

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

**CITY OF BARNESVILLE, MINNESOTA
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DECEMBER 31, 2017**

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INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2017**

ELECTED	NAME	TERM EXPIRES
Mayor	Gene Prim	12/31/2017
City Council	Larry Davis, Jr.	12/31/2017
City Council	Jason Rick	12/31/2017
City Council	Don Goedtko	12/31/2017
City Council	Betty Strom	12/31/2019
City Council	David Brown	12/31/2019
City Council	Brad Field	12/31/2019

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, 2017, 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.

Auditors' 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.

Honorable Mayor and
Members of the City Council
City of Barnesville

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, 2017, 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

For the year ended December 31, 2017 the City restated beginning Business-Type Activities net position and net position in the Water, Sewer, Electric, Telephone, and Nonmajor Enterprise Funds to correct an error in the previously issued financial statements (see Note 9). 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

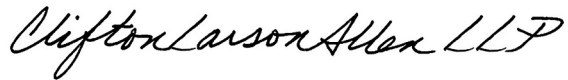
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, the debt service fund by bond issue financial statements, and the capital projects fund by project 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 May 7, 2018, 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 solely 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 the effectiveness of the City's 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
May 7, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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 (2017) and the prior year (2016) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 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 \$22,136,261 (net position). Of this amount, \$8,913,463 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$825,223 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$2,861,313, an increase of \$132,401, or 4.9% in comparison to the prior year. Approximately 25.4% of this amount, or \$727,700, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$412,827, or 21.0% 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), pension schedules and budgetary schedules, 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.

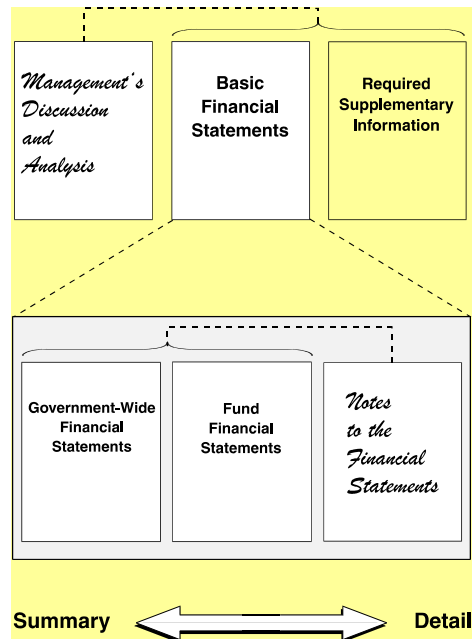
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017**

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, liabilities, and deferred inflows of resources. 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 – is 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, 2017**

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, 2017**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$22,136,261 on December 31, 2017 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016 As Restated	2017	2016 As Restated
Current and Other Assets	\$ 5,895,874	\$ 5,862,472	\$ 9,029,650	\$ 8,460,999	\$ 14,925,524	\$ 14,323,471
Capital Assets	5,859,563	6,479,456	13,923,869	13,569,235	19,783,432	20,048,691
Total Assets	11,755,437	12,341,928	22,953,519	22,030,234	34,708,956	34,372,162
Deferred Outflows of Resources	742,118	1,154,333	107,919	281,299	850,037	1,435,632
Current Liabilities	580,433	508,434	1,003,610	991,301	1,584,043	1,499,735
Long-Term Liabilities	3,655,337	4,786,502	7,222,203	7,885,977	10,877,540	12,672,479
Total Liabilities	4,235,770	5,294,936	8,225,813	8,877,278	12,461,583	14,172,214
Deferred Inflows of Resources	872,954	233,467	88,195	91,075	961,149	324,542
Net Position						
Net Investment in Capital Assets	2,902,402	3,349,598	6,553,677	5,819,870	9,456,079	9,169,468
Restricted	3,483,394	3,551,303	283,325	283,325	3,766,719	3,834,628
Unrestricted	1,003,035	1,066,957	7,910,428	7,239,985	8,913,463	8,306,942
Total Net Position	\$ 7,388,831	\$ 7,967,858	\$ 14,747,430	\$ 13,343,180	\$ 22,136,261	\$ 21,311,038

