</b>	<b>713,015</b>	<b>106,968</b>	<b>202,730</b>	<b>2,413,222</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,550,643</b>	<b>\$ 3,217,647</b>	<b>\$ 153,013</b>	<b>\$ 256,994</b>	<b>\$ 5,178,297</b>

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 ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011**

<b>FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 2,413,222</b>
Amounts reported for governmental activities in the statement of net assets 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.		3,665,327
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		2,625,196
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	\$ (2,700,692)	
Unamortized Bond Issue Costs	21,319	
Capital Lease Obligations	(11,894)	
Accrued Compensated Absences	(89,120)	
Other Postemployment Benefits Payable	(57,247)	
Accrued Interest Payable on General Obligation Bonds	(42,300)	(2,879,934)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 5,823,811</b>

*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, 2011**

	General Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 38,392	\$ 92,297	\$ -	\$ 276,358	\$ 407,047
Tax Increments	-	-	-	127,302	127,302
Special Assessments	12,200	301,306	-	-	313,506
Licenses and Permits	21,549	-	-	-	21,549
Intergovernmental	711,850	-	-	14,022	725,872
Charges for Services	2,634	-	-	56,054	58,688
Fines and Forfeits	7,930	-	-	-	7,930
Gifts and Contributions	-	-	-	75	75
Interest on Investments	19,149	2,042	89	69	21,349
Miscellaneous	43,660	-	-	7,748	51,408
Total Revenues	857,364	395,645	89	481,628	1,734,726
<b>EXPENDITURES</b>					
Current					
General Government	585,662	-	-	-	585,662
Public Safety	505,043	-	-	17,355	522,398
Public Works	233,328	-	-	-	233,328
Airport	1,327	-	-	-	1,327
Parks and Recreation	-	-	-	256,478	256,478
Economic Development	140,381	-	-	146,997	287,378
Capital Outlay					
General Government	21,739	-	-	-	21,739
Public Safety	4,446	-	-	-	4,446
Public Works	-	-	692,708	-	692,708
Parks and Recreation	1,655	-	-	14,710	16,365
Debt Service					
Principal	7,783	183,940	-	-	191,723
Interest and Other Charges	1,055	70,869	-	-	71,924
Bond Issue Costs	-	-	8,152	-	8,152
Total Expenditures	1,502,419	254,809	700,860	435,540	2,893,628
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(645,055)	140,836	(700,771)	46,088	(1,158,902)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	785,958	42,000	-	7,500	835,458
Transfers Out	(49,500)	-	-	(26,601)	(76,101)
Bond Proceeds	-	-	842,387	-	842,387
Discounts on Bonds Issued	-	-	(2,106)	-	(2,106)
Proceeds from Sale of Capital Assets	2,724	-	-	-	2,724
Total Other Financing Sources (Uses)	739,182	42,000	840,281	(19,101)	1,602,362
<b>NET CHANGE IN FUND BALANCES</b>	94,127	182,836	139,510	26,987	443,460
Fund Balance (Deficit) - Beginning of Year, as Restated	1,296,382	530,179	(32,542)	175,743	1,969,762
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,390,509</u>	<u>\$ 713,015</u>	<u>\$ 106,968</u>	<u>\$ 202,730</u>	<u>\$ 2,413,222</u>

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, 2011**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 443,460**

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	\$ 720,395	
Current Year Depreciation	<u>(173,358)</u>	547,037

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		222,920
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The statement of activities reports a transfer of capital assets from business-type activities to governmental activities. Such a transfer is not recorded at the fund level because governmental funds only report transactions involving current financial resources.

Cost of Assets Transferred	581,883	
Accumulated Depreciation	<u>(262,506)</u>	319,377

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

Gross Bond Proceeds	(842,387)	
Bond Issue Costs	8,152	
Bond Discount	<u>2,106</u>	(832,129)

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

Principal Repayments:		
General Obligation Bonds	183,940	
Capital Lease	<u>7,783</u>	191,723

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	(12,715)	
Amortization of Bond Issue Costs	(9,929)	
Amortization of Discounts	(2,093)	
Change in Compensated Absences	7,851	
Change in Other Postemployment Benefits Payable	<u>(18,648)</u>	<u>(35,534)</u>

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 856,854</u></b>
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**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**

<b>ASSETS</b>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 524,581	\$ 991,204	\$ 388,599
Accounts Receivable - Net	74,528	108,858	381,403
Special Assessments	242,268	213,766	-
Inventories	-	-	-
Total Current Assets	<u>841,377</u>	<u>1,313,828</u>	<u>770,002</u>
<b>NONCURRENT ASSETS</b>			
Investment in Joint Venture	-	-	-
Unamortized Bond Issue Costs	1,580	1,345	-
Capital Assets			
Land	-	100,831	-
Construction in Progress	537,082	512,203	-
Buildings (Net)	423,510	2,741	75,962
Infrastructure (Net)	1,507,913	4,748,270	295,126
Improvements (Net)	-	-	-
Machinery and Equipment (Net)	97,839	43,243	197,872
Vehicles (Net)	-	-	-
Total Capital Assets	<u>2,566,344</u>	<u>5,407,288</u>	<u>568,960</u>
Total Noncurrent Assets	<u>2,567,924</u>	<u>5,408,633</u>	<u>568,960</u>
Total Assets	<u>3,409,301</u>	<u>6,722,461</u>	<u>1,338,962</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	125	125	7,654
Salaries and Benefits Payable	1,098	324	2,773
Deposits Payable	-	-	1,290
Accrued Interest Payable	28,168	35,239	4,252
Due to Other Governments	240	-	6,899
Deferred Revenue	-	-	17,275
Compensated Absences - Due Within One Year	184	184	1,145
Bonds Payable - Due Within One Year	769,504	838,458	32,000
Total Current Liabilities	<u>799,319</u>	<u>874,330</u>	<u>73,288</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated Absences Payable -			
Due in More than One Year	61	61	382
Other Postemployment Benefits Payable -			
Due in More than One Year	571	571	1,482
Bonds Payable - Due in More than One Year	798,578	3,331,215	177,898
Total Noncurrent Liabilities	<u>799,210</u>	<u>3,331,847</u>	<u>179,762</u>
Total Liabilities	<u>1,598,529</u>	<u>4,206,177</u>	<u>253,050</u>
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	1,078,228	1,266,697	359,062
Unrestricted	732,544	1,249,587	726,850
Total Net Assets	<u>\$ 1,810,772</u>	<u>\$ 2,516,284</u>	<u>\$ 1,085,912</u>

See accompanying Notes to Financial Statements.

