

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2015

**CITY OF BARNESVILLE, MINNESOTA
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DECEMBER 31, 2015**

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INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2015**

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

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barnesville (City), Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2015, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As of December 31, 2015, the City adopted Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pensions* and GASBS Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASBS No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the City reported a restatement for the change in accounting principle (see Note 8.) Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Supplementary Information

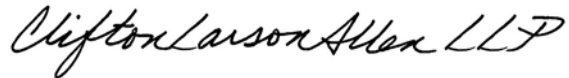
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, the debt service fund by bond issue financial statements, and the capital projects fund by project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

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

Honorable Mayor and
Members of the City Council
City of Barnesville

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 8, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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, 2015. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year (2015) and the prior year (2014) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 include the following:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,310,396 (net position). Of this amount, \$8,509,242 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$2,624,142 or 14.0% over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$2,426,574, an increase of \$190,469 in comparison to the prior year. Approximately 29.8% of this amount, or \$724,096, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$54,007, or 2.8% of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

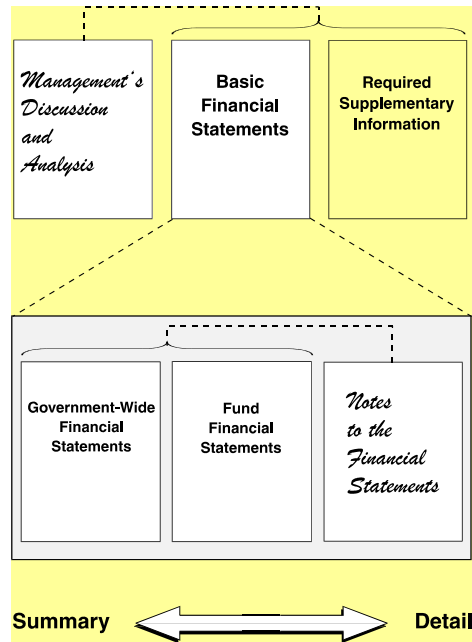
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

City-Wide Statements

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

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

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

- 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.

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 ten 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, ambulance, sanitation, storm sewer, and broadband internet services. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.
- *Fiduciary Funds* – The City is the fiscal agent, or fiduciary, for assets that belong to others. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City-wide financial statements because the City cannot use these assets to finance its operations.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$20,310,396 on December 31, 2015 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 5,154,568	\$ 4,534,882	\$ 8,202,361	\$ 8,424,419	\$ 13,356,929	\$ 12,959,301
Capital Assets	5,089,618	4,429,597	13,933,270	13,357,302	19,022,888	17,786,899
Total Assets	10,244,186	8,964,479	22,135,631	21,781,721	32,379,817	30,746,200
Deferred Outflows of Resources	162,776	-	51,067	-	213,843	-
Current Liabilities	475,922	438,713	788,245	996,876	1,264,167	1,435,589
Long-Term Liabilities	2,743,209	2,289,053	8,126,684	8,329,639	10,869,893	10,618,692
Total Liabilities	3,219,131	2,727,766	8,914,929	9,326,515	12,134,060	12,054,281
Deferred Inflows of Resources	109,162	-	40,042	-	149,204	-
Net Position						
Net Investment in Capital Assets	2,949,760	2,038,618	5,771,642	5,632,512	8,721,402	7,671,130
Restricted	3,079,752	2,811,330	-	-	3,079,752	2,811,330
Unrestricted	1,049,157	1,386,765	7,460,085	6,822,694	8,509,242	8,209,459
Total Net Position	<u>\$ 7,078,669</u>	<u>\$ 6,236,713</u>	<u>\$ 13,231,727</u>	<u>\$ 12,455,206</u>	<u>\$ 20,310,396</u>	<u>\$ 18,691,919</u>

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$9,894,043 for the year ended December 31, 2015. Property taxes and intergovernmental revenues accounted for 29.0% of total revenue for the year, while user charges accounted for 62.4% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 234,363	\$ 224,678	\$ 5,943,906	\$ 5,783,333	\$ 6,178,269	\$ 6,008,011
Operating Grants and Contributions	157,216	54,740	76,606	40,890	233,822	95,630
Capital Grants and Contributions	1,182,553	137,808	12,388	17,251	1,194,941	155,059
<u>General Revenues</u>						
Property Taxes	613,580	554,693	52,000	44,000	665,580	598,693
Tax Increments	167,651	136,920	-	-	167,651	136,920
Unrestricted State Aid	770,477	757,801	-	-	770,477	757,801
Investment Earnings	20,808	35,950	10,054	36,125	30,862	72,075
Other	61,925	78,431	590,516	580,690	652,441	659,121
Total Revenues	3,208,573	1,981,021	6,685,470	6,502,289	9,894,043	8,483,310
EXPENSES						
General Government	606,753	605,031	-	-	606,753	605,031
Public Safety	519,686	619,257	-	-	519,686	619,257
Public Works	523,421	576,407	-	-	523,421	576,407
Culture and Recreation	464,440	383,296	-	-	464,440	383,296
Economic Development	289,959	306,365	-	-	289,959	306,365
Interest	60,588	67,290	-	-	60,588	67,290
Water	-	-	287,890	396,230	287,890	396,230
Sewer	-	-	390,330	348,342	390,330	348,342
Electric	-	-	1,900,025	1,870,287	1,900,025	1,870,287
Telephone	-	-	582,556	758,507	582,556	758,507
Municipal Liquor	-	-	404,095	373,088	404,095	373,088
Cable Television	-	-	429,049	426,842	429,049	426,842
Sanitation	-	-	192,535	187,097	192,535	187,097
Storm Sewer	-	-	21,902	21,902	21,902	21,902
Ambulance	-	-	471,364	417,284	471,364	417,284
Broadband Internet	-	-	125,308	110,959	125,308	110,959
Total Expenses	2,464,847	2,557,646	4,805,054	4,910,538	7,269,901	7,468,184
Transfers	757,747	730,250	(757,747)	(730,250)	-	-
CHANGE IN NET POSITION	1,501,473	153,625	1,122,669	861,501	2,624,142	1,015,126
Net Position - Beginning of Year	6,236,713	6,083,088	12,455,206	11,593,705	18,691,919	17,676,793
Change in Accounting Principle	(659,517)	-	(346,148)	-	(1,005,665)	-
Net Position - Beginning of Year, As Restated	5,577,196	6,083,088	12,109,058	11,593,705	17,686,254	17,676,793
NET POSITION - END OF YEAR	<u>\$ 7,078,669</u>	<u>\$ 6,236,713</u>	<u>\$ 13,231,727</u>	<u>\$ 12,455,206</u>	<u>\$ 20,310,396</u>	<u>\$ 18,691,919</u>

Total revenues surpassed expenses, increasing city-wide net position by \$2,624,142 as compared to an increase of \$1,015,126 in 2014. The increase in net position for 2015 is primarily due to the receipt of federal and state grants to fund capital improvements.

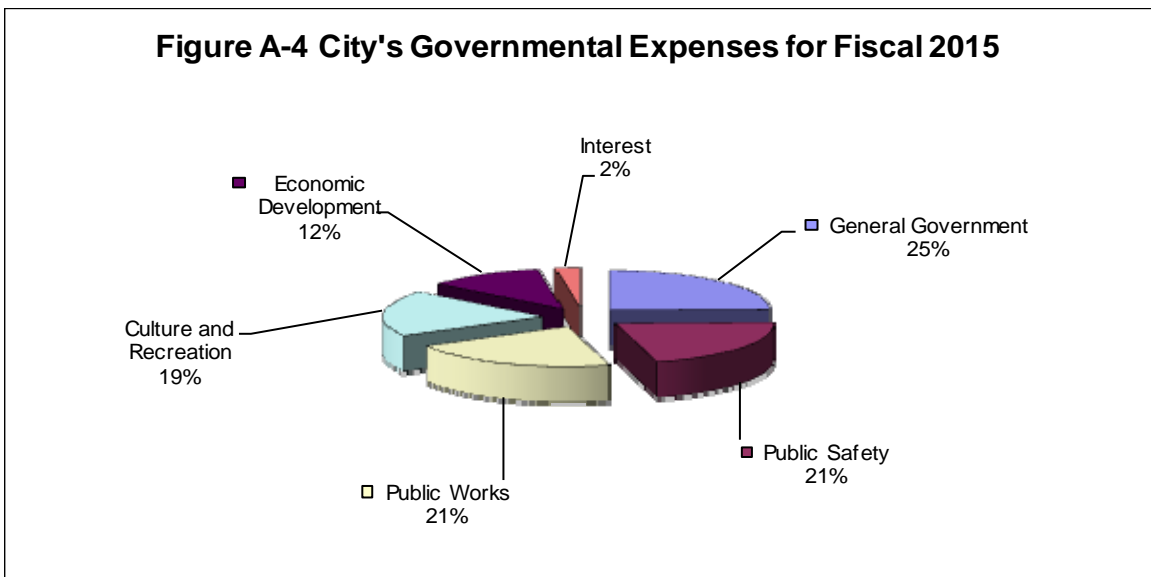
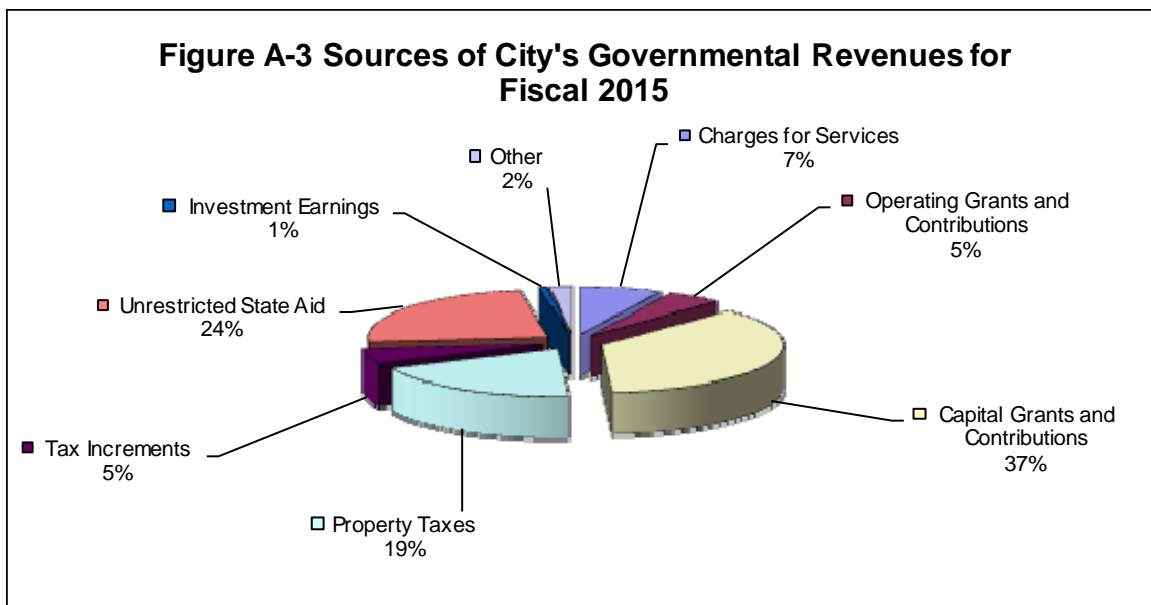
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The City-wide cost of all governmental activities this year was \$2,464,847.