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$9,402,766 for the year ended December 31, 2017. Property taxes and intergovernmental revenues accounted for 23.5% of total revenue for the year, while user charges accounted for 69.3% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2016		2017	2016 As Restated
			2017	As Restated		
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 254,526	\$ 238,676	\$ 6,258,904	\$ 5,735,012	\$ 6,513,430	\$ 5,973,688
Operating Grants and Contributions	477,290	240,280	52,664	54,238	529,954	294,518
Capital Grants and Contributions	111,650	1,143,174	18,185	8,086	129,835	1,151,260
<u>General Revenues</u>						
Property Taxes	700,057	667,910	45,000	45,000	745,057	712,910
Tax Increments	158,002	175,526	-	-	158,002	175,526
Unrestricted State Aid	803,046	774,138	-	-	803,046	774,138
Investment Earnings	27,534	31,439	13,198	36,123	40,732	67,562
Other	84,761	203,852	397,949	429,256	482,710	633,108
Total Revenues	2,616,866	3,474,995	6,785,900	6,307,715	9,402,766	9,782,710
EXPENSES						
General Government	1,172,190	572,772	-	-	1,172,190	572,772
Public Safety	745,808	935,023	-	-	745,808	935,023
Public Works	510,522	528,603	-	-	510,522	528,603
Culture and Recreation	509,618	431,197	-	-	509,618	431,197
Economic Development	290,434	310,854	-	-	290,434	310,854
Interest	79,918	109,519	-	-	79,918	109,519
Water	-	-	309,232	296,341	309,232	296,341
Sewer	-	-	396,132	346,948	396,132	346,948
Electric	-	-	1,823,303	1,793,550	1,823,303	1,793,550
Telephone	-	-	893,723	859,631	893,723	859,631
Municipal Liquor	-	-	434,716	419,745	434,716	419,745
Cable Television	-	-	441,486	882,585	441,486	882,585
Sanitation	-	-	221,188	222,356	221,188	222,356
Storm Sewer	-	-	23,659	21,902	23,659	21,902
Ambulance	-	-	670,306	529,827	670,306	529,827
Broadband Internet	-	-	55,308	57,766	55,308	57,766
Total Expenses	3,308,490	2,887,968	5,269,053	5,430,651	8,577,543	8,318,619
Transfers	112,597	765,611	(112,597)	(765,611)	-	-
CHANGE IN NET POSITION	(579,027)	1,352,638	1,404,250	111,453	825,223	1,464,091
Net Position - Beginning of Year, As Restated	7,967,858	6,615,220	13,343,180	13,231,727	21,311,038	19,846,947
NET POSITION - END OF YEAR	<u>\$ 7,388,831</u>	<u>\$ 7,967,858</u>	<u>\$ 14,747,430</u>	<u>\$ 13,343,180</u>	<u>\$ 22,136,261</u>	<u>\$ 21,311,038</u>

Total revenues surpassed expenses, increasing City-wide net position by \$825,223 as compared to an increase of \$1,464,091 in 2016. The increase in net position for 2017 is primarily due to the business-type activities revenues exceeding expenses. Governmental activities contributed assets totaling \$738,325 to business-type activities during 2017.