Telephone	Municipal Liquor	Cable Television	Nonmajor Proprietary Funds	Total
\$ 423,558	\$ 10,013	\$ 60,665	\$ 741,368	\$ 3,139,988
102,542	2,938	85,365	123,123	878,757
-	-	-	-	456,034
-	54,092	-	-	54,092
526,100	67,043	146,030	864,491	4,528,871
1,698,760	-	-	-	1,698,760
-	-	17,754	-	20,679
-	-	-	13,077	113,908
-	-	-	-	1,049,285
1,251	47,134	77,633	112,242	740,473
-	-	362,109	562,492	7,475,910
394,429	-	-	-	394,429
398,094	-	597,825	79,310	1,414,183
3,702	-	4,063	50,221	57,986
797,476	47,134	1,041,630	817,342	11,246,174
2,496,236	47,134	1,059,384	817,342	12,965,613
3,022,336	114,177	1,205,414	1,681,833	17,494,484
14,618	6,243	4,175	13,227	46,167
8,470	2,193	1,320	7,158	23,336
-	-	-	-	1,290
6,378	-	14,207	-	88,244
1,087	3,530	2,406	1,449	15,611
-	-	41,850	-	59,125
7,199	1,288	1,911	3,241	15,152
48,000	-	35,000	-	1,722,962
85,752	13,254	100,869	25,075	1,971,887
2,400	429	637	1,080	5,050
11,457	-	1,142	1,615	16,838
266,846	-	646,172	-	5,220,709
280,703	429	647,951	2,695	5,242,597
366,455	13,683	748,820	27,770	7,214,484
482,630	47,134	360,458	817,342	4,411,551
2,173,251	53,360	96,136	836,721	5,868,449
\$ 2,655,881	\$ 100,494	\$ 456,594	\$ 1,654,063	\$ 10,280,000

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Water	Sewer	Electric
<b>OPERATING REVENUES</b>			
Sales	\$ -	\$ -	\$ -
Cost of Sales	-	-	-
Gross Profit	-	-	-
Charges for Services	432,405	580,716	1,904,417
<b>OPERATING EXPENSES</b>			
Professional Services	100,885	84,940	90,905
Wages, Salaries, and Compensation	17,851	10,531	62,199
Repairs and Maintenance	190	4,027	17,788
Insurance	7,545	4,313	4,706
Utilities	-	-	3,723
Depreciation	61,164	119,956	27,893
Materials and Supplies	15,523	-	806
Miscellaneous Expenses	4,671	8,327	42,564
Purchased Power	-	-	1,353,530
License Fees	787	-	-
Equipment	-	-	43,219
Medicare/Medicaid Fee Reductions	-	-	-
Total Operating Expenses	208,616	232,094	1,647,333
<b>OPERATING INCOME (LOSS)</b>	223,789	348,622	257,084
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Taxes	-	-	-
Investment Income	943	1,607	516
Joint Venture Income	-	-	-
Special Assessments	258,916	228,433	-
Intergovernmental Grants	-	-	-
Miscellaneous - Nonoperating	1,933	1,074	59,766
Interest Expense and Fiscal Charges	(60,837)	(83,360)	(10,665)
Gain (Loss) on Sale of Capital Assets	-	-	-
Total Nonoperating Revenues (Expenses)	200,955	147,754	49,617
Income (Loss) before Transfers	424,744	496,376	306,701
Transfers In	-	-	-
Transfers Out	-	(60,000)	(237,500)
<b>CHANGE IN NET ASSETS</b>	424,744	436,376	69,201
Net Assets - Beginning of Year	1,386,028	2,079,908	1,016,711
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,810,772</u>	<u>\$ 2,516,284</u>	<u>\$ 1,085,912</u>

See accompanying Notes to Financial Statements.



Telephone	Municipal Liquor	Cable Television	Nonmajor Proprietary Funds	Total
\$ -	\$ 412,322	\$ -	\$ -	\$ 412,322
-	308,668	-	-	308,668
-	103,654	-	-	103,654
907,718	-	405,375	807,954	5,038,585
47,084	-	270	179,156	503,240
231,044	58,170	33,278	236,895	649,968
24,533	1,105	7,485	17,583	72,711
4,112	6,923	5,189	16,807	49,595
264	-	-	3,840	7,827
67,762	760	32,765	46,791	357,091
3,882	972	1,357	50,599	73,139
294,779	11,171	11,529	90,762	463,803
-	-	-	-	1,353,530
-	-	249,331	-	250,118
-	-	9,029	-	52,248
-	-	-	117,243	117,243
673,460	79,101	350,233	759,676	3,950,513
234,258	24,553	55,142	48,278	1,191,726
-	-	-	68,680	68,680
702	16	15	247	4,046
203,968	-	-	-	203,968
-	-	-	-	487,349
2,551	-	-	34,535	37,086
11,305	1,745	1,146	25,722	102,691
(15,996)	-	(36,447)	-	(207,305)
-	-	-	7,083	7,083
202,530	1,761	(35,286)	136,267	703,598
436,788	26,314	19,856	184,545	1,895,324
7,467	-	-	26,601	34,068
(334,458)	(14,000)	-	(466,844)	(1,112,802)
109,797	12,314	19,856	(255,698)	816,590
2,546,084	88,180	436,738	1,909,761	9,463,410
\$ 2,655,881	\$ 100,494	\$ 456,594	\$ 1,654,063	\$ 10,280,000

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Water	Sewer	Electric
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 431,755	\$ 580,425	\$ 1,956,623
Payments to Suppliers	(164,019)	(111,003)	(1,710,952)
Payments to Employees	(17,940)	(10,957)	(60,892)
Net Cash Provided by Operating Activities	249,796	458,465	184,779
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers Out	-	(60,000)	(237,500)
Transfers In	-	-	-
Interfund Borrowings	-	-	-
Other Miscellaneous Receipts	1,933	1,074	59,766
Grant Receipts	-	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	1,933	(58,926)	(177,734)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Paid on Debt	(140,667)	(284,711)	(29,649)
Interest Paid on Debt	(50,228)	(73,519)	(11,215)
Bond Proceeds	624,655	547,958	-
Special Assessments	16,648	14,667	-
Taxes	-	-	-
Proceeds from Disposal of Capital Assets	-	-	-
Acquisition of Capital Assets	(537,082)	(520,219)	(21,156)
Net Cash Provided (Used) by Capital and Related Financing Activities	(86,674)	(315,824)	(62,020)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts from Joint Venture	-	-	-
Interest and Dividends Received	943	1,607	516
Net Cash Provided (Used) by Investing Activities	943	1,607	516
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	165,998	85,322	(54,459)
Cash and Cash Equivalents - Beginning of Year	358,583	905,882	443,058
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 524,581</u>	<u>\$ 991,204</u>	<u>\$ 388,599</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 223,789	\$ 348,622	\$ 257,084
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	61,164	119,956	27,893
(Increase) Decrease in Assets			
Accounts Receivable	(650)	(291)	52,849
Inventory	-	-	-
Increase (Decrease) in Liabilities			
Accounts Payable	(277)	(9,396)	(152,878)
Salaries and Benefits Payable	384	35	708
Other Postemployment Benefits Payable	186	186	483
Due to Other Governments	(34,141)	-	(833)
Compensated Absences Payable	(659)	(647)	116
Deferred Revenue	-	-	(643)
Total Adjustments	26,007	109,843	(72,305)
Net Cash Provided by Operating Activities	<u>\$ 249,796</u>	<u>\$ 458,465</u>	<u>\$ 184,779</u>
<b>NONCASH TRANSACTIONS</b>			
Transfer of Capital Assets Due to Closing of Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

Telephone	Municipal Liquor	Cable Television	Nonmajor Proprietary Funds	Total
\$ 912,368	\$ 412,674	\$ 397,848	\$ 816,292	\$ 5,507,985
(550,410)	(342,561)	(289,723)	(478,480)	(3,647,148)
(228,320)	(57,785)	(32,799)	(235,079)	(643,772)
133,638	12,328	75,326	102,733	1,217,065
(334,458)	(14,000)	-	(147,467)	(793,425)
7,467	-	-	26,601	34,068
-	-	-	(24,188)	(24,188)
11,305	1,745	1,146	25,722	102,691
2,551	-	-	34,535	37,086
(313,135)	(12,255)	1,146	(84,797)	(643,768)
(44,475)	-	(34,369)	-	(533,871)
(16,821)	-	(35,179)	-	(186,962)
-	-	-	-	1,172,613
-	-	-	-	31,315
-	-	-	68,680	68,680
-	-	-	7,083	7,083
-	(45,599)	(80,000)	(29,069)	(1,233,125)
(61,296)	(45,599)	(149,548)	46,694	(674,267)
91,874	-	-	-	91,874
702	16	15	247	4,046
92,576	16	15	247	95,920
(148,217)	(45,510)	(73,061)	64,877	(5,050)
571,775	55,523	133,726	676,491	3,145,038
\$ 423,558	\$ 10,013	\$ 60,665	\$ 741,368	\$ 3,139,988
\$ 234,258	\$ 24,553	\$ 55,142	\$ 48,278	\$ 1,191,726
67,762	760	32,765	46,791	357,091
4,650	352	(9,604)	8,338	55,644
-	(11,439)	-	1,200	(10,239)
(173,078)	1,381	(4,791)	(2,184)	(341,223)
1,636	(112)	238	73	2,962
3,732	-	372	526	5,485
(2,678)	(3,664)	(742)	(1,506)	(43,564)
(2,644)	497	(131)	1,217	(2,251)
-	-	2,077	-	1,434
(100,620)	(12,225)	20,184	54,455	25,339
\$ 133,638	\$ 12,328	\$ 75,326	\$ 102,733	\$ 1,217,065
\$ -	\$ -	\$ -	\$ (319,377)	\$ (319,377)