- Some of the cost was paid by the users of the City's programs (\$234,363).
- Federal and state government payments (\$1,182,553) subsidized certain programs.
- Ad valorem property taxes (\$613,580) and unrestricted state grants (\$770,477) also helped fund the net costs of governmental services.
- Transfers from the City's business-type operations also subsidize governmental operations (\$757,747).



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Net Revenue (Cost of Services) After Program Revenues	
	2015	2014	2015	2014
GOVERNMENTAL ACTIVITIES				
General Government	\$ 606,753	\$ 605,031	\$ (574,811)	\$ (567,465)
Public Safety	519,686	619,257	(394,367)	(498,911)
Public Works	523,421	576,407	308,509	(504,131)
Culture and Recreation	464,440	383,296	120,501	(196,258)
Economic Development	289,959	306,365	(289,959)	(306,365)
Interest and Fiscal Charges on				
Interest	60,588	67,290	(60,588)	(67,290)
Total	<u>\$ 2,464,847</u>	<u>\$ 2,557,646</u>	<u>\$ (890,715)</u>	<u>\$ (2,140,420)</u>
BUSINESS-TYPE ACTIVITIES				
Water	\$ 287,890	\$ 396,230	\$ 161,284	\$ 43,488
Sewer	390,330	348,342	241,952	267,865
Electric	1,900,025	1,870,287	211,667	373,561
Telephone	582,556	758,507	447,802	194,808
Municipal Liquor	404,095	373,088	(2,966)	(6,153)
Cable Television	429,049	426,842	31,317	24,528
Sanitation	192,535	187,097	57,867	21,782
Storm Sewer	21,902	21,902	12,790	11,463
Ambulance	471,364	417,284	(83,176)	(101,926)
Broadband Internet	125,308	110,959	149,309	101,520
Total	<u>\$ 4,805,054</u>	<u>\$ 4,910,538</u>	<u>\$ 1,227,846</u>	<u>\$ 930,936</u>

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 \$2,426,574.

Revenues for the City's governmental funds were \$2,928,037, while total expenditures were \$3,495,315.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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, 2015	December 31, 2014	Increase (Decrease)
Taxes	\$ 198,119	\$ 154,634	\$ 43,485
Special Assessments	11,398	38,486	(27,088)
Licenses and Permits	22,784	30,564	(7,780)
Intergovernmental	908,454	841,855	66,599
Charges for Services	2,336	1,234	1,102
Fines and Forfeits	7,221	7,362	(141)
Interest	12,960	25,272	(12,312)
Miscellaneous and Other	55,868	75,073	(19,205)
Total General Fund Revenues	<u>\$ 1,219,140</u>	<u>\$ 1,174,480</u>	<u>\$ 44,660</u>

Total General Fund revenue increased by \$44,660, or 3.8%, from the previous year. The primary reason for the increase is an increase in intergovernmental revenues and taxes. The City received an additional \$37,995 in state highway funding over prior year along with an increase in the levy.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change
	December 31, 2015	December 31, 2014	Increase (Decrease)
General Government	\$ 684,487	\$ 647,676	\$ 36,811
Public Safety	578,529	577,015	1,514
Public Works	239,995	269,883	(29,888)
Airport	730	40	690
Economic Development	154,364	146,719	7,645
Capital Outlay	232,446	547,179	(314,733)
Debt Service	11,885	9,942	1,943
Total Expenditures	<u>\$ 1,902,436</u>	<u>\$ 2,198,454</u>	<u>\$ (296,018)</u>

The General Fund's expenditures decreased \$296,018 from 2014. This decrease is due largely to decreases in capital outlay for the city hall remodel project that occurred in the prior year.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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 \$112,794 more than budget. This is primarily due to state street funding received in 2015.
- The actual expenditures were \$41,326 under budget. This is primarily due to public works expenditures coming in under budget by \$46,279 as a result of fuel savings. In addition, \$20,000 was budgeted as street contingency that was not needed in 2015.

Parks and Recreation Fund

The Parks and Recreation Fund had an increase in fund balance of \$111,397. Revenues and expenditures exceeded budget during 2015 by \$428,160 and \$276,763, respectively. The overages were a result of grant funding received for the Whisky Creek Restoration project and private contributions of approximately \$66,000.

Capital Projects Fund

The Capital Projects Fund had a decrease in fund balance of \$15,144. The decrease represents the net impact of transfers needed to close the Heartland Addition and C.S.A.H. 52 projects.

Debt Service Fund

The Debt Service Fund's fund balance increased \$25,481 as a result of a transfer from the capital project fund.

Business-Type Funds

Water and Sewer Fund

The Water and Sewer Funds reported net income (before transfers to other funds) of approximately \$166,000 and \$283,000, respectively, for the year ended December 31, 2015, as compared to \$47,000 and \$271,000, respectively for 2014. The significant increase in the Water Fund is attributable to a reduction in repair and maintenance expense over the prior year.

Liquor and Cable Television Fund

The operations of the Municipal Liquor and Cable Television Funds showed net income(loss) (before transfers to other funds) of approximately (\$300) and \$34,000, respectively, for the year ended December 31, 2015, as compared to (\$4,000) and \$25,500, respectively, for 2014. The changes were not significant.

Electric Fund

The Electric Fund experienced a decrease in revenue due to less kilowatt hours billed in 2015 as compared to 2014 due to a mild winter. Expenses remained consistent with the prior year. The net result was net income (before transfers to other funds) of approximately \$231,000 for the year ended December 31, 2015.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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

Business-Type Funds (Continued)

Telephone Fund

The Telephone Fund showed an increase in sales of approximately \$78,000, or 8.2%, resulting from an increase in customers. Income of approximately \$470,000 (compared to \$520,000 in the prior year) was reflected in the Telephone Fund's fiber optic Joint Venture, resulting in a net income (before transfers to other funds) of approximately \$932,000 as compared to \$731,000 in the prior year.

Ambulance Fund

The Ambulance Fund reported net income (before transfers to other funds) of approximately \$13,313 for the year ended December 31, 2015, as compared to (\$32,210) for 2014. The increase was a result of increased taxes and other nonoperating revenues.

DEBT SERVICE

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

CAPITAL ASSETS

By the end of 2015, the City had invested approximately \$19,023,000 (net of accumulated depreciation) in a broad range of capital assets, including buildings, computers, improvements, equipment, and infrastructure (see Table A-6).

Table A-6
The City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 563,716	\$ 551,831	\$ 113,908	\$ 113,908	\$ 677,624	\$ 665,739
Construction-in-Progress	674,258	-	3,853,305	2,897,262	4,527,563	2,897,262
Buildings	1,616,409	1,616,409	1,330,997	1,330,997	2,947,406	2,947,406
Infrastructure	4,849,251	4,728,827	11,816,883	11,816,883	16,666,134	16,545,710
Improvements	663,713	688,258	979,170	979,170	1,642,883	1,667,428
Machinery and Equipment	788,168	758,925	2,689,732	2,700,331	3,477,900	3,459,256
Vehicles	444,789	362,669	459,771	459,771	904,560	822,440
Less: Accumulated Depreciation	(4,510,686)	(4,277,322)	(7,310,496)	(6,941,020)	(11,821,182)	(11,218,342)
Total	<u>\$ 5,089,618</u>	<u>\$ 4,429,597</u>	<u>\$ 13,933,270</u>	<u>\$ 13,357,302</u>	<u>\$ 19,022,888</u>	<u>\$ 17,786,899</u>

Major capital asset acquisitions during the year included:

Governmental Activities:

- Safe School Infrastructure Improvements totaling \$298,580.
- Whisky Creek Restoration totaling \$375,678.

Business-type Activities:

- Additions to the communication infrastructure totaling \$956,043.

Total depreciation expense for the year was \$698,292 (including enterprise funds). More detailed information about capital assets can be found in Note 3.A.3 to the financial statements.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

LONG-TERM LIABILITIES

At year-end, the City had \$10,588,437 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt decreased \$788,574 due primarily to schedule principal payments during the year.

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

	2015	2014
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 2,110,000	\$ 2,355,000
Capital Leases Payable	34,520	41,065
Compensated Absences Payable	115,943	115,615
Less: Bond Discounts	(4,662)	(5,086)
Total Governmental Activities	2,255,801	2,506,594
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	4,250,000	4,445,000
General Obligation Revenue Notes	2,449,000	2,674,000
General Obligation Bonds	1,632,000	1,756,000
Compensated Absences Payable	38,346	34,556
Less: Bond Discounts	(36,710)	(39,139)
Total Business-Type Activities	8,332,636	8,870,417
Total City-Wide Long-Term Liabilities	\$ 10,588,437	\$ 11,377,011

FACTORS BEARING ON THE CITY'S FUTURE

The City is dependent on the State of Minnesota for a significant portion of its revenue. 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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 2,349,191	\$ 3,812,466	\$ 6,161,657	\$ 149,776
Taxes Receivable				
Delinquent	37,507	-	37,507	-
Special Assessments Receivable				
Delinquent	24,150	4,279	28,429	-
Noncurrent	2,453,257	387,138	2,840,395	-
Accounts Receivable - Net	38,734	974,943	1,013,677	-
Accrued Interest Receivable	2,279	-	2,279	-
Notes Receivable - Net	7,160	-	7,160	-
Due from Other Governments	317,025	-	317,025	-
Internal Balances	(180,000)	180,000	-	-
Inventories	1,200	60,265	61,465	-
Land Held for Resale	-	-	-	631,462
Advances to Component Unit	9,926	260,000	269,926	-
Advances to Primary Government	-	-	-	4,854
Investment in Joint Venture	-	2,523,270	2,523,270	-
Net Pension Asset	94,139	-	94,139	-
Capital Assets not Being Depreciated				
Land	563,716	113,908	677,624	-
Construction-in-Progress	674,258	3,853,305	4,527,563	-
Capital Assets Being Depreciated				
Buildings	815,789	656,217	1,472,006	-
Infrastructure	2,121,806	7,668,737	9,790,543	-
Improvements	508,779	333,119	841,898	-
Machinery and Equipment	289,380	1,162,918	1,452,298	-
Vehicles	115,890	145,066	260,956	-
Total Assets	<u>10,244,186</u>	<u>22,135,631</u>	<u>32,379,817</u>	<u>786,092</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	162,776	51,067	213,843	8,848
LIABILITIES				
Accounts Payable	11,559	39,573	51,132	3,745
Contracts Payable	68,139	-	68,139	-
Salaries and Benefits Payable	49,444	26,798	76,242	4,096
Deposits Payable	-	1,240	1,240	-
Accrued Interest Payable	22,447	45,139	67,586	90
Due to Other Governments	-	15,528	15,528	-
Due to Primary Government	-	-	-	70,053
Advances from Primary Government	-	-	-	269,926
Advances from Component Unit	4,854	-	4,854	-
Unearned Utility Payments	-	87,208	87,208	-
Bonds Payable - Due Within One Year	225,000	544,000	769,000	1,831
Capital Leases Payable - Due Within One Year	7,522	-	7,522	-
Compensated Absences Payable - Due Within One Year	86,957	28,759	115,716	-
Special Assessments Payable - Due in More Than One Year	-	-	-	202,744
Bonds Payable - Due in More Than One Year	1,880,338	7,750,290	9,630,628	5,042
Capital Leases Payable - Due in More Than One Year	26,998	-	26,998	-
Compensated Absences Payable - Due in More Than One Year	28,986	9,587	38,573	-
Net Pension Liability	806,887	366,807	1,173,694	63,555
Total Liabilities	<u>3,219,131</u>	<u>8,914,929</u>	<u>12,134,060</u>	<u>621,082</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	109,162	40,042	149,204	6,938
NET POSITION				
Net Investment in Capital Assets	2,949,760	5,771,642	8,721,402	-
Restricted for				
Debt Service	3,030,413	-	3,030,413	-
Public Safety	3,440	-	3,440	-
Economic Development	45,899	-	45,899	-
Unrestricted	1,049,157	7,460,085	8,509,242	166,920
Total Net Position	<u>\$ 7,078,669</u>	<u>\$ 13,231,727</u>	<u>\$ 20,310,396</u>	<u>\$ 166,920</u>