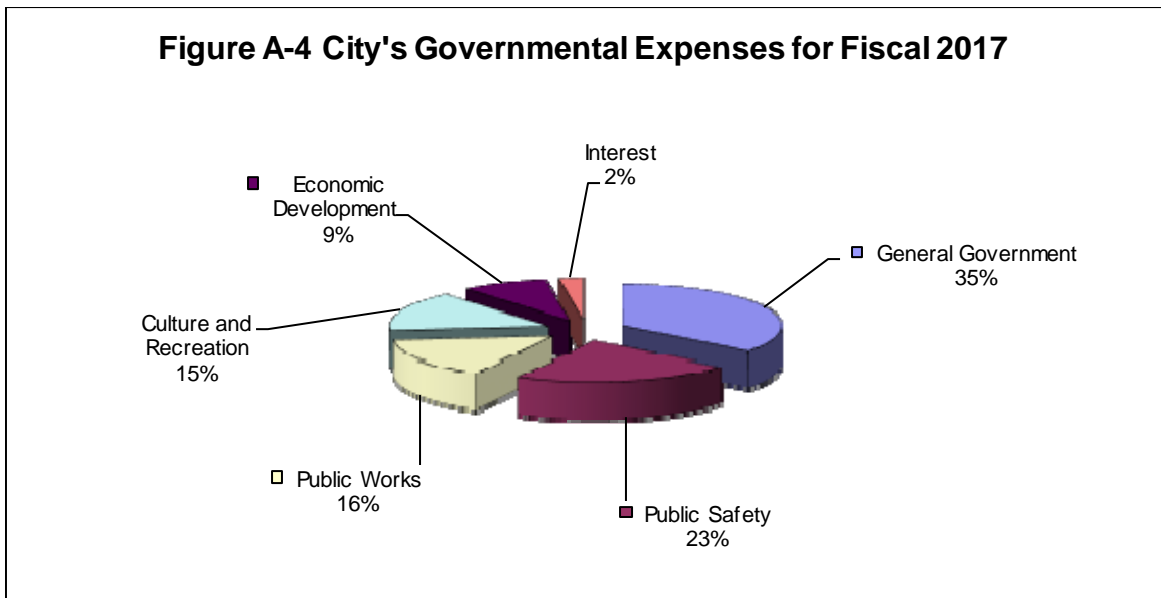
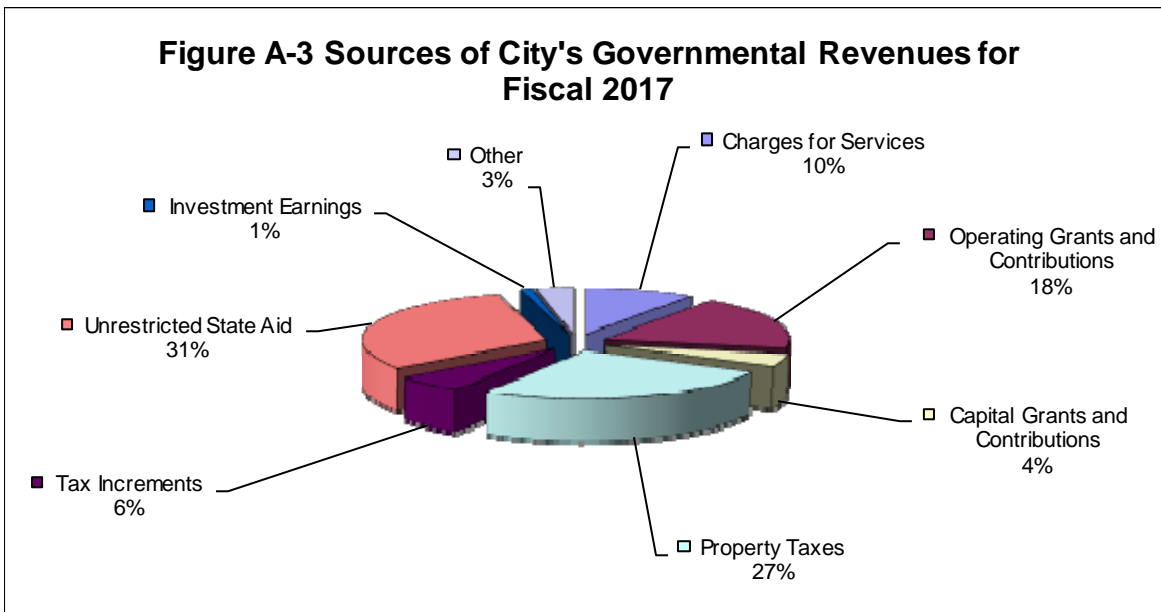
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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 \$3,308,490.

- Some of the cost was paid by the users of the City's programs (\$254,526).
- Federal and state government payments (\$477,290) subsidized certain programs.
- Ad valorem property taxes (\$700,057) and unrestricted state grants (\$803,046) also helped fund the net costs of governmental services.
- Transfers from the City's business-type operations also subsidize governmental operations (\$850,922).



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**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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	
	2017	2016	2017	2016
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,172,190	\$ 572,772	\$ (724,456)	\$ (527,776)
Public Safety	745,808	935,023	(648,649)	(828,278)
Public Works	510,522	528,603	(422,947)	549,223
Culture and Recreation	509,618	431,197	(298,620)	(58,970)
Economic Development	290,434	310,854	(290,434)	(290,518)
Interest	79,918	109,519	(79,918)	(109,519)
Total	<u>\$ 3,308,490</u>	<u>\$ 2,887,968</u>	<u>\$ (2,465,024)</u>	<u>\$ (1,265,838)</u>
BUSINESS-TYPE ACTIVITIES				
Water	\$ 309,232	\$ 296,341	\$ 166,885	\$ 138,862
Sewer	396,132	346,948	275,624	260,745
Electric	1,823,303	1,793,550	373,306	159,500
Telephone	893,723	859,631	108,508	148,846
Municipal Liquor	434,716	419,745	12,416	(12,314)
Cable Television	441,486	882,585	19,094	(402,139)
Sanitation	221,188	222,356	35,526	9,239
Storm