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIRE DEPARTMENT AGENCY FUND  
DECEMBER 31, 2011**

**ASSETS**

Cash and Pooled Investments	<u>\$ 90,496</u>
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**LIABILITIES**

Accounts Payable	<u>\$ 90,496</u>
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**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Barnesville (the 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 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. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. 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. Copies of EDA financial information may be obtained from the City's general accounting office located at Barnesville City Hall.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Financial Reporting Entity (Continued)**

Joint Ventures and Jointly Governed Organizations

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 assets 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, 2011**

**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.

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.

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.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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.

As a general rule, the effect of interfund 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, Liabilities, and Net Assets 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.

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.



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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 deferred revenue at the time of the levy. Deferred revenue is 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.

**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 if the amounts are considered to be material, and if sufficient fund balance exists.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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:

<u>Assets</u>	<u>Years</u>
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 percent 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 assets.

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, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**11. Fund Balance and Net Assets**

At December 31, 2011, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 will never be converted to cash or will not be converted to cash soon enough to affect the current period. 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. The City's policy does not state that the City must retain a minimum fund balance at year end. 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.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**11. Fund Balance and Net Assets (Continued)**

In the financial statements, proprietary funds and government wide statement of net assets equity is presented in three components. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are presented as unrestricted.

**12. Restatement Due to Change in Accounting Principle**

In connections with the City's implementation of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011, the beginning fund balance for the Community Projects and Library special revenue funds were merged into the General Fund as of the beginning of the year. See below for the effects of this restatement on the General Fund's beginning fund balance:

	General Fund	Community Projects Fund	Nonmajor Governmental Funds	Total
Fund Balance, as Presented at December 31, 2010	\$ 264,002	\$ 1,025,701	\$ 182,422 *	\$ 1,472,125
Closing of Community Projects Fund	1,025,701	(1,025,701)	-	-
Closing of Library Fund	6,679	-	(6,679)	-
Fund Balance, as Restated at December 31, 2010	<u>\$ 1,296,382</u>	<u>\$ -</u>	<u>\$ 175,743</u>	<u>\$ 1,472,125</u>

\* Excludes Capital Project Fund which is presented as a major fund in 2011.

**E. Revenues, Expenditures, and Expenses**

**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 revenues.

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, 2011**

**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 percent 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 percent 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, 2011**

**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 assets.

**3. Expenses**

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

**NOTE 2 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, 2011, based on market prices. Pooled investment earnings for 2011 were \$19,149.

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 percent of the deposits not covered by insurance or corporate surety bonds

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.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

Deposits (Continued)

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, 2011, the balance was fully insured and collateralized 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
- f) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2011, the City had the following investments in its pool:

Type	Maturity Date	Credit Rating	Fair Value	Percent of Total
Repurchase Agreements	Daily	NR	\$ 3,716,881	94.7 %
Minnesota Municipal Money Market Fund (4M)	N/A	NR	6,475	0.2
Federal Home Loan Bank	9/16/2021	AA	200,196	5.1
			<u>\$ 3,923,552</u>	

NR = Not Rated

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

Daily = This investment matures each business day.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

Investments (Continued)

The repurchase agreement investment as of December 31, 2011 represents an ongoing overnight repurchase agreement arrangement at applicable daily quoted rates. Funds are re-deposited to the City's bank account at 8:00 a.m. on the ensuing business day and the agreement is collateralized by federal or federal agency securities.

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.

*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.



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**1. Deposits and Investments (Continued)**

Investments (Continued)

*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	\$ 1,862,535
Investments	3,923,552
Total Cash and Investments	<u>\$ 5,786,087</u>
Governmental Funds	
Cash and Cash Equivalents	\$ 2,405,650
Enterprise Funds	
Cash and Cash Equivalents	3,139,988
Component Unit	149,953
Fiduciary Funds	90,496
Total Cash and Investments	<u>\$ 5,786,087</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 percent. 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 2011 is as follows:

Balance, January 1, 2011	\$ 1,586,666
Cash Distributions	(90,474)
Net Income	<u>202,568</u>
Balance, December 31, 2011	<u>\$ 1,698,760</u>

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.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets**

Capital asset activity for the Primary Government for the year ended December 31, 2011, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital Assets Not Being Depreciated					
Land	\$ 617,741	\$ -	\$ -	\$ -	\$ 617,741
Construction in Progress	51,474	692,709	(7,500)	-	736,683
Total Capital Assets Not Being Depreciated	669,215	692,709	(7,500)	-	1,354,424
Capital Assets Being Depreciated					
Buildings	1,229,498	21,453	-	365,458	1,616,409
Infrastructure	3,227,190	-	-	-	3,227,190
Improvements	168,897	-	-	95,081	263,978
Machinery and Equipment	488,247	13,733	-	121,344	623,324
Vehicles	329,830	-	(35,000)	-	294,830
Total Capital Assets Being Depreciated	5,443,662	35,186	(35,000)	581,883	6,025,731
Less: Accumulated Depreciation for					
Buildings	521,839	27,242	-	139,064	688,145
Infrastructure	2,113,525	86,304	-	-	2,199,829
Improvements	136,656	6,741	-	26,109	169,506
Machinery and Equipment	320,699	28,093	-	97,333	446,125
Vehicles	221,245	24,978	(35,000)	-	211,223
Total Accumulated Depreciation	3,313,964	173,358	(35,000)	262,506	3,714,828
Total Capital Assets Being Depreciated, Net	2,129,698	(138,172)	-	319,377	2,310,903
Governmental Activities Capital Assets, Net	\$ 2,798,913	\$ 554,537	\$ (7,500)	\$ 319,377	\$ 3,665,327

The following is a summary of the proprietary fund capital assets at December 31, 2011:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital Assets Not Being Depreciated					
Land	\$ 113,908	\$ -	\$ -	\$ -	\$ 113,908
Construction in Progress	-	1,049,285	-	-	1,049,285
Total Capital Assets Not Being Depreciated	113,908	1,049,285	-	-	1,163,193
Capital Assets Being Depreciated					
Buildings	1,650,856	45,599	-	(365,458)	1,330,997
Infrastructure	10,759,582	8,016	-	-	10,767,598
Improvements	1,056,370	17,881	-	(95,081)	979,170
Machinery and Equipment	2,531,189	112,344	-	(121,344)	2,522,189
Vehicles	326,094	-	-	-	326,094
Total Capital Assets Being Depreciated	16,324,091	183,840	-	(581,883)	15,926,048
Less: Accumulated Depreciation for					
Buildings	708,674	20,914	-	(139,064)	590,524
Infrastructure	3,097,037	194,651	-	-	3,291,688
Improvements	594,283	16,567	-	(26,109)	584,741
Machinery and Equipment	1,096,966	108,373	-	(97,333)	1,108,006
Vehicles	251,522	16,586	-	-	268,108
Total Accumulated Depreciation	5,748,482	357,091	-	(262,506)	5,843,067
Total Capital Assets Being Depreciated, Net	10,575,609	(173,251)	-	(319,377)	10,082,981
Business-Type Activities Capital Assets, Net	\$ 10,689,517	\$ 876,034	\$ -	\$ (319,377)	\$ 11,246,174

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

During 2011, the City transferred \$581,883 of capital asset costs and \$262,506 of accumulated depreciation between business-type activities and governmental activities for the transfer of the golf fund assets to the parks and recreation fund.