See accompanying Notes to the Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 606,753	\$ 31,942	\$ -	\$ -
Public Safety	519,686	350	44,835	80,134
Public Works	523,421	399	46,137	785,394
Culture and Recreation	464,440	201,672	66,244	317,025
Economic Development	289,959	-	-	-
Interest	60,588	-	-	-
Total Governmental Activities	2,464,847	234,363	157,216	1,182,553
Business-Type Activities				
Water	287,890	442,592	-	6,582
Sewer	390,330	626,476	-	5,806
Electric	1,900,025	2,111,692	-	-
Telephone	582,556	1,027,575	2,783	-
Municipal Liquor	404,095	401,129	-	-
Cable Television	429,049	460,366	-	-
Sanitation	192,535	185,579	64,823	-
Storm Sewer	21,902	34,692	-	-
Ambulance	471,364	379,188	9,000	-
Broadband Internet	125,308	274,617	-	-
Total Business-Type Activities	4,805,054	5,943,906	76,606	12,388
Total Primary Government	\$ 7,269,901	\$ 6,178,269	\$ 233,822	\$ 1,194,941
Component Unit				
EDA	\$ 217,696	\$ 52,300	\$ -	\$ -

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

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year
Change in Accounting Principle
Net Position - Beginning of Year, as Restated

NET POSITION - END OF YEAR

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (574,811)	\$ -	\$ (574,811)	\$ -
(394,367)	-	(394,367)	-
308,509	-	308,509	-
120,501	-	120,501	-
(289,959)	-	(289,959)	-
(60,588)	-	(60,588)	-
(890,715)	-	(890,715)	-
-	161,284	161,284	-
-	241,952	241,952	-
-	211,667	211,667	-
-	447,802	447,802	-
-	(2,966)	(2,966)	-
-	31,317	31,317	-
-	57,867	57,867	-
-	12,790	12,790	-
-	(83,176)	(83,176)	-
-	149,309	149,309	-
-	1,227,846	1,227,846	-
(890,715)	1,227,846	337,131	-
-	-	-	(165,396)
613,580	52,000	665,580	-
167,651	-	167,651	-
770,477	-	770,477	138,764
20,808	10,054	30,862	120
61,925	590,516	652,441	16,442
-	-	-	4,000
757,747	(757,747)	-	-
2,392,188	(105,177)	2,287,011	159,326
1,501,473	1,122,669	2,624,142	(6,070)
6,236,713	12,455,206	18,691,919	232,966
(659,517)	(346,148)	(1,005,665)	(59,976)
5,577,196	12,109,058	17,686,254	172,990
\$ 7,078,669	\$ 13,231,727	\$ 20,310,396	\$ 166,920

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FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 1,382,263	\$ 206,178	\$ 718,571	\$ -	\$ 42,179	\$ 2,349,191
Taxes Receivable						
Current	33,593	-	3,914	-	-	37,507
Special Assessments Receivable						
Delinquent	18,171	-	5,979	-	-	24,150
Noncurrent	37,114	-	2,324,396	91,747	-	2,453,257
Accounts Receivable	8,142	5,804	-	24,788	-	38,734
Due from Other Governments	-	317,025	-	-	-	317,025
Accrued Interest Receivable	2,279	-	-	-	-	2,279
Notes Receivable	-	-	-	-	7,160	7,160
Inventory	-	1,200	-	-	-	1,200
Advance to Component Unit	9,926	-	-	-	-	9,926
Due from Other Funds	136,861	-	-	-	-	136,861
Total Assets	\$ 1,628,349	\$ 530,207	\$ 3,052,860	\$ 116,535	\$ 49,339	\$ 5,377,290
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 10,951	\$ 608	\$ -	\$ -	\$ -	\$ 11,559
Contracts Payable	16,356	42,165	-	9,618	-	68,139
Salaries and Benefits Payable	43,870	5,574	-	-	-	49,444
Due to Other Funds	-	-	-	132,981	3,880	136,861
Advance from Other Funds	180,000	-	-	-	-	180,000
Advance from Component Unit	4,854	-	-	-	-	4,854
Total Liabilities	256,031	48,347	-	142,599	3,880	450,857
Deferred Inflows of Resources						
Unavailable Taxes	16,902	-	2,271	-	-	19,173
Unavailable Special Assessments	55,286	-	2,326,493	91,747	-	2,473,526
Unavailable Loans Receivable	-	-	-	-	7,160	7,160
Total Deferred Inflows of Resources	72,188	-	2,328,764	91,747	7,160	2,499,859
Fund Balances (Deficit)						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Advances	9,926	-	-	-	-	9,926
Restricted for Debt Repayment	-	-	724,096	-	-	724,096
Restricted for Small Cities Grant	-	-	-	-	38,739	38,739
Restricted for Dare Program	-	-	-	-	3,440	3,440
Committed for Capital Outlay	198,500	29,201	-	-	-	227,701
Committed for Community Projects	1,035,181	50,000	-	-	-	1,085,181
Committed for Park Operations	-	401,459	-	-	-	401,459
Assigned for Joint Powers	2,516	-	-	-	-	2,516
Unassigned	54,007	-	-	(117,811)	(3,880)	(67,684)
Total Fund Balances (Deficit)	1,300,130	481,860	724,096	(117,811)	38,299	2,426,574
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 1,628,349	\$ 530,207	\$ 3,052,860	\$ 116,535	\$ 49,339	\$ 5,377,290

See accompanying Notes to Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS \$ 2,426,574

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 5,089,618

Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as a deferred inflow of resources in the governmental funds. 2,499,859

Net pension liability (asset) and related deferred inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	\$ (806,887)	
Net Pension Asset	94,139	
Deferred Inflows of Resources - Pension Related	(109,162)	
Deferred Outflows of Resources - Pension Related	<u>162,776</u>	(659,134)

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	(2,105,338)	
Capital Lease Obligations	(34,520)	
Accrued Compensated Absences	(115,943)	
Accrued Interest Payable on General Obligation Bonds	<u>(22,447)</u>	<u>(2,278,248)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 7,078,669

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 198,119	\$ 359,771	\$ 67,559	\$ -	\$ -	\$ 625,449
Tax Increments	-	-	-	-	167,651	167,651
Special Assessments	11,398	-	211,055	-	-	222,453
Licenses and Permits	22,784	985	-	-	-	23,769
Intergovernmental	908,454	317,025	-	300,509	-	1,525,988
Charges for Services	2,336	200,687	-	-	-	203,023
Fines and Forfeits	7,221	-	-	-	-	7,221
Gifts and Contributions	-	66,244	-	-	-	66,244
Interest Income	12,960	267	1,261	37	33	14,558
Miscellaneous	55,868	7,452	-	-	8,361	71,681
Total Revenues	1,219,140	952,431	279,875	300,546	176,045	2,928,037
EXPENDITURES						
Current						
General Government	684,487	-	-	-	-	684,487
Public Safety	578,529	-	-	-	2,025	580,554
Public Works	239,995	-	-	-	-	239,995
Airport	730	-	-	-	-	730
Parks and Recreation	-	407,816	-	-	-	407,816
Economic Development	154,364	-	-	-	150,170	304,534
Capital Outlay						
General Government	29,901	-	-	-	-	29,901
Public Safety	29,611	-	-	-	-	29,611
Public Works	172,934	-	-	298,580	-	471,514
Parks and Recreation	-	433,218	-	-	-	433,218
Debt Service						
Principal	6,545	-	245,000	-	-	251,545
Interest and Other Charges	5,340	-	56,070	-	-	61,410
Total Expenditures	1,902,436	841,034	301,070	298,580	152,195	3,495,315
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(683,296)	111,397	(21,195)	1,966	23,850	(567,278)
OTHER FINANCING SOURCES (USES)						
Transfers In	759,186	-	46,676	29,566	-	835,428
Transfers Out	(29,566)	-	-	(46,676)	(1,439)	(77,681)
Total Other Financing Sources (Uses)	729,620	-	46,676	(17,110)	(1,439)	757,747
NET CHANGE IN FUND BALANCES	46,324	111,397	25,481	(15,144)	22,411	190,469
Fund Balance (Deficit) - Beginning of Year	1,253,806	370,463	698,615	(102,667)	15,888	2,236,105
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,300,130</u>	<u>\$ 481,860</u>	<u>\$ 724,096</u>	<u>\$ (117,811)</u>	<u>\$ 38,299</u>	<u>\$ 2,426,574</u>

See accompanying Notes to Financial Statements.

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**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, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 190,469

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	\$ 948,837	
Current Year Depreciation	<u>(288,816)</u>	660,021

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		280,536
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Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability (asset) and the related deferred inflows and outflows of resources.		383
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments:		
General Obligation Bonds	245,000	
Capital Lease	<u>6,545</u>	251,545

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	(1,444)	
Amortization of Discounts	(424)	
Change in Compensated Absences	(328)	
Change in Other Postemployment Benefits Payable	<u>120,715</u>	<u>118,519</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,501,473

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Water	Sewer	Electric
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 487,421	\$ 864,875	\$ 663,370
Accounts Receivable - Net	84,622	119,558	360,734
Special Assessments Receivable			
Delinquent	2,273	2,006	-
Noncurrent	202,725	184,413	-
Inventories	-	-	-
Total Current Assets	<u>777,041</u>	<u>1,170,852</u>	<u>1,024,104</u>
Noncurrent Assets			
Investment in Joint Venture	-	-	-
Advance to Component Unit	145,000	40,000	-
Advances to Other Funds	-	180,000	-
Capital Assets			
Land	-	100,831	-
Construction in Progress	-	-	-
Buildings (Net)	372,083	2,422	65,425
Infrastructure (Net)	1,840,266	4,777,872	236,273
Improvements (Net)	-	-	-
Machinery and Equipment (Net)	110,898	42,285	177,159
Vehicles (Net)	-	107,810	-
Total Capital Assets	<u>2,323,247</u>	<u>5,031,220</u>	<u>478,857</u>
Total Noncurrent Assets	<u>2,468,247</u>	<u>5,251,220</u>	<u>478,857</u>
Total Assets	3,245,288	6,422,072	1,502,961
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,134	970	5,318
LIABILITIES			
Current Liabilities			
Accounts Payable	452	125	9,085
Salaries and Benefits Payable	634	441	2,641
Deposits Payable	-	-	1,240
Accrued Interest Payable	7,051	16,807	-
Due to Other Governments	2	-	5,935
Unearned Utility Payments	-	-	35,646
Compensated Absences - Due Within One Year	273	273	2,724
Bonds Payable - Due Within One Year	76,000	268,000	-
Total Current Liabilities	<u>84,412</u>	<u>285,646</u>	<u>57,271</u>
Noncurrent Liabilities			
Compensated Absences Payable -			
Due in More than One Year	91	91	908
Bonds Payable - Due in More than One Year	994,831	2,737,000	-
Net Pension Liability	8,144	6,968	38,200
Total Noncurrent Liabilities	<u>1,003,066</u>	<u>2,744,059</u>	<u>39,108</u>
Total Liabilities	1,087,478	3,029,705	96,379
DEFERRED INFLOWS OF RESOURCES			
Pension Related	889	760	4,170
NET POSITION			
Net Investment in Capital Assets	1,252,416	2,026,220	478,857
Unrestricted	905,639	1,366,357	928,873
Total Net Position	<u>\$ 2,158,055</u>	<u>\$ 3,392,577</u>	<u>\$ 1,407,730</u>

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 836,342	\$ 6,226	\$ 87,401	\$ 92,339	\$ 774,492	\$ 3,812,466
156,437	5,995	96,539	53,235	97,823	974,943
-	-	-	-	-	4,279
-	-	-	-	-	387,138
-	60,265	-	-	-	60,265
992,779	72,486	183,940	145,574	872,315	5,239,091
2,523,270	-	-	-	-	2,523,270
-	-	-	-	75,000	260,000
-	-	-	-	-	180,000
-	-	-	-	13,077	113,908
3,853,305	-	-	-	-	3,853,305
1,252	43,486	69,835	2,861	98,853	656,217
-	-	337,393	-	476,933	7,668,737
333,119	-	-	-	-	333,119
257,725	-	537,403	23,106	14,342	1,162,918
19,489	-	10,592	7,175	-	145,066
4,464,890	43,486	955,223	33,142	603,205	13,933,270
6,988,160	43,486	955,223	33,142	678,205	16,896,540
7,980,939	115,972	1,139,163	178,716	1,550,520	22,135,631
22,582	5,202	1,824	8,883	5,154	51,067
12,313	92	4,649	145	12,712	39,573
9,850	3,098	905	7,246	1,983	26,798
-	-	-	-	-	1,240
10,578	-	10,703	-	-	45,139
2,044	3,526	2,614	-	1,407	15,528
-	-	51,562	-	-	87,208
15,684	1,046	2,057	4,410	2,292	28,759
155,000	-	45,000	-	-	544,000
205,469	7,762	117,490	11,801	18,394	788,245
5,228	349	686	1,470	764	9,587
3,534,765	-	483,694	-	-	7,750,290
162,205	37,361	13,097	63,807	37,025	366,807
3,702,198	37,710	497,477	65,277	37,789	8,126,684
3,907,667	45,472	614,967	77,078	56,183	8,914,929
17,707	4,079	1,429	6,966	4,042	40,042
907,787	43,486	426,529	33,142	603,205	5,771,642
3,170,360	28,137	98,062	70,413	892,244	7,460,085
\$ 4,078,147	\$ 71,623	\$ 524,591	\$ 103,555	\$ 1,495,449	\$ 13,231,727

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Cost of Sales	-	-	-
Gross Profit	-	-	-
Charges for Services	442,592	626,476	2,111,692
OPERATING EXPENSES			
Professional Services	125,452	112,546	115,215
Wages, Salaries, and Compensation	12,134	12,162	59,510
Repairs and Maintenance	38,064	51,773	27,861
Insurance	5,581	9,978	4,425
Utilities	-	-	4,569
Depreciation	77,648	144,358	29,921
Materials and Supplies	105	-	596
Miscellaneous Expenses	9,639	12,572	53,244
Purchased Power	-	-	1,504,543
License Fees	1,149	-	-
Equipment	-	-	100,141
Medicare/Medicaid Fee Reductions	-	-	-
Total Operating Expenses	269,772	343,389	1,900,025
OPERATING INCOME (LOSS)	172,820	283,087	211,667
NONOPERATING REVENUES (EXPENSES)			
Taxes	-	-	-
Interest Income	1,642	1,449	2,349
Joint Venture Income	-	-	-
Special Assessments	6,582	5,806	-
Intergovernmental Grants	-	-	-
Miscellaneous - Nonoperating	2,961	39,797	16,565
Interest Expense and Fiscal Charges	(18,118)	(46,941)	-
Total Nonoperating Revenues (Expenses)	(6,933)	111	18,914
Income (Loss) before Transfers	165,887	283,198	230,581
Transfers In	-	-	-
Transfers Out	(45,000)	(55,000)	(220,000)
CHANGE IN NET POSITION	120,887	228,198	10,581
Net Position - Beginning of Year	2,044,853	3,170,955	1,433,198
Change in Accounting Principle	(7,685)	(6,576)	(36,049)
Net Position - Beginning of Year, as Restated	2,037,168	3,164,379	1,397,149
NET POSITION - END OF YEAR	<u>\$ 2,158,055</u>	<u>\$ 3,392,577</u>	<u>\$ 1,407,730</u>

See accompanying Notes to Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ -	\$ 401,129	\$ -	\$ -	\$ -	\$ 401,129
-	(315,631)	-	-	-	(315,631)
-	85,498	-	-	-	85,498
1,027,575	-	460,366	379,188	494,888	5,542,777
61,806	-	-	15,292	133,341	563,652
223,996	59,843	18,716	180,265	51,146	617,772
17,577	2,241	9,472	8,998	5,342	161,328
5,191	9,954	7,727	3,327	2,158	48,341
-	-	-	-	-	4,569
79,203	912	35,470	17,227	24,737	409,476
2,580	1,079	1,587	21,049	674	27,670
192,203	9,626	10,737	39,061	55,835	382,917
-	-	-	-	-	1,504,543
-	-	301,696	-	-	302,845
-	4,809	15,825	-	66,512	187,287
-	-	-	186,145	-	186,145
582,556	88,464	401,230	471,364	339,745	4,396,545
445,019	(2,966)	59,136	(92,176)	155,143	1,231,730
-	-	-	52,000	-	52,000
3,063	15	77	154	1,305	10,054
470,297	-	-	-	-	470,297
-	-	-	-	-	12,388
2,783	-	-	9,000	64,823	76,606
10,977	2,638	2,871	44,335	75	120,219
-	-	(27,819)	-	-	(92,878)
487,120	2,653	(24,871)	105,489	66,203	648,686
932,139	(313)	34,265	13,313	221,346	1,880,416
77,764	-	-	-	-	77,764
(300,250)	(6,000)	-	-	(209,261)	(835,511)
709,653	(6,313)	34,265	13,313	12,085	1,122,669
3,521,563	113,192	502,686	150,455	1,518,304	12,455,206
(153,069)	(35,256)	(12,360)	(60,213)	(34,940)	(346,148)
3,368,494	77,936	490,326	90,242	1,483,364	12,109,058
\$ 4,078,147	\$ 71,623	\$ 524,591	\$ 103,555	\$ 1,495,449	\$ 13,231,727

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 441,216	\$ 628,158	\$ 2,155,096
Payments to Suppliers	(180,714)	(188,465)	(1,803,999)
Payments to Employees	(12,867)	(12,872)	(62,456)
Net Cash Provided (Used) by Operating Activities	247,635	426,821	288,641
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
FINANCING ACTIVITIES			
Transfers Out	(45,000)	(55,000)	(220,000)
Transfers In	-	-	-
Advance to Component Unit	(145,000)	(40,000)	-
Interfund Borrowings	-	20,000	-
Taxes	-	-	-
Other Miscellaneous Receipts	2,961	39,797	16,565
Intergovernmental Grants	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(187,039)	(35,203)	(203,435)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	(80,000)	(269,000)	-
Interest Paid on Debt	(17,939)	(48,414)	(1,173)
Special Assessments	15,770	13,913	-
Acquisition of Capital Assets	-	-	(11,225)
Net Cash Provided (Used) by Capital and Related Financing Activities	(82,169)	(303,501)	(12,398)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from Joint Venture	-	-	-
Interest and Dividends Received	1,642	1,449	2,349
Net Cash Provided (Used) by Investing Activities	1,642	1,449	2,349
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,931)	89,566	75,157
Cash and Cash Equivalents - Beginning of Year	507,352	775,309	588,213
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 487,421	\$ 864,875	\$ 663,370
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 172,820	\$ 283,087	\$ 211,667
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	77,648	144,358	29,921
(Increase) Decrease in Assets			
Accounts Receivable	(1,376)	1,682	40,471
Inventory	-	-	-
Deferred Outflows of Resources - Pension	(1,134)	(970)	(5,318)
Increase (Decrease) in Liabilities			
Accounts Payable	(630)	(1,596)	8,302
Salaries and Benefits Payable	(89)	(90)	(464)
Other Postemployment Benefits Payable	(939)	(883)	(3,665)
Due to Other Governments	(94)	-	(1,707)
Compensated Absences Payable	81	81	180
Net Pension Liability	459	392	2,151
Deferred Inflows of Resources - Pension	889	760	4,170
Unearned Utility Payments	-	-	2,933
Total Adjustments	74,815	143,734	76,974
Net Cash Provided (Used) by Operating Activities	\$ 247,635	\$ 426,821	\$ 288,641

See accompanying Notes to Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 1,006,489 (468,333) (238,126)	\$ 398,586 (337,359) (63,214)	\$ 458,420 (352,071) (20,640)	\$ 362,315 (274,679) (178,531)	\$ 467,263 (278,231) (52,243)	\$ 5,917,543 (3,883,851) (640,949)
300,030	(1,987)	85,709	(90,895)	136,789	1,392,743
(300,250)	(6,000)	-	-	(209,261)	(835,511)
77,764	-	-	-	-	77,764
-	-	-	-	(75,000)	(260,000)
-	-	-	-	-	20,000
-	-	-	51,996	-	51,996
10,977	2,638	2,871	44,335	75	120,219
2,783	-	-	9,000	64,823	76,606
(208,726)	(3,362)	2,871	105,331	(219,363)	(748,926)
(155,000)	-	(40,000)	-	-	(544,000)
(128,628)	-	(27,938)	-	-	(224,092)
-	-	-	-	-	29,683
(827,946)	-	(18,176)	-	-	(857,347)
(1,111,574)	-	(86,114)	-	-	(1,595,756)
330,534	-	-	-	-	330,534
3,063	15	77	159	1,307	10,061
333,597	15	77	159	1,307	340,595
(686,673)	(5,334)	2,543	14,595	(81,267)	(611,344)
1,523,015	11,560	84,858	77,744	855,759	4,423,810
<u>\$ 836,342</u>	<u>\$ 6,226</u>	<u>\$ 87,401</u>	<u>\$ 92,339</u>	<u>\$ 774,492</u>	<u>\$ 3,812,466</u>
\$ 445,019	\$ (2,966)	\$ 59,136	\$ (92,176)	\$ 155,143	\$ 1,231,730
79,203	912	35,470	17,227	24,737	409,476
(21,086)	(2,543)	(5,249)	(16,873)	(27,625)	(32,599)
-	5,781	-	-	-	5,781
(22,582)	(5,202)	(1,824)	(8,883)	(5,154)	(51,067)
(188,333)	(890)	(5,148)	(807)	(14,328)	(203,430)
(2,994)	(2,139)	(184)	(952)	(552)	(7,464)
(17,296)	-	(2,483)	(2,103)	(1,768)	(29,137)
(643)	1,090	121	-	(41)	(1,274)
1,899	(2,214)	401	-	250	678
9,136	2,105	737	3,594	2,085	20,659
17,707	4,079	1,429	6,966	4,042	40,042
-	-	3,303	3,112	-	9,348
(144,989)	979	26,573	1,281	(18,354)	161,013
<u>\$ 300,030</u>	<u>\$ (1,987)</u>	<u>\$ 85,709</u>	<u>\$ (90,895)</u>	<u>\$ 136,789</u>	<u>\$ 1,392,743</u>

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

ASSETS

Cash and Pooled Investments	<u>\$ 157,704</u>
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LIABILITIES

Due to Fire Department	<u>\$ 157,704</u>
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See accompanying Notes to Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

Jointly Governed Organization

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the Primary Government and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to users of the services for support.