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

<b>Governmental Activities:</b>		
General Government	\$	12,566
Public Safety		11,700
Public Works		114,508
Culture and Recreation		34,584
Total Depreciation Expense - Governmental Activities	\$	<u>173,358</u>
<b>Business-Type Activities:</b>		
Water	\$	61,164
Sewer		119,956
Electric		27,893
Telephone		67,762
Municipal Liquor		760
Cable Television		32,765
Sanitation		2,633
Storm Sewer		21,903
Ambulance		19,813
Broadband Internet		2,442
Total Depreciation Expense - Business-Type Activities	\$	<u>357,091</u>

**B. Interfund Receivables, Payables and Transfers**

The Composition of interfund transfers as of December 31, 2011 is as follows:

	Transfers In:							Total
	General	Debt Service Funds	Capital Projects Funds	Nonmajor Governmental Funds	Telephone Enterprise Funds	Nonmajor Governmental Funds	Government Wide	
Transfer Out:								
General Fund	\$ -	\$ 42,000	\$ -	\$ 7,500	\$ -	\$ -	\$ -	\$ 49,500
Nonmajor Governmental Funds	-	-	-	-	-	26,601	-	26,601
Sewer Enterprise Fund	60,000	-	-	-	-	-	-	60,000
Electric Enterprise Fund	237,500	-	-	-	-	-	-	237,500
Telephone Enterprise Fund	334,458	-	-	-	-	-	-	334,458
Municipal Liquor Enterprise Fund	14,000	-	-	-	-	-	-	14,000
Nonmajor Enterprise Funds	140,000	-	-	-	7,467	-	319,377	466,844
Total	<u>\$ 785,958</u>	<u>\$ 42,000</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 7,467</u>	<u>\$ 26,601</u>	<u>\$ 319,377</u>	<u>\$ 1,188,903</u>

The purpose of the above transfers were to provide funding for operating purposes, maintain balances of unspent budget dollars and other miscellaneous items, with the exception of \$319,377 transferred from the golf enterprise fund to governmental activities, it was the net book value of assets as the fund was closed during 2011.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables and Transfers (Continued)**

The composition of interfund balances at December 31, 2011, is as follows:

**Due To/From Other Funds and Discrete Component Unit**

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 37,066
General Fund	Parks and Rec. Fund	24,188
		<u>\$ 61,254</u>

The interfund receivables/payables noted above are related to the elimination of negative cash balances at year-end and miscellaneous operations of the Parks and Recreation Fund.

**Advances To/From Other Funds and Discrete Component Unit**

Advance To	Advance From	Amount
General Fund	Component Unit - EDA	\$ 12,608
Component Unit - EDA	General Fund	20,000
		<u>\$ 32,608</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.

**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.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**1. Long-Term Debt (Continued)**

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.

**2. Components of Long-Term Debt**

	Authorized and Issued	Outstanding	Due in 2012	
			Principal	Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
General Obligation Bonds, Including Refunding Bonds				
G. O. Taxable Improvement Bonds of 2002; 6.54%, Issued 09/01/02; Final Maturity 09/26/12.	\$ 438,013	\$ 57,527	\$ 57,526	\$ 2,837
G.O. Bonds, Refunding Portion of 2005: 3.50% to 4.10%; Issued 11/09/05; Final Maturity 02/01/16.	460,000	245,000	50,000	8,865
G.O. Bonds of 2006; 3.62%, Issued 12/28/06; Final Maturity 2/01/22.	635,000	635,000	-	25,613
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	1,020,000	935,000	85,000	26,520
G.O. Temporary Improvement Bonds Series 2011A, 4.99%, Issued 9/1/11, Final Maturity 9/1/12.	842,387	842,387	842,387	41,256
Total General Obligation Bonds, Including Refunding Bonds	3,395,400	2,714,914	1,034,913	105,091
Less: Unamortized Discount	-	(14,222)	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	3,395,400	2,700,692	1,034,913	105,091
Capital Leases	36,528	11,894	2,592	1,840
Total Long-Term Debt - Governmental Activities	3,431,928	2,712,586	1,037,505	106,931

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**2. Components of Long-Term Debt (Continued)**

	Authorized and Issued	Outstanding	Due in 2012	
			Principal	Interest
<b>BUSINESS-TYPE ACTIVITIES</b>				
Revenue Bonds				
Electric and Telephone Revenue Bonds of 2001; 3.25% to 5.00% Issued 10/16/01; Final Maturity 02/01/17.	\$ 1,085,000	\$ 530,000	\$ 80,000	\$ 23,670
Water Revenue Bonds of 2002 - WFC; 5.07%, Issued 09/01/02; Final Maturity 09/26/12.	125,560	15,349	15,349	594
G.O. Refunding Utility Revenue Bonds of 2003B; 5.40% to 6.00%, Issued 11/19/03; Final Maturity 02/01/12.	705,000	100,000	100,000	1,875
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	690,000	35,000	32,593
Total Revenue Bonds	2,705,560	1,335,349	230,349	58,732
Less: Unamortized Discount	-	(14,878)	-	-
Total Revenue Bonds - Net	2,705,560	1,320,471	230,349	58,732
General Obligation Bonds				
G.O. Improvement Bonds of 2005A; 3.50% to 4.55%, Issued 11/09/05; Final Maturity 02/01/26.	970,000	795,000	40,000	33,626
G.O. Bonds of 2006A; 3.62%, Issued 12/28/06; Final Maturity 2/01/22.	245,000	190,000	15,000	7,341
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	3,328,000	215,000	51,917
G.O. Refunding Bonds Series 2010A, 1.00% to 2.20%, Issued 01/7/10; Final Maturity 02/01/14.	200,000	150,000	50,000	2,350
G.O. Temporary Improvement Bonds Series 2011A, 4.99%, Issued 9/1/11, Final Maturity 9/1/12.	1,172,613	1,172,613	1,172,613	59,369
Total General Obligation Bonds	6,725,253	5,635,613	1,492,613	154,603
Less: Unamortized Discount	-	(12,413)	-	-
Total General Obligation Bonds - Net	6,725,253	5,623,200	1,492,613	154,603
Total Long-Term Debt - Business-Type Activities	9,430,813	6,943,671	1,722,962	213,335
Total Government-Wide Long-Term Liabilities	\$ 12,862,741	\$ 9,656,257	\$ 2,760,467	\$ 320,266
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>				
Revenue Bonds				
Lease Revenue Bonds of 2009; 2.25%, Issued 09/15/09; Final Maturity 09/15/2022.	\$ 31,500	\$ 20,691	\$ 2,082	\$ 618

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**3. Changes in Long-Term Debt**