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

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

C. Measurement Focus and Basis of Accounting

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

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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.

Ambulance Fund – The Ambulance Fund accounts for the operations of the City’s ambulance service.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

1. Cash and Investments (Including Cash Equivalents)

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

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

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Short-Term Interfund Receivables/Payables

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

3. Accounts Receivable

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

4. Special Assessments

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

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

5. Inventory

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

6. Land Held for Resale

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. 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. Interest expense of \$128,100 was capitalized in the Telephone Fund as of December 31, 2015.

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

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

8. Deferred Outflows of Resources

The City reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The deferred outflow of resources reported in the financial statements consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Compensated Absences

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

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

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

10. Long-Term Obligations

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

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

11. Pensions

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Pensions (Continued)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's requirement to contribute to the Barnesville Area Firefighters Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Barnesville Area Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Deferred Inflows of Resources

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

13. Fund Balance and Net Position

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Fund Balance and Net Position (Continued)

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

E. Revenues, Expenditures, and Expense

1. Revenues

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

Licenses and permits, charges for services, fines, forfeits, contributions and donations, 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.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

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

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

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

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

2. Expenditures

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

3. Expenses

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$117,811 as of December 31, 2015. The City plans to eliminate this deficit through future revenues and/or transfers.

The TIF Districts Fund had a deficit fund balance of \$3,880 as of December 31, 2015. The City plans to eliminate this deficit through future revenues and/or transfers.

B. Excess of Expenditures Over Appropriations

Parks and Recreation Fund expenditures exceeded appropriations by \$276,761 primarily due to the completion of the Whisky Creek Restoration Project. This project was funded by a grant received from the MN Department of Natural Resources.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled by the City Administrator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices.

Deposits

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

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.

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, 2015, the balance was fully insured and collateralized as required by Minnesota Statutes §118A.03.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments

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

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

As of December 31, 2015, the City had the following investments in its pool:

Type	Maturity Date	Credit Rating	Fair Value	Percent of Total
State BK India NY	6/22/2017	NR	\$ 101,173	2.8 %
Federal National Mtg Assn	12/20/2018	NR	249,261	7.0
DMB Community Bank	5/3/2016	NR	249,000	7.0
Fannie Mae	10/25/2022	NR	245,567	6.9
Goldman Sachs BK USA CD	12/11/2017	NR	246,790	6.9
Ally Bk Midvle Utah CD	1/30/2017	NR	74,086	2.1
Ally Bk Midvale Utah CD	7/3/2017	NR	3,987	0.1
Ally Bk Midvale Utah CD 1.1%	6/19/2017	NR	246,968	6.9
Capital One Natl Assn CD	10/22/2018	NR	99,637	2.8
Minnesota Municipal Money Market Fund (4M)	N/A	NR	38,037	1.1
Money Market Funds	N/A	NR	2,014,104	56.4
			\$ 3,568,610	

NR = Not Rated

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

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

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.

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	\$ 2,900,527
Investments	3,568,610
Total Cash and Investments	<u>\$ 6,469,137</u>
Governmental Funds	
Cash and Investments	\$ 2,349,191
Enterprise Funds	
Cash and Cash Equivalents	3,812,466
Component Unit	149,776
Fiduciary Funds	157,704
Total Cash and Investments	<u>\$ 6,469,137</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Non-Marketable Investments/Investment in Joint Venture

The City's telephone company has entered into an agreement with Rothsay Telephone, Park Region Mutual Telephone, Red River Rural Telephone, Loretel Systems and East Ottertail Telephone to operate a fiber optic video transmission network to serve 17 area school districts. Each telephone company contributed capital and shares in the operating decisions. Barnesville's share is approximately 18.1%. All profits and losses are shared proportionately to each member's ownership. The City uses the equity method to account for its investments. Joint venture activity for 2015 is as follows:

Balance, January 1, 2015	\$	2,383,507
Cash Distributions		(325,706)
Net Income		<u>465,469</u>
 Balance, December 31, 2015	 \$	 <u><u>2,523,270</u></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.

3. Capital Assets

Capital asset activity for the Primary Government for the year ended December 31, 2015, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 551,831	\$ 11,885	\$ -	\$ 563,716
Construction in Progress	-	674,258	-	674,258
Total Capital Assets Not Being Depreciated	<u>551,831</u>	<u>686,143</u>	<u>-</u>	<u>1,237,974</u>
Capital Assets Being Depreciated				
Buildings	1,616,409	-	-	1,616,409
Infrastructure	4,728,827	120,424	-	4,849,251
Improvements	688,258	30,907	(55,452)	663,713
Machinery and Equipment	758,925	29,243	-	788,168
Vehicles	362,669	82,120	-	444,789
Total Capital Assets Being Depreciated	<u>8,155,088</u>	<u>262,694</u>	<u>(55,452)</u>	<u>8,362,330</u>
Less: Accumulated Depreciation for				
Buildings	772,665	27,955	-	800,620
Infrastructure	2,570,482	156,963	-	2,727,445
Improvements	192,530	17,856	(55,452)	154,934
Machinery and Equipment	459,628	39,160	-	498,788
Vehicles	282,017	46,882	-	328,899
Total Accumulated Depreciation	<u>4,277,322</u>	<u>288,816</u>	<u>(55,452)</u>	<u>4,510,686</u>
Total Capital Assets Being Depreciated, Net	<u>3,877,766</u>	<u>(26,122)</u>	<u>-</u>	<u>3,851,644</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,429,597</u>	<u>\$ 660,021</u>	<u>\$ -</u>	<u>\$ 5,089,618</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

The following is a summary of the proprietary fund capital assets at December 31, 2015:

	Beginning Balance	Additions	Disposals / Adjustments	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 113,908	\$ -	\$ -	\$ 113,908
Construction in Progress	2,897,262	956,043	-	3,853,305
Total Capital Assets Not Being Depreciated	<u>3,011,170</u>	<u>956,043</u>	<u>-</u>	<u>3,967,213</u>
Capital Assets Being Depreciated				
Buildings	1,330,997	-	-	1,330,997
Infrastructure	11,816,883	-	-	11,816,883
Improvements	979,170	-	-	979,170
Machinery and Equipment	2,700,331	29,401	(40,000)	2,689,732
Vehicles	459,771	-	-	459,771
Total Capital Assets Being Depreciated	<u>17,287,152</u>	<u>29,401</u>	<u>(40,000)</u>	<u>17,276,553</u>
Less: Accumulated Depreciation for				
Buildings	653,716	21,064	-	674,780
Infrastructure	3,929,039	219,107	-	4,148,146
Improvements	631,554	14,497	-	646,051
Machinery and Equipment	1,446,618	120,196	(40,000)	1,526,814
Vehicles	280,093	34,612	-	314,705
Total Accumulated Depreciation	<u>6,941,020</u>	<u>409,476</u>	<u>(40,000)</u>	<u>7,310,496</u>
Total Capital Assets Being Depreciated, Net	<u>10,346,132</u>	<u>(380,075)</u>	<u>-</u>	<u>9,966,057</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,357,302</u>	<u>\$ 575,968</u>	<u>\$ -</u>	<u>\$ 13,933,270</u>

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

Governmental Activities:	
General Government	\$ 29,436
Public Safety	15,463
Public Works	199,277
Culture and Recreation	44,640
Total Depreciation Expense - Governmental Activities	<u>\$ 288,816</u>
Business-Type Activities:	
Water	\$ 77,648
Sewer	144,358
Electric	29,921
Telephone	79,203
Municipal Liquor	912
Cable Television	35,470
Sanitation	2,632
Storm Sewer	21,902
Ambulance	17,227
Broadband Internet	203
Total Depreciation Expense - Business-Type Activities	<u>\$ 409,476</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers

The Composition of interfund transfers as of December 31, 2015 is as follows:

	Transfers In:				Total
	General Fund	Debt Service Funds	Capital Projects Funds	Telephone Enterprise Fund	
Transfer Out:					
General Fund	\$ -	\$ -	\$ 29,566	\$ -	\$ 29,566
Capital Project Funds	-	46,676	-	-	46,676
Nonmajor Governmental Funds	1,439	-	-	-	1,439
Water Enterprise Fund	45,000	-	-	-	45,000
Sewer Enterprise Fund	55,000	-	-	-	55,000
Electric Enterprise Fund	220,000	-	-	-	220,000
Telephone Enterprise Fund	300,250	-	-	-	300,250
Municipal Liquor Enterprise Fund	6,000	-	-	-	6,000
Nonmajor Enterprise Funds	131,497	-	-	77,764	209,261
Total	<u>\$ 759,186</u>	<u>\$ 46,676</u>	<u>\$ 29,566</u>	<u>\$ 77,764</u>	<u>\$ 913,192</u>

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

The composition of interfund balances at December 31, 2015, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 132,981
General Fund	TIF Districts	3,880
Total		<u>\$ 136,861</u>

The interfund receivables/payables between the General Fund and Capital Projects Fund, and the General Fund and TIF Districts Fund are related to the elimination of negative cash balances at year-end.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Advances To/From Other Funds and Discrete Component Unit

Advance To	Advance From	Amount
General Fund	Component Unit - EDA	\$ 4,854
Component Unit - EDA	General Fund	9,926
General Fund	Sewer Fund	180,000
Component Unit - EDA	Sewer Fund	40,000
Component Unit - EDA	Water Fund	145,000
Component Unit - EDA	Sanitation Fund	75,000
Total		<u>\$ 454,780</u>

The advances between the General Fund and EDA were to provide for the purchase of land and land improvements on lots that are considered land held for resale in the EDA. These advances do not have set repayment schedules and repayment only occurs when lots are sold by the EDA. The advance between the General Fund and the Sewer Fund was to pay for the old city hall project. The General Fund will reimburse the Sewer Fund \$20,000 each year for the next ten years. In 2015, the council approved the advance of \$260,000 to the EDA for the purchase of the Del/Gilbertson land. The funds came from the Sewer (\$40,000), Water (\$145,000) and Sanitation Fund (\$75,000).