	December 31, 2010	Additions	Retirements	December 31, 2011	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Debt, Including					
Refunding Bonds	\$ 2,056,467	\$ 842,387	\$ 183,940	\$ 2,714,914	\$ 1,034,913
Less: Unamortized Discounts	(14,209)	(2,106)	(2,093)	(14,222)	-
Capital Lease Obligations	19,677	-	7,783	11,894	2,592
Compensated Absences Payable	96,971	63,802	71,653	89,120	66,840
Other Postemployment Benefits Payable	38,599	18,907	259	57,247	-
Total Governmental Activities	<u>\$ 2,197,505</u>	<u>\$ 922,990</u>	<u>\$ 261,542</u>	<u>\$ 2,858,953</u>	<u>\$ 1,104,345</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds	\$ 1,555,179	\$ -	\$ 219,830	\$ 1,335,349	\$ 230,349
Revenue Notes	3,539,000	-	211,000	3,328,000	215,000
General Obligation Bonds	1,240,000	1,172,613	105,000	2,307,613	1,277,613
Less: Unamortized Discounts	(29,250)	(2,932)	(4,891)	(27,291)	-
Compensated Absences Payable	22,453	27,729	29,980	20,202	15,152
Other Postemployment Benefits Payable	11,353	5,561	76	16,838	-
Total Business-Type Activities	<u>\$ 6,338,735</u>	<u>\$ 1,202,971</u>	<u>\$ 560,995</u>	<u>\$ 6,980,711</u>	<u>\$ 1,738,114</u>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>					
Revenue Bonds **	\$ 22,727	\$ -	\$ 2,036	\$ 20,691	\$ 2,082
Other Postemployment Benefits Payable	1,890	926	13	2,803	-
Special Assessments Payable	129,768	140,507	129,768	140,507	-
Total Discretely Presented Component Unit	<u>\$ 154,385</u>	<u>\$ 141,433</u>	<u>\$ 131,817</u>	<u>\$ 164,001</u>	<u>\$ 2,082</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 2012.

**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
2012	\$ 1,034,913	\$ 105,091	\$ 1,140,004	\$ 2,082	\$ 618	\$ 2,700
2013	190,000	56,604	246,604	2,129	571	2,700
2014	195,000	50,686	245,686	2,177	523	2,700
2015	180,000	44,504	224,504	2,226	474	2,700
2016	165,000	38,565	203,565	2,276	424	2,700
2015 - 2019	710,000	117,170	827,170	9,801	1,331	11,132
2020 - 2024	240,001	8,215	248,216	-	99	99
Total	<u>\$ 2,714,914</u>	<u>\$ 420,835</u>	<u>\$ 3,135,749</u>	<u>\$ 20,691</u>	<u>\$ 4,040</u>	<u>\$ 24,731</u>

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**4. Minimum Debt Payments (Continued)**

Year	Business-Type Activities					
	Revenue Bonds			G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 230,349	\$ 58,732	\$ 289,081	\$ 1,277,613	\$ 102,686	\$ 1,380,299
2013	120,000	51,078	171,078	105,000	40,367	145,367
2014	125,000	45,398	170,398	110,000	37,090	147,090
2015	130,000	39,398	169,398	60,000	34,132	94,132
2016	140,000	33,063	173,063	60,000	31,694	91,694
2015 - 2019	345,000	99,513	444,513	355,000	115,825	470,825
2020 - 2024	245,000	31,500	276,500	340,000	37,790	377,790
Total	<u>\$ 1,335,349</u>	<u>\$ 358,682</u>	<u>\$ 1,694,031</u>	<u>\$ 2,307,613</u>	<u>\$ 399,584</u>	<u>\$ 2,707,197</u>

Year	G.O. Revenue Note			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 215,000	\$ 51,917	\$ 266,917	\$ 1,722,962	\$ 213,335	\$ 1,936,297
2013	218,000	48,563	266,563	443,000	140,008	583,008
2014	221,000	45,162	266,162	456,000	127,650	583,650
2015	225,000	41,714	266,714	415,000	115,244	530,244
2016	228,000	38,204	266,204	428,000	102,961	530,961
2015 - 2019	1,196,000	136,516	1,332,516	1,896,000	351,854	2,247,854
2020 - 2024	1,025,000	40,264	1,065,264	1,610,000	109,554	1,719,554
Total	<u>\$ 3,328,000</u>	<u>\$ 402,340</u>	<u>\$ 3,730,340</u>	<u>\$ 6,970,962</u>	<u>\$ 1,160,606</u>	<u>\$ 8,131,568</u>

**5. Temporary Debt Issued**

During 2011, the City of Barnesville issued General Obligation Temporary Improvement Bonds, Series 2011A in the amount of \$2,015,000 with an interest rate of 4.99 percent. The bond matures on September 1, 2012.



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 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 percent. The note is disbursed under the Public Facilities Authority, as of December 31, 2011 the City did not draw any funds on this note.

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 percent. The note is disbursed under the Public Facilities Authority, as of December 31, 2011 the City did not draw any funds on this note.

Subsequent to year-end, the City made a draw down on both of these notes and are being used to refund each of the respective funds' temporary bonds as discussed in Not 2 C 5 above.

**7. Notes Payable – Component Unit**

The balance of \$1,553 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 2008, the City entered into a 48-month lease with Ford Motor Company for the purchase of a police vehicle. Annual installments including interest are \$5,857. At December 31, 2011, the City has assets under this capital lease of \$21,178 with related accumulated depreciation of \$9,707.

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, 2011, the City has assets under this capital lease of \$15,000 with related accumulated depreciation of \$4,500.

The future minimum lease payments are as follows:

<b>Capital Leases</b>	
<u>Year</u>	<u>Minimum Payments</u>
2012	\$ 4,095
2013	4,095
2014	4,095
2015	3,071
Total Minimum Lease Payments	15,356
Less: Amounts Representing Interest	(3,462)
Present Value of Minimum Lease Payments	<u>\$ 11,894</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 2 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:

<u>Operating Lease</u>	
<u>Year</u>	<u>Minimum Payments</u>
2012	\$ 1,228
2013	1,228
2014	1,229
2015	1,229
Total Minimum Lease Payments	<u>\$ 4,914</u>

**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, 2011.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 3 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 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent 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, 2011**

**NOTE 3 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](http://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 6.00%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.40% of their annual covered salary in 2011. 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, 2011, 2010, and 2009 were as follows:

Year	General Employees Retirement Fund	Public Employees Police and Fire Fund
2011	\$ 64,167	\$ 39,841
2010	61,209	37,103
2009	51,594	35,320

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, 2011**

**NOTE 3 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, 2011, were as follows:

Annual Required Contribution	\$ -
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	24,497
Annual Pension Cost	24,497
Less Contribution Made	(24,497)
Increase (Decrease) in Net Pension Obligation	-
Net Pension Obligation - Beginning of Year	-
Net Pension Obligation - End of Year	\$ -

The adjustment to annual required contribution above consists of \$15,454 of State Fire Aid and \$9,043 of voluntary contributions made by the City.

The annual required contribution for the current year was determined as part of December 31, 2011, 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 assets available for benefits exceeded the pension benefit obligation at December 31, 2011, 2010, and 2009.

**Three-Year Trend Information**

Disclosure	2011	2010	2009
Annual Pension Cost (APC)	\$ 24,497	\$ 21,839	\$ 20,512
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, 2011**

**NOTE 3 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 2011, 2010 and 2009.

Funding Progress

As of December 31, 2011 (the most recent available information), the plan was underfunded by \$536. Additional information on the funding progress is included in the required supplementary information section of this report.

Related-Party Investments

As of December 31, 2011, and for the year then ended, the Association held no securities issued by the City or other related-parties.