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

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

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

Capital Lease Obligations

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt

	Authorized and Issued	Outstanding	Due in 2016	
			Principal	Interest
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds, Including Refunding Bonds				
G.O. Improvement and Refunding Bonds Series 2012A, 0.65% to 0.90%, Issued 04/12/12, Final Maturity 02/01/16.	\$ 150,000	\$ 35,000	\$ 35,000	\$ 158
G.O. Improvement and Refunding Bonds Series 2012A, 0.80% to 2.20%, Issued 04/12/12, Final Maturity 02/01/22.	545,000	480,000	65,000	7,400
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	1,020,000	610,000	70,000	19,830
G.O. Improvement and Refunding Bonds Series 2012A, 0.55% to 3.30%, Issued 04/12/12, Final Maturity 02/01/32.	760,000	660,000	35,000	15,583
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	325,000	20,000	9,202
Total General Obligation Bonds, Including Refunding Bonds	2,820,000	2,110,000	225,000	52,173
Less: Unamortized Discount	-	(4,662)	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	2,820,000	2,105,338	225,000	52,173
Capital Leases	57,564	34,520	7,522	4,362
Total Long-Term Debt - Governmental Activities	2,877,564	2,139,858	232,522	56,535

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2016	
			Principal	Interest
BUSINESS-TYPE ACTIVITIES				
<u>Revenue Bonds</u>				
Communication System Revenue Bonds, Series 2014A; 0.75% to 4.6%; Issued 05/13/14; Final Maturity 12/01/34.	\$ 3,870,000	\$ 3,715,000	\$ 155,000	\$ 126,938
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	535,000	45,000	25,688
Total Revenue Bonds	4,660,000	4,250,000	200,000	152,626
Less: Unamortized Discount	-	(31,541)	-	-
Total Revenue Bonds - Net	4,660,000	4,218,459	200,000	152,626
<u>General Obligation Bonds</u>				
G.O. Improvement and Refunding Bonds Series 2012AA; 0.65% to 2.70%, Issued 04/12/12; Final Maturity 2/01/26.	740,000	630,000	50,000	12,110
G.O. Improvement and Refunding Bonds Series 2012A; 0.80% to 2.20%, Issued 04/12/12; Final Maturity 2/01/22.	150,000	130,000	15,000	2,053
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	2,449,000	228,000	38,204
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	872,000	51,000	9,358
Total General Obligation Bonds	7,046,925	4,081,000	344,000	61,725
Less: Unamortized Discount	-	(5,169)	-	-
Total General Obligation Bonds - Net	7,046,925	4,075,831	344,000	61,725
Total Long-Term Debt - Business-Type Activities	11,706,925	8,294,290	544,000	214,351
Total Government-Wide Long-Term Liabilities	<u>\$ 14,584,489</u>	<u>\$ 10,434,148</u>	<u>\$ 776,522</u>	<u>\$ 270,886</u>
DISCRETELY PRESENTED COMPONENT UNIT				
<u>Revenue Bonds</u>				
Lease Revenue Bonds of 2009; 2.25%, Issued 09/15/09; Final Maturity 09/15/2022.	\$ 31,500	\$ 6,873	\$ 1,831	\$ 309

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2014	Additions	Retirements	December 31, 2015	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Debt, Including					
Refunding Bonds	\$ 2,355,000	\$ -	\$ 245,000	\$ 2,110,000	\$ 225,000
Less: Unamortized Discounts	(5,086)	-	(424)	(4,662)	-
Capital Lease Obligations	41,065	-	6,545	34,520	7,522
Compensated Absences Payable	115,615	85,633	85,305	115,943	86,957
Total Governmental Activities	<u>\$ 2,506,594</u>	<u>\$ 85,633</u>	<u>\$ 336,426</u>	<u>\$ 2,255,801</u>	<u>\$ 319,479</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	\$ 4,445,000	\$ -	\$ 195,000	\$ 4,250,000	\$ 200,000
Revenue Notes	2,674,000	-	225,000	2,449,000	228,000
General Obligation Bonds	1,756,000	-	124,000	1,632,000	116,000
Less: Unamortized Discounts	(39,139)	-	(2,429)	(36,710)	-
Compensated Absences Payable	34,556	39,753	35,963	38,346	28,759
Total Business-Type Activities	<u>\$ 8,870,417</u>	<u>\$ 39,753</u>	<u>\$ 577,534</u>	<u>\$ 8,332,636</u>	<u>\$ 572,759</u>
DISCRETELY PRESENTED COMPONENT UNIT					
Revenue Bonds	\$ 8,663	\$ -	\$ 1,790	\$ 6,873	\$ 1,831
Special Assessments Payable	214,999	-	12,255	202,744	-
Total Discretely Presented Component Unit	<u>\$ 223,662</u>	<u>\$ -</u>	<u>\$ 14,045</u>	<u>\$ 209,617</u>	<u>\$ 1,831</u>

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
2016	\$ 225,000	\$ 52,173	\$ 277,173	\$ 1,831	\$ 309	\$ 2,140
2017	195,000	48,682	243,682	1,872	267	2,139
2018	195,000	44,925	239,925	1,914	225	2,139
2019	195,000	40,768	235,768	1,256	182	1,438
2020	200,000	36,011	236,011	-	-	-
2021 - 2025	695,000	104,000	799,000	-	-	-
2026 - 2030	315,000	38,904	353,904	-	-	-
2031 - 2032	90,000	2,949	92,949	-	-	-
Total	<u>\$ 2,110,000</u>	<u>\$ 368,412</u>	<u>\$ 2,478,412</u>	<u>\$ 6,873</u>	<u>\$ 983</u>	<u>\$ 7,856</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Minimum Debt Payments (Continued)

Year	Business-Type Activities					
	Revenue Bonds			G.O. Revenue Note		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 200,000	\$ 152,626	\$ 352,626	\$ 228,000	\$ 38,204	\$ 266,204
2017	200,000	149,050	349,050	232,000	34,648	266,648
2018	200,000	145,088	345,088	235,000	31,028	266,028
2019	210,000	140,350	350,350	239,000	27,362	266,362
2020	215,000	134,775	349,775	243,000	23,634	266,634
2021 - 2025	1,175,000	570,338	1,745,338	1,272,000	60,107	1,332,107
2026 - 2030	1,045,000	363,690	1,408,690	-	-	-
2031 - 2034	1,005,000	117,495	1,122,495	-	-	-
Total	<u>\$ 4,250,000</u>	<u>\$ 1,773,412</u>	<u>\$ 6,023,412</u>	<u>\$ 2,449,000</u>	<u>\$ 214,983</u>	<u>\$ 2,663,983</u>

Year	G.O. Bonds			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 116,000	\$ 23,521	\$ 139,521	\$ 544,000	\$ 214,351	\$ 758,351
2017	121,000	22,295	143,295	553,000	205,993	758,993
2018	126,000	20,838	146,838	561,000	196,954	757,954
2019	126,000	19,166	145,166	575,000	186,878	761,878
2020	128,000	17,325	145,325	586,000	175,734	761,734
2018 - 2022	605,000	55,071	660,071	3,052,000	685,516	3,737,516
2023 - 2027	351,000	13,306	364,306	1,396,000	376,996	1,772,996
2028 - 2032	59,000	633	59,633	1,064,000	118,128	1,182,128
Total	<u>\$ 1,632,000</u>	<u>\$ 172,155</u>	<u>\$ 1,804,155</u>	<u>\$ 8,331,000</u>	<u>\$ 2,160,550</u>	<u>\$ 10,491,550</u>

5. Bonds Issued

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

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

During 2014, the City issued a Communication System Revenue Bond, Series 2014A in the amount of \$3,870,000 with interest rates of 0.75-4.60%. This bond is being used to finance improvements to the City's existing broadband communication infrastructure system.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Capital Leases

During 2014, the City entered into a 60-month lease with Konica Minolta for the purchase of a copier. Monthly installments including interest are \$341. At December 31, 2015, the City has assets under this capital lease of \$42,564 with related accumulated depreciation of \$11,351.

The future minimum lease payments are as follows:

Capital Leases	
Year	Minimum Payments
2016	\$ 11,885
2017	11,885
2018	11,885
2019	8,913
Total Minimum Lease Payments	44,568
Less: Amounts Representing Interest	(10,048)
Present Value of Minimum Lease Payments	\$ 34,520

7. 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, 2015.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

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

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City contributions to the GERF for the year ended December 31, 2015, were \$73,020. The City contributions were equal to the required contributions as set by state statute.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City contributions to the PEPFF for the year ended December 31, 2015, were \$54,333. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERS Pension Costs

At December 31, 2015, the City reported a liability of \$839,568 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was .0162%.

For the year ended December 31, 2015, the City recognized pension expense of \$95,016 for its proportionate share of the GERS's pension expense.

The proportionate share of GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 42,329
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	79,478	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	49,324
City Contributions Subsequent to the Measurement Date	37,407	-
Total	<u>\$ 116,885</u>	<u>\$ 91,653</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERP Pension Costs (Continued)

\$37,407 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ (10,681)
2017	(10,681)
2018	(10,681)
2019	19,868

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$397,682 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportion was .035%.

For the year ended December 31, 2015, the City recognized pension expense of \$65,310. The City also recognized \$3,150 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

At December 31, 2015, the City's proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 64,489
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	69,290	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	-
City Contributions Subsequent to the Measurement Date	27,946	-
Total	<u>\$ 97,236</u>	<u>\$ 64,489</u>

\$27,946 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ 4,424
2017	4,424
2018	4,424
2019	4,424
2020	(12,895)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per Year
Salary Increases	3.50% per Year
Investment Rate of Return	7.90% per Year

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	5.5 %
International Stocks	15	6.0
Bonds	18	1.5
Alternative Assets	20	6.4
Cash	2	0.5
Totals	100.0 %	

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.90% for GERP and PEPFF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

Description	1% Decrease 6.90%	Current Discount Rate 7.90%	1% Increase in Discount Rate 8.90%
City's Proportionate Share of the GERP Net Pension Liability	\$ 1,320,099	\$ 839,568	\$ 442,723
City's Proportionate Share of the PEPFF Net Pension Liability	775,086	397,682	85,880

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

Firefighters of the City of Barnesville are members of the Barnesville Area Joint Fire Department Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2014, membership includes 25 active participants and 2 terminated employees entitled to benefit but not yet receiving them. The Plan does not issue a stand-alone financial report.

B. Benefits Provided

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$700 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$700 for each year the member was an active member of the Barnesville Area Joint Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City of Barnesville and participating government entities and state aid is determined as follows:

	Normal Cost	
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change	
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change	
+	Administrative Expenses	
-	Anticipated State Aid	
-	Projected Investment Earnings	
=	Total Contribution Required	

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$28,959 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2014. Required employer contributions are calculated annually based on statutory provisions. For the year ended December 31, 2014, there was no statutorily-required City contribution to the plan.

D. Pension Costs

At December 31, 2015, the City reported an asset of \$94,139 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension asset was based on the City population and the market valuation of buildings within the City’s jurisdiction during the measurement period, relative to the total population and market valuation of all participating governments. At December 31, 2015, the City’s proportion was 62%.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

D. Pension Costs (Continued)

As a result of its requirement to contribute to the Relief Association, the City recognized income of \$17,149 for the year ended December 31, 2015. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ -
Changes in Actuarial Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	570	-
City Contributions Subsequent to the Measurement Date	8,000	-
Total	<u>\$ 8,570</u>	<u>\$ -</u>

The City contributions to the Association subsequent to the measurement date, \$8,000 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 143
2017	143
2018	143
2019	141

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/14
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
 Actuarial Assumptions:	
Discount Rate	6.00%
Investment Rate of Return	6.00%
20-Year Municipal Bond Yield	3.50%
Age of Service Retirement	50

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation.

Best estimates of the long-term expected rate of return for each major asset class included in the pension plan's asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Allocation at December 31, 2014	Long-Term Expected Real Rate of Return
Cash Equivalents	29 %	2.0 %
Equities	71	7.5
Total Portfolio	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

G. Pension Liability Sensitivity

The following presents the City of Barnesville’s proportionate share of the net pension liability of the Association, calculated using the discount rate of 6.00%, as well as what the proportionate share of the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.00%) or one percentage point higher (7.0%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (91,331)	\$ (94,139)	\$ (96,881)
Discount Rate	5.00%	6.00%	7.00%

H. Plan’s Fiduciary Net Position

Information about the Plan’s fiduciary net position is as follows:

	2014
Assets	
Cash and Investments	\$ 336,954
Net Position	
Unrestricted	\$ 336,954
Revenues	
Fire State Aid	\$ 28,959
Municipal Contribution	8,000
Interest	17,498
Total Revenues	54,457
Expenses	
Pension Distributions	18,967
Administrative	693
Total Expenses	19,660
Change in Net Position	34,797
Beginning Net Position	302,157
Ending Net Position	\$ 336,954

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 5 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

H. Plan's Fiduciary Net Position (Continued)

Information about the changes in the Plan's net pension liability is as follows:

	2014
Total Pension Liability	
Service Cost	\$ 7,801
Interest	11,223
Benefit Payments, Including Member Contribution Refunds	(18,967)
Net Change in Total Pension Liability	57
Total Pension Liability - Beginning	185,060
Total Pension Liability - Ending (a)	185,117
Plan Fiduciary Net Position	
Municipal Contributions	8,000
State Contributions	28,959
Net Investment Income	17,498
Benefit Payments	(18,967)
Administrative Expenses	(693)
Net Change in Fiduciary Net Position	34,797
Fiduciary Net Position - Beginning	302,157
Fiduciary Net Position - Ending (b)	336,954
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (151,837)

I. Employer Allocation

The fire relief association serves the City of Barnesville and eight townships located in the area. The net pension liability and related outflows of resources and inflows of resources are allocated to the participating governmental entities proportionately based on population and the market valuation of buildings within each jurisdiction. The City of Barnesville's proportionate share was 62%.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City provides health insurance benefits for certain retired employees under a single-employer fully-insured plan with age based premiums. 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, the premiums paid are age based and the retirees are required to pay the full amount of the total premium cost and therefore the City has no liability reflected in the City's financial statements.

NOTE 7 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.

NOTE 8 RESTATEMENT FOR CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2015, the City adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statements No. 68*. These pronouncements require the restatement of the December 31, 2014, net position as follows:

	Net Position as Previously Stated	Cumulative Affect of Application of GASB 68 Net Pension Liability (Asset)	Cumulative Affect of Application of GASB 71 Deferred Outflow of Resources for Contributions Made During Measurement Period	Net Position As Restated
Governmental Activities	\$ 6,236,713	\$ (708,377)	\$ 48,860	\$ 5,577,196
Business Type Activities	12,455,206	(361,212)	15,064	12,109,058
Water Fund	2,044,853	(8,020)	335	2,037,168
Sewer Fund	3,170,955	(6,862)	286	3,164,379
Electric Fund	1,433,198	(37,618)	1,569	1,397,149
Telephone Fund	3,521,563	(159,730)	6,661	3,368,494
Municipal Liquor Fund	113,192	(36,791)	1,535	77,936
Cable Television Fund	502,686	(12,897)	537	490,326
Ambulance Fund	150,455	(62,834)	2,621	90,242
Nonmajor Proprietary Funds	1,518,304	(36,460)	1,520	1,483,364
EDA - Component Unit	232,966	(62,586)	2,610	172,990

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**CITY OF BARNESVILLE, MINNESOTA
BARNESVILLE FIREMAN'S RELIEF ASSOCIATION
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**

	2014
Total Pension Liability	
Service Cost	\$ 7,801
Interest	11,223
Benefit Payments, Including Member Contribution Refunds	(18,967)
Net Change in Total Pension Liability	57
Total Pension Liability - Beginning	185,060
Total Pension Liability - Ending (a)	185,117
Plan Fiduciary Net Position	
Municipal Contributions	8,000
State Contributions	28,959
Net Investment Income	17,498
Benefit Payments	(18,967)
Administrative Expenses	(693)
Net Change in Fiduciary Net Position	34,797
Fiduciary Net Position - Beginning	302,157
Fiduciary Net Position - Ending (b)	336,954
Association's Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (151,837)
Fiduciary Net Position as a Percentage of the Total Pension Liability	182.02%
Covered-Employee Payroll	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)**

	Measurement Date June 30, 2015
PERA - GERF	
City's Proportion of the Net Pension Liability (Asset)	0.0162%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 839,568
City's Covered-Employee Payroll	\$ 950,430
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	88.34%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%
 PERA - PEPFF	
City's Proportion of the Net Pension Liability (Asset)	0.0350%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 397,682
City's Covered-Employee Payroll	\$ 320,101
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	124.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.30%
 Fire Relief Association	Measurement Date December 31, 2014
City's Proportion of the Net Pension Liability (Asset)	62.0000%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (94,139)
City's Covered-Employee Payroll	N/A
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A 182.02%

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS**

	<u>2015</u>	<u>2014</u>
PERA - GERF		
Contractually Required Contribution	\$ 73,020	\$ 68,395
Contributions in Relation to the Contractually Required Contribution	<u>(73,020)</u>	<u>(68,395)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 973,605	 \$ 943,183
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.25%
PERA - PEPFF		
Contractually Required Contribution	\$ 54,333	\$ 47,791
Contributions in Relation to the Contractually Required Contribution	<u>(54,333)</u>	<u>(47,791)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 335,388	 \$ 301,363
 Contributions as a Percentage of Covered Employee Payroll	 16.20%	 15.86%
Fire Relief Association		
Statutorily Required Contribution	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	<u>8,000</u>	<u>8,000</u>
Contribution Deficiency (Excess)	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>
 City's Covered-Employee Payroll	 N/A	 N/A
 Contributions as a Percentage of Covered Employee Payroll	 N/A	 N/A

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 196,000	\$ 196,000	\$ 198,119	\$ 2,119
Special Assessments	5,000	5,000	11,398	6,398
Licenses and Permits	19,450	19,450	22,784	3,334
Intergovernmental	816,467	816,467	908,454	91,987
Charges for Services	820	820	2,336	1,516
Fines and Forfeits	6,100	6,100	7,221	1,121
Interest Income	25,000	25,000	12,960	(12,040)
Miscellaneous	37,509	37,509	55,868	18,359
Total Revenues	<u>1,106,346</u>	<u>1,106,346</u>	<u>1,219,140</u>	<u>112,794</u>
EXPENDITURES				
Current				
General Government	713,927	713,927	684,487	(29,440)
Public Safety	579,172	579,172	578,529	(643)
Public Works	286,274	286,274	239,995	(46,279)
Airport	25	25	730	705
Economic Development	154,364	154,364	154,364	-
Capital Outlay				
General Government	-	-	29,901	29,901
Public Safety	30,000	30,000	29,611	(389)
Public Works	180,000	180,000	172,934	(7,066)
Debt service				
Principal	-	-	6,545	6,545
Interest and Other Charges	-	-	5,340	5,340
Total Expenditures	<u>1,943,762</u>	<u>1,943,762</u>	<u>1,902,436</u>	<u>(41,326)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(837,416)	(837,416)	(683,296)	154,120
OTHER FINANCING SOURCES (USES)				
Transfers In	757,750	757,750	759,186	1,436
Transfers Out	(20,000)	(20,000)	(29,566)	(9,566)
Proceeds From Sale of Capital Assets	10,000	10,000	-	(10,000)
Total Other Financing Sources (Uses)	<u>747,750</u>	<u>747,750</u>	<u>729,620</u>	<u>(18,130)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (89,666)</u>	<u>\$ (89,666)</u>	46,324	<u>\$ 135,990</u>
Fund Balance - Beginning of Year			<u>1,253,806</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 1,300,130</u></u>	

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

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 359,771	\$ 359,771	\$ 359,771	\$ -
Licenses and Permits	300	300	985	685
Intergovernmental	-	-	317,025	317,025
Charges for Services	163,800	163,800	200,687	36,887
Gifts and Contributions	-	-	66,244	66,244
Interest on Investments	-	-	267	267
Miscellaneous	400	400	7,452	7,052
Total Revenues	<u>524,271</u>	<u>524,271</u>	<u>952,431</u>	<u>428,160</u>
EXPENDITURES				
Current				
Parks and Recreation	422,273	422,273	407,816	(14,457)
Capital Outlay				
Parks and Recreation	<u>142,000</u>	<u>142,000</u>	<u>433,218</u>	<u>291,218</u>
Total Expenditures	<u>564,273</u>	<u>564,273</u>	<u>841,034</u>	<u>276,761</u>
NET CHANGE IN FUND BALANCE	<u>\$ (40,002)</u>	<u>\$ (40,002)</u>	111,397	<u>\$ 151,399</u>
Fund Balance - Beginning of Year			<u>370,463</u>	
FUND BALANCE - END OF YEAR			<u>\$ 481,860</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, 2015

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, 2015**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Youth Alive Early Prevention</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 3,440	\$ 38,739	\$ -	\$ -	\$ 42,179
Notes Receivable	-	7,160	-	-	7,160
Total Assets	<u>\$ 3,440</u>	<u>\$ 45,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,339</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ -	\$ -	\$ 3,880	\$ -	\$ 3,880
Deferred Inflows of Resources					
Unavailable Loans Receivable	-	7,160	-	-	7,160
Fund Balances (Deficit)					
Restricted for Dare Program	3,440	-	-	-	3,440
Restricted for Program Income	-	38,739	-	-	38,739
Unassigned	-	-	(3,880)	-	(3,880)
Total Fund Balances (Deficit)	<u>3,440</u>	<u>38,739</u>	<u>(3,880)</u>	<u>-</u>	<u>38,299</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 3,440</u>	<u>\$ 45,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,339</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	DARE	Small Cities	TIF Districts	Youth Alive Early Prevention	Total Nonmajor Funds
REVENUES					
Tax Increments	\$ -	\$ -	\$ 167,651	\$ -	\$ 167,651
Interest Income	3	30	-	-	33
Miscellaneous	-	8,011	-	350	8,361
Total Revenues	3	8,041	167,651	350	176,045
EXPENDITURES					
Current					
Public Safety	2,025	-	-	-	2,025
Economic Development	-	-	150,170	-	150,170
Total Expenditures	2,025	-	150,170	-	152,195
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,022)	8,041	17,481	350	23,850
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	(1,439)	(1,439)
NET CHANGE IN FUND BALANCES	(2,022)	8,041	17,481	(1,089)	22,411
Fund Balance (Deficit) - Beginning of Year	5,462	30,698	(21,361)	1,089	15,888
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 3,440</u>	<u>\$ 38,739</u>	<u>\$ (3,880)</u>	<u>\$ -</u>	<u>\$ 38,299</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 94,384	\$ 296,007	\$ 384,101	\$ 774,492
Accounts Receivable - Net	42,159	7,303	48,361	97,823
Total Current Assets	136,543	303,310	432,462	872,315
Noncurrent Assets				
Advance to Component Unit	75,000	-	-	75,000
Capital Assets				
Land	-	13,077	-	13,077
Buildings (Net)	98,853	-	-	98,853
Infrastructure (Net)	-	476,933	-	476,933
Machinery and Equipment (Net)	-	14,342	-	14,342
Net Capital Assets	98,853	504,352	-	603,205
Total Noncurrent	173,853	504,352	-	678,205
Total Assets	310,396	807,662	432,462	1,550,520
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	2,641	-	2,513	5,154
LIABILITIES				
Current Liabilities				
Accounts Payable	12,651	-	61	12,712
Salaries and Benefits Payable	1,076	-	907	1,983
Due to Other Governments	1,407	-	-	1,407
Compensated Absences - Due Within One Year	986	-	1,306	2,292
Total Current Liabilities	16,120	-	2,274	18,394
Noncurrent Liabilities				
Compensated Absences - Due in More than One Year	329	-	435	764
Net Pension Liability	18,974	-	18,051	37,025
Total Noncurrent Liabilities	19,303	-	18,486	37,789
Total Liabilities	35,423	-	20,760	56,183
DEFERRED INFLOWS OF RESOURCES				
Pension Related	2,072	-	1,970	4,042
NET POSITION				
Net Investment in Capital Assets	98,853	504,352	-	603,205
Unrestricted	176,689	303,310	412,245	892,244
Total Net Position	\$ 275,542	\$ 807,662	\$ 412,245	\$ 1,495,449