**NOTE 4 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In 2009, the City implemented the requirements of a new accounting statement GASB No. 45, Accounting and Financial Reporting by Employers for 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, 2011**

**NOTE 4 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 2011, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	City	EDA
Annual Required Contribution (ARC)	\$ 25,245	\$ 955
Interest on Net OPEB Obligation	2,248	85
Adjustment to ARC	(3,025)	(114)
Annual OPEB Cost	24,468	926
Contributions During the Year	(335)	(13)
Increase in Net OPEB Obligation	24,133	913
Net OPEB - Beginning of the Year	49,952	1,890
Net OPEB - End of the Year	<u>\$ 74,085</u>	<u>\$ 2,803</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, 2011	City	\$ 24,468	\$ 335	- %	\$ 74,085
December 31, 2010	City	24,865	159	-	49,951
December 31, 2009	City	25,245	-	-	25,245
December 31, 2011	EDA	926	13	-	2,803
December 31, 2010	EDA	941	6	-	1,890
December 31, 2009	EDA	955	-	-	955

**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)
1/1/2009	City	\$ -	\$ 139,980	\$ 139,980	- %	\$ 856,740	16.3 %

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 4 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, 2009 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 9.00% 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 5 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.

**Construction Commitment**

The City is currently in the process of reconstructing Front Street which includes water, sewer and resurfacing of the street. Clay County is administering the contract on behalf of the City. The County bills the City for their portion and it is estimated that between the three portions of the project the City has an obligation of approximately \$260,000 remaining as of December 31, 2011.

**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.



## **REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**



**CITY OF BARNESVILLE, MINNESOTA  
BARNESVILLE FIREMAN'S RELIEF ASSOCIATION  
SCHEDULE OF FUNDING PROGRESS  
DECEMBER 31, 2011**

<u>Fiscal Year End</u>	<u>Value of Assets (a)</u>	<u>Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Benefit Per Year of Services</u>
12/31/2010	\$ 197,486	\$ 198,022	\$ 536	99.7 %	\$ 700
12/31/2009	179,802	181,244	1,442	99.2	600
12/31/2008	132,653	165,317	32,664	80.2	600

Additional information relating to the pension plan is provided in Note 3.B.  
The December 31, 2011 report is not yet available.

**CITY OF BARNESVILLE, MINNESOTA  
OTHER POSTEMPLOYMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
DECEMBER 31, 2011**

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)
1/1/2009	City	\$ -	\$ 139,980	\$ 139,980	- %	\$ 856,740	16.3 %

**CITY OF BARNESVILLE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 45,982	\$ 45,982	\$ 38,392	\$ (7,590)
Special assessments	7,700	7,700	12,200	4,500
Licenses and Permits	17,250	17,250	21,549	4,299
Intergovernmental	818,717	818,717	711,850	(106,867)
Charges for Services	1,400	1,400	2,634	1,234
Fines and Forfeits	6,200	6,200	7,930	1,730
Interest on Investments	11,111	11,111	19,149	8,038
Miscellaneous	34,747	34,747	43,660	8,913
Total Revenues	943,107	943,107	857,364	(85,743)
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government	605,724	605,724	585,662	(20,062)
Public Safety	507,363	507,363	505,043	(2,320)
Public Works	340,571	340,571	233,328	(107,243)
Parks and Recreation	1,825	1,825	1,655	(170)
Airport	1,475	1,475	1,327	(148)
Economic Development	154,530	154,530	140,381	(14,149)
Capital Outlay				
General Government	19,800	19,800	21,739	1,939
Public Safety	11,600	11,600	4,446	(7,154)
Debt service				
Principal	5,528	5,528	7,783	2,255
Interest and Other Charges	1,055	1,055	1,055	-
Total Expenditures	1,649,471	1,649,471	1,502,419	(147,052)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(706,364)	(706,364)	(645,055)	61,309
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	719,000	719,000	785,958	66,958
Transfers Out	(112,741)	(112,741)	(49,500)	63,241
Proceeds of Sale of Capital Assets	-	-	2,724	2,724
Total Other Financing Sources (Uses)	606,259	606,259	739,182	132,923
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (100,105)</u>	<u>\$ (100,105)</u>	94,127	<u>\$ 194,232</u>
Fund Balance - Beginning of Year			1,296,382	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,390,509</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, 2011**

**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.

## **SUPPLEMENTARY INFORMATION**





**CITY OF BARNESVILLE, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	Parks and Recreation	DARE	Small Cities	TIF Districts	Youth Alive Early Prevention	Total Nonmajor Funds
<b>ASSETS</b>						
Cash and Investments	\$ 208,376	\$ 5,892	\$ 10,466	\$ -	\$ 3,480	\$ 228,214
Accounts Receivable	5,330	-	-	-	-	5,330
Inventory	1,200	-	-	-	-	1,200
Notes Receivable	-	-	22,250	-	-	22,250
Total Assets	<u>\$ 214,906</u>	<u>\$ 5,892</u>	<u>\$ 32,716</u>	<u>\$ -</u>	<u>\$ 3,480</u>	<u>\$ 256,994</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 1,288	\$ -	\$ -	\$ -	\$ 1,343	\$ 2,631
Due to Other Funds	24,188	-	-	-	-	24,188
Salaries and Benefits Payable	5,113	-	-	-	-	5,113
Deferred Revenue	-	-	22,332	-	-	22,332
Total Liabilities	30,589	-	22,332	-	1,343	54,264
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable Inventory	1,200	-	-	-	-	1,200
Restricted for Dare Program	-	5,892	-	-	-	5,892
Restricted for Program Income	-	-	10,384	-	-	10,384
Restricted for Contracted Services	-	-	-	-	2,137	2,137
Committed for Park Capital Outlay	50,180	-	-	-	-	50,180
Committed for Park Operations	132,937	-	-	-	-	132,937
Total Fund Balances	184,317	5,892	10,384	-	2,137	202,730
Total Liabilities and Fund Balances	<u>\$ 214,906</u>	<u>\$ 5,892</u>	<u>\$ 32,716</u>	<u>\$ -</u>	<u>\$ 3,480</u>	<u>\$ 256,994</u>

**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Parks and Recreation	DARE	Small Cities	TIF Districts	Youth Alive Early Prevention	Total Nonmajor Funds
<b>REVENUES</b>						
Taxes	\$ 276,358	\$ -	\$ -	\$ -	\$ -	\$ 276,358
Tax Increments	-	-	-	127,302	-	127,302
Intergovernmental	-	-	-	14,022	-	14,022
Charges for Services	56,054	-	-	-	-	56,054
Gifts and Contributions	25	50	-	-	-	75
Interest on Investments	60	3	4	-	2	69
Miscellaneous	3,646	-	4,102	-	-	7,748
Total Revenues	336,143	53	4,106	141,324	2	481,628
<b>EXPENDITURES</b>						
<b>CURRENT</b>						
Public Safety	-	1,944	-	-	15,411	17,355
Parks and Recreation	256,478	-	-	-	-	256,478
Economic Development	-	-	-	146,997	-	146,997
Capital Outlay						
Parks and Recreation	14,710	-	-	-	-	14,710
Total Expenditures	271,188	1,944	-	146,997	15,411	435,540
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	64,955	(1,891)	4,106	(5,673)	(15,409)	46,088
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	-	7,500	7,500
Transfers Out	(26,601)	-	-	-	-	(26,601)
Total Other Financing Sources (Uses)	(26,601)	-	-	-	7,500	(19,101)
<b>NET CHANGE IN FUND BALANCES</b>	38,354	(1,891)	4,106	(5,673)	(7,909)	26,987
Fund Balance (Deficit) - Beginning of Year	145,963	7,783	6,278	5,673	10,046	175,743
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 184,317</u>	<u>\$ 5,892</u>	<u>\$ 10,384</u>	<u>\$ -</u>	<u>\$ 2,137</u>	<u>\$ 202,730</u>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
DECEMBER 31, 2011**