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES				
Charges for Services	\$ 185,579	\$ 34,692	\$ 274,617	\$ 494,888
OPERATING EXPENSES				
Professional Services	132,956	-	385	133,341
Wages, Salaries, and Compensation	26,727	-	24,419	51,146
Repairs and Maintenance	129	-	5,213	5,342
Insurance	2,158	-	-	2,158
Depreciation	2,632	21,902	203	24,737
Materials and Supplies	674	-	-	674
Equipment	-	-	66,512	66,512
Miscellaneous Expenses	27,259	-	28,576	55,835
Total Operating Expenses	192,535	21,902	125,308	339,745
OPERATING INCOME (LOSS)	(6,956)	12,790	149,309	155,143
NONOPERATING REVENUES (EXPENSES)				
Interest Income	572	388	345	1,305
Intergovernmental Grants	64,823	-	-	64,823
Miscellaneous - Nonoperating	-	-	75	75
Total Nonoperating Revenues (Expenses)	65,395	388	420	66,203
Income (Loss) before Transfers	58,439	13,178	149,729	221,346
Transfers Out	(18,000)	(7,497)	(183,764)	(209,261)
CHANGE IN NET POSITION	40,439	5,681	(34,035)	12,085
Net Position - Beginning of Year	253,009	801,981	463,314	1,518,304
Change in Accounting Principal	(17,906)	-	(17,034)	(34,940)
Net Position - Beginning of Year, as Restated	235,103	801,981	446,280	1,483,364
NET POSITION - END OF YEAR	<u>\$ 275,542</u>	<u>\$ 807,662</u>	<u>\$ 412,245</u>	<u>\$ 1,495,449</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 183,524	\$ 35,522	\$ 248,217	\$ 467,263
Payments to Suppliers	(162,876)	-	(115,355)	(278,231)
Payments to Employees	(26,610)	-	(25,633)	(52,243)
Net Cash Provided (Used) by Operating Activities	(5,962)	35,522	107,229	136,789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
FINANCING ACTIVITIES				
Transfers to Other Funds	(18,000)	(7,497)	(183,764)	(209,261)
Advance to Component Unit	(75,000)	-	-	(75,000)
Other Miscellaneous Receipts	-	-	75	75
Grant Receipts	64,823	-	-	64,823
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(28,177)	(7,497)	(183,689)	(219,363)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	572	389	346	1,307
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,567)	28,414	(76,114)	(81,267)
Cash and Cash Equivalents - Beginning of Year	127,951	267,593	460,215	855,759
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 94,384</u>	<u>\$ 296,007</u>	<u>\$ 384,101</u>	<u>\$ 774,492</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (6,956)	\$ 12,790	\$ 149,309	\$ 155,143
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	2,632	21,902	203	24,737
(Increase) Decrease in Assets				
Accounts Receivable	(2,055)	830	(26,400)	(27,625)
Deferred Outflows of Resources	(2,641)	-	(2,513)	(5,154)
Increase (Decrease) in Liabilities				
Accounts Payable	341	-	(14,669)	(14,328)
Salaries and Benefits Payable	(138)	-	(414)	(552)
Other Postemployment Benefits Payable	(352)	-	(1,416)	(1,768)
Due to Other Governments	(41)	-	-	(41)
Compensated Absences Payable	108	-	142	250
Net Pension Liability	1,068	-	1,017	2,085
Deferred Inflows of Resources	2,072	-	1,970	4,042
Total Adjustments	994	22,732	(42,080)	(18,354)
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,962)</u>	<u>\$ 35,522</u>	<u>\$ 107,229</u>	<u>\$ 136,789</u>

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OTHER COMBINING SCHEDULES

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2015**

ASSETS	<u>Series 2004A Refunding Bonds</u>	<u>G.O. Taxable Bonds</u>	<u>G.O. 2005 Bond Refinance</u>	<u>G.O. 2006 Bonds</u>
Cash and Pooled Investments	\$ 168,626	\$ 110,716	\$ 202,256	\$ 65,284
Taxes Receivable				
Current	-	-	-	821
Special Assessments Receivable				
Delinquent	-	1,228	-	2,344
Noncurrent	120,315	46,912	196,334	1,212,717
Total Assets	<u>\$ 288,941</u>	<u>\$ 158,856</u>	<u>\$ 398,590</u>	<u>\$ 1,281,166</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Taxes	\$ -	\$ -	\$ -	\$ -
Unavailable Special Assessments	120,315	46,912	196,334	1,212,717
Total Deferred Inflows of Resources	<u>120,315</u>	<u>46,912</u>	<u>196,334</u>	<u>1,212,717</u>
Fund Balances				
Restricted	<u>168,626</u>	<u>111,944</u>	<u>202,256</u>	<u>68,449</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 288,941</u>	<u>\$ 158,856</u>	<u>\$ 398,590</u>	<u>\$ 1,281,166</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds	G.O. 2013A Improvement Bonds	Total Debt Service Fund
\$ 85,286	\$ 103,168	\$ (16,765)	\$ 718,571
-	3,033	60	3,914
-	2,407	-	5,979
<u>227,403</u>	<u>215,639</u>	<u>305,076</u>	<u>2,324,396</u>
<u>\$ 312,689</u>	<u>\$ 324,247</u>	<u>\$ 288,371</u>	<u>\$ 3,052,860</u>

\$ -	\$ 2,271	\$ -	\$ 2,271
<u>227,403</u>	<u>217,736</u>	<u>305,076</u>	<u>2,326,493</u>
<u>227,403</u>	<u>220,007</u>	<u>305,076</u>	<u>2,328,764</u>

<u>85,286</u>	<u>104,240</u>	<u>(16,705)</u>	<u>724,096</u>
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<u>\$ 312,689</u>	<u>\$ 324,247</u>	<u>\$ 288,371</u>	<u>\$ 3,052,860</u>
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CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
DEBT SERVICE FUND – BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2015

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 33,742
Special Assessments	27,070	27,251	31,734	56,531
Interest Income	228	287	187	-
Total Revenues	<u>27,298</u>	<u>27,538</u>	<u>31,921</u>	<u>90,273</u>
EXPENDITURES				
Debt Service				
Principal	-	-	55,000	65,000
Interest and Other Charges	-	-	535	7,953
Total Expenditures	<u>-</u>	<u>-</u>	<u>55,535</u>	<u>72,953</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	27,298	27,538	(23,614)	17,320
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	20,000
Transfers Out	(40,000)	(20,000)	-	-
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCE	(12,702)	7,538	(23,614)	37,320
Fund Balance (Deficit) - Beginning of Year	<u>181,328</u>	<u>104,406</u>	<u>225,870</u>	<u>31,129</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 168,626</u>	<u>\$ 111,944</u>	<u>\$ 202,256</u>	<u>\$ 68,449</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds	G.O. 2013A Improvement Bonds	Internal Eliminations	Total Debt Service Fund
\$ -	\$ 31,338	\$ 2,479	\$ -	\$ 67,559
43,860	16,588	8,021	-	211,055
525	34	-	-	1,261
44,385	47,960	10,500	-	279,875
70,000	35,000	20,000	-	245,000
21,650	15,880	10,052	-	56,070
91,650	50,880	30,052	-	301,070
(47,265)	(2,920)	(19,552)	-	(21,195)
30,000	46,676	10,000	(60,000)	46,676
-	-	-	60,000	-
30,000	46,676	10,000	-	46,676
(17,265)	43,756	(9,552)	-	25,481
102,551	60,484	(7,153)	-	698,615
<u>\$ 85,286</u>	<u>\$ 104,240</u>	<u>\$ (16,705)</u>	<u>\$ -</u>	<u>\$ 724,096</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND – BY PROJECT
 DECEMBER 31, 2015**

	<u>Heartland Addition</u>	<u>C.S.A.H. 52 Projects</u>	<u>Street Reconstruction</u>	<u>Commercial Park Extension</u>
ASSETS				
Special Assessments - Noncurrent	\$ -	\$ -	\$ -	\$ 91,747
Account Receivable	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,747</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS				
Liabilities				
Due to Other Funds	\$ -	\$ -	\$ 7,500	\$ 110,311
Contracts Payable	-	-	-	-
Total Liabilities	-	-	7,500	110,311
Deferred Inflows of Resources				
Unavailable Special Assessments	-	-	-	91,747
Fund Balances (Deficits)				
Unassigned	-	-	(7,500)	(110,311)
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,747</u>

Safe Routes to Schools	Total Capital Projects Fund
\$ -	\$ 91,747
<u>24,788</u>	<u>24,788</u>
<u><u>\$ 24,788</u></u>	<u><u>\$ 116,535</u></u>

\$ 15,170	\$ 132,981
<u>9,618</u>	<u>9,618</u>
24,788	142,599
-	91,747
<u>-</u>	<u>(117,811)</u>
<u><u>\$ 24,788</u></u>	<u><u>\$ 116,535</u></u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
CAPITAL PROJECTS FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2015

	Heartland Addition	C.S.A.H. 52 Projects	Street Reconstruction	Commercial Park Extension
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest Income	-	37	-	-
Total Revenues	-	37	-	-
EXPENDITURES				
Capital Outlay				
Public Works	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	37	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	29,566	-	-	-
Transfers Out	-	(46,676)	-	-
Total Other Financing Sources (Uses)	29,566	(46,676)	-	-
NET CHANGE IN FUND BALANCE	29,566	(46,639)	-	-
Fund Balance (Deficit) - Beginning of Year	(29,566)	46,639	(7,500)	(110,311)
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,500)</u>	<u>\$ (110,311)</u>

Safe Routes to Schools	Total Capital Projects Fund
\$ 300,509	\$ 300,509
-	37
<u>300,509</u>	<u>300,546</u>
 298,580	 298,580
 1,929	 1,966
 -	 29,566
 -	 (46,676)
 -	 (17,110)
 1,929	 (15,144)
 (1,929)	 (102,667)
 <u>\$ -</u>	 <u>\$ (117,811)</u>

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OTHER REPORTS SECTION



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

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

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

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2015-001 through 2015-003 to be material weaknesses.

Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 8, 2016

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**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2015**

MATERIAL WEAKNESSES

2015-001 LACK OF SEGREGATION OF DUTIES

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

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

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

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

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

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

2015-002 YEAR-END CLOSING PROCEDURES

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

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

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

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

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015**

MATERIAL WEAKNESSES (CONTINUED)

2015-002 YEAR-END CLOSING PROCEDURES (CONTINUED)

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

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

2015-003 FINANCIAL STATEMENT PREPARATION

Criteria: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

Condition: The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures, are complete, and presented in accordance with GAAP.

Context: Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

Cause: The City relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Management Response: The City will continue to evaluate whether an internal control policy over financial reporting would be beneficial.



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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barnesville (City), as of December 31, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated April 8, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the City, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
April 8, 2016

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