	Sanitation	Storm Sewer	Golf Course	Ambulance	Broadband Internet	Total Nonmajor Proprietary Funds
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 88,979	\$ 194,956	\$ -	\$ 98,303	\$ 359,130	\$ 741,368
Accounts Receivable - Net	37,557	6,362	-	42,197	37,007	123,123
Total Current Assets	126,536	201,318	-	140,500	396,137	864,491
<b>NONCURRENT ASSETS</b>						
Capital Assets						
Land	-	13,077	-	-	-	13,077
Buildings (Net)	109,381	-	-	2,861	-	112,242
Infrastructure (Net)	-	562,492	-	-	-	562,492
Machinery and Equipment (Net)	-	16,391	-	55,390	7,529	79,310
Vehicles (Net)	-	-	-	50,221	-	50,221
Net Capital Assets	109,381	591,960	-	108,472	7,529	817,342
Total Assets	235,917	793,278	-	248,972	403,666	1,681,833
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payable	11,804	-	-	1,380	43	13,227
Salaries and Benefits Payable	945	-	-	5,947	266	7,158
Due to Other Governments	1,449	-	-	-	-	1,449
Compensated Absences - Due Within One Year	784	-	-	1,769	688	3,241
Total Current Liabilities	14,982	-	-	9,096	997	25,075
<b>NONCURRENT LIABILITIES</b>						
Compensated Absences - Due in More than One Year	261	-	-	590	229	1,080
Other Postemployment Benefits Payable - Due in More than One Year	137	-	-	374	1,104	1,615
Total Noncurrent Liabilities	398	-	-	964	1,333	2,695
Total Liabilities	15,380	-	-	10,060	2,330	27,770
<b>NET ASSETS (DEFICIT)</b>						
Invested in Capital Assets	109,381	591,960	-	108,472	7,529	817,342
Unrestricted	111,156	201,318	-	130,440	393,807	836,721
Total Net Assets	\$ 220,537	\$ 793,278	\$ -	\$ 238,912	\$ 401,336	\$ 1,654,063

**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2011**

	Sanitation	Storm Sewer	Golf Course	Ambulance	Broadband Internet	Total Nonmajor Proprietary Funds
<b>OPERATING REVENUES</b>						
Charges for Services	\$ 179,042	\$ 29,081	\$ 103,630	\$ 288,221	\$ 207,980	\$ 807,954
<b>OPERATING EXPENDITURES</b>						
Professional Services	131,673	-	24,720	22,763	-	179,156
Wages, Salaries, and Compensation	23,692	-	51,525	149,517	12,161	236,895
Repairs and Maintenance	61	-	10,310	7,212	-	17,583
Insurance	2,186	-	8,538	6,083	-	16,807
Utilities	-	-	3,840	-	-	3,840
Depreciation	2,633	21,903	-	19,813	2,442	46,791
Materials and Supplies	924	-	15,053	23,220	11,402	50,599
Miscellaneous Expenses	22,061	-	5,051	35,794	27,856	90,762
Medicare/Medicaid Fee Reductions	-	-	-	117,243	-	117,243
Total Operating Expenses	183,230	21,903	119,037	381,645	53,861	759,676
<b>OPERATING INCOME (LOSS)</b>	(4,188)	7,178	(15,407)	(93,424)	154,119	48,278
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Taxes	-	-	25,000	43,680	-	68,680
Investment Income	42	79	4	42	80	247
Intergovernmental Grants	27,534	-	251	6,750	-	34,535
Miscellaneous - Nonoperating	-	-	3,233	22,484	5	25,722
Gain on Sale of Capital Assets	-	-	7,083	-	-	7,083
Total Nonoperating Revenues (Expenses)	27,576	79	35,571	72,956	85	136,267
Income (Loss) before Transfers	23,388	7,257	20,164	(20,468)	154,204	184,545
Transfers In	-	-	26,601	-	-	26,601
Transfers Out	(15,000)	-	(319,377)	-	(132,467)	(466,844)
<b>CHANGE IN NET ASSETS</b>	8,388	7,257	(272,612)	(20,468)	21,737	(255,698)
Net Assets - Beginning of Year	212,149	786,021	272,612	259,380	379,599	1,909,761
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 220,537</u>	<u>\$ 793,278</u>	<u>\$ -</u>	<u>\$ 238,912</u>	<u>\$ 401,336</u>	<u>\$ 1,654,063</u>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2011**

	Sanitation	Storm Sewer	Golf Course	Ambulance	Broadband Internet	Total Nonmajor Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Customers and Users	\$ 176,268	\$ 28,098	\$ 103,838	\$ 291,699	\$ 216,389	\$ 816,292
Payments to Suppliers	(157,935)	-	(67,003)	(212,747)	(40,795)	(478,480)
Payments to Employees	(23,600)	-	(51,594)	(147,607)	(12,278)	(235,079)
Net Cash Provided (Used) by Operating Activities	(5,267)	28,098	(14,759)	(68,655)	163,316	102,733
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Transfers In	-	-	26,601	-	-	26,601
Transfers Out	(15,000)	-	-	-	(132,467)	(147,467)
Interfund Borrowings	-	-	(24,188)	-	-	(24,188)
Taxes	-	-	25,000	43,680	-	68,680
Other Miscellaneous Receipts	-	-	3,233	22,484	5	25,722
Grant Receipts	27,534	-	251	6,750	-	34,535
Net Cash Provided (Used) by Noncapital and Related Financing Activities	12,534	-	30,897	72,914	(132,462)	(16,117)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Disposal of Capital Assets	-	-	7,083	-	-	7,083
Acquisition of Capital Assets	-	-	(23,225)	(5,844)	-	(29,069)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(16,142)	(5,844)	-	(21,986)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and Dividends Received	42	79	4	42	80	247
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,309	28,177	-	(1,543)	30,934	64,877
Cash and Cash Equivalents - Beginning of Year	81,670	166,779	-	99,846	328,196	676,491
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 88,979</u>	<u>\$ 194,956</u>	<u>\$ -</u>	<u>\$ 98,303</u>	<u>\$ 359,130</u>	<u>\$ 741,368</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ (4,188)	\$ 7,178	\$ (15,407)	\$ (93,424)	\$ 154,119	\$ 48,278
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation Expense	2,633	21,903	-	19,813	2,442	46,791
(Increase) Decrease in Assets						
Accounts Receivable	(2,774)	(983)	208	3,478	8,409	8,338
Inventory	-	-	1,200	-	-	1,200
Increase (Decrease) in Liabilities						
Accounts Payable	472	-	(687)	(432)	(1,537)	(2,184)
Salaries and Benefits Payable	198	-	(69)	65	(121)	73
Other Postemployment Benefits Payable	44	-	-	122	360	526
Due to Other Governments	(1,502)	-	(4)	-	-	(1,506)
Compensated Absences Payable	(150)	-	-	1,723	(356)	1,217
Total Adjustments	(1,079)	20,920	648	24,769	9,197	54,455
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,267)</u>	<u>\$ 28,098</u>	<u>\$ (14,759)</u>	<u>\$ (68,655)</u>	<u>\$ 163,316</u>	<u>\$ 102,733</u>
<b>NONCASH TRANSACTIONS</b>						
Transfer of Capital Assets Due to Closing of Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (319,377)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (319,377)</u>

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## **OTHER COMBINING SCHEDULES**

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND – BY BOND ISSUE  
DECEMBER 31, 2011**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 186,817	\$ 55,333	\$ 187,122	\$ 34,008
Taxes Receivable				
Delinquent	-	-	1,027	205
Special Assessments Receivable				
Delinquent	-	1,675	4,705	-
Deferred	201,871	136,980	286,286	1,199,043
Total Assets	<u>\$ 388,688</u>	<u>\$ 193,988</u>	<u>\$ 479,140</u>	<u>\$ 1,233,256</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Deferred Revenue	\$ 201,871	\$ 137,329	\$ 288,843	\$ 1,199,043
<b>FUND BALANCES (DEFICIT)</b>				
Restricted for Debt Repayment	186,817	56,659	190,297	34,213
Total Liabilities and Fund Balances	<u>\$ 388,688</u>	<u>\$ 193,988</u>	<u>\$ 479,140</u>	<u>\$ 1,233,256</u>



Refunding Bonds	Improvement Bonds	Debt Service Fund
\$ 192,092	\$ 17,602	\$ 672,974
6,188	-	7,420
61,276	-	67,656
<u>387,908</u>	<u>257,509</u>	<u>2,469,597</u>
<u>\$ 647,464</u>	<u>\$ 275,111</u>	<u>\$ 3,217,647</u>

\$ 420,037	\$ 257,509	\$ 2,504,632
<u>227,427</u>	<u>17,602</u>	<u>713,015</u>
<u>\$ 647,464</u>	<u>\$ 275,111</u>	<u>\$ 3,217,647</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, 2011**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 30,695	\$ 6,139
Special assessments	64,285	42,037	63,124	28,381
Investment Earnings	305	560	134	18
Total Revenues	64,590	42,597	93,953	34,538
<b>EXPENDITURES</b>				
Debt Service				
Principal	-	53,940	45,000	-
Interest	-	6,421	10,999	25,910
Total Expenditures	-	60,361	55,999	25,910
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	64,590	(17,764)	37,954	8,628
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	35,000	7,000
<b>NET CHANGE IN FUND BALANCE</b>	64,590	(17,764)	72,954	15,628
Fund Balance (Deficit) - Beginning of Year	122,227	74,423	117,343	18,585
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 186,817</u>	<u>\$ 56,659</u>	<u>\$ 190,297</u>	<u>\$ 34,213</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds	Total Debt Service Fund
\$ 55,463	\$ -	\$ 92,297
85,878	17,601	301,306
1,024	1	2,042
142,365	17,602	395,645
85,000	-	183,940
27,539	-	70,869
112,539	-	254,809
29,826	17,602	140,836
-	-	42,000
29,826	17,602	182,836
197,601	-	530,179
\$ 227,427	\$ 17,602	\$ 713,015

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**CITY OF BARNESVILLE, MINNESOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND – BY PROJECT  
DECEMBER 31, 2011**

	Heartland Addition	C.S.A.H. 52 Projects	McGrath & City Center Projects	Total Capital Projects Fund
<b>ASSETS</b>				
Cash and Pooled Investments	\$ -	\$ 153,013	\$ -	\$ 153,013
<b>LIABILITIES AND FUND DEFICITS</b>				
<b>LIABILITIES</b>				
Due to Other Funds	\$ 29,566	\$ -	\$ 7,500	\$ 37,066
Accounts Payable	-	8,979	-	8,979
Total Liabilities	29,566	8,979	7,500	46,045
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for Front Street Project	-	144,034	-	144,034
Unassigned	(29,566)	-	(7,500)	(37,066)
Total Fund Balances	(29,566)	144,034	(7,500)	106,968
Total Liabilities and Fund Balances (Deficits)	\$ -	\$ 153,013	\$ -	\$ 153,013

**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUND – BY PROJECT**  
**YEAR ENDED DECEMBER 31, 2011**

	Heartland Addition	C.S.A.H. 52 Projects	McGrath & City Center Projects	Total Capital Projects Fund
<b>REVENUES</b>				
Investment Earnings	\$ -	\$ 89	\$ -	\$ 89
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
Debt Service				
Bond Issue Costs	-	8,152	-	8,152
<b>CAPITAL OUTLAY</b>				
Public Works	-	692,708	-	692,708
Total Expenditures	-	700,860	-	700,860
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(700,771)	-	(700,771)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Proceeds	-	842,387	-	842,387
Discounts on Bonds Issued	-	(2,106)	-	(2,106)
Total Other Financing Sources (Uses)	-	840,281	-	840,281
<b>NET CHANGE IN FUND BALANCE</b>	-	139,510	-	139,510
Fund Balance (Deficit) - Beginning of Year	(29,566)	4,524	(7,500)	(32,542)
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ (29,566)</u>	<u>\$ 144,034</u>	<u>\$ (7,500)</u>	<u>\$ 106,968</u>

## **OTHER REPORTS SECTION**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Barnesville's internal control over financial reporting as a basis for designing our auditing procedures 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 of Barnesville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control over financial reporting 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2011-01, 2011-02, and 2011-03 in the accompanying schedule of findings and recommendations 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 of 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Barnesville's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, and state and federal grantor agencies; and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Clifton Larson Allen in cursive script.

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 30, 2012



CliftonLarsonAllen LLP  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the City of Barnesville's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Barnesville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Honorable Mayor and  
Members of the City Council  
City of Barnesville

### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Barnesville's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

  
**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 30, 2012

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**CITY OF BARNESVILLE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Barnesville, Minnesota.
2. Three significant deficiencies in internal control were disclosed by the audit of the basic financial statements of the City of Barnesville and is reported in the "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*" as finding 2011-01, 2011-02, and 2011-03 and are considered to be material weaknesses.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal awards programs for the City expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the City were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

Capitalization Grants for Clean Water State Revolving Funds	CFDA No. 66.458
Capitalization Grants for Drinking Water State Revolving Funds	CFDA No. 66.468
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City did not qualify, under federal guidelines, as a low-risk auditee.

**CITY OF BARNESVILLE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2011**

**MATERIAL WEAKNESSES**

2011-01 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 the possible further segregation of duties within the City office until it becomes cost prohibitive.

2011-02 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 assets, 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 QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2011**

**MATERIAL WEAKNESSES (CONTINUED)**

2011-02 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 try and obtain additional training and knowledge required to ensure all adjusting and closing entries are made prior to the audit.

2011-03 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 their 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 QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2011**

**OTHER ITEMS FOR CONSIDERATION (LEGAL COMPLIANCE):**

None Noted.

**PREVIOUSLY REPORTED ITEMS RESOLVED**

CONTRACT COMPLIANCE (2010-04)

We were not presented with documentation of a Form IC-134 for projects the City had paid a final payment on.

RESOLUTION

The City obtained the required forms for 2011.



**CITY OF BARNESVILLE, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011**

FEDERAL AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>PRIMARY GOVERNMENT</b>		
<b>U.S. DEPARTMENT OF ENERGY</b>		
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	\$ 20,485
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Occupational Safety and Health State Program	93.568	48,929
<b>OFFICE OF WATER, ENVIRONMENTAL PROTECTION AGENCY</b>		
<b>Passed Through Minnesota Public Facilities Authority</b>		
Capitalization Grants for Clean Water State Revolving Funds	66.458	512,203
Capitalization Grants for Drinking Water State Revolving Funds	66.468	537,082
Total Office of Water, Environmental Protection Agency		<u>1,049,285</u>
Total Federal Awards		<u>\$ 1,118,699</u>

Notes to Schedule of Expenditures of Federal Awards:

- 1 The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the City of Barnesville. The City's reporting entity is defined in Note 1 to the basic financial statements.
- 2 The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the City.

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## REPORT ON MINNESOTA LEGAL COMPLIANCE

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

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, Minnesota, as of and for the year ended December 31, 2011, and have issued our report thereon dated April 30, 2012.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing districts, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota  
April 30, 2012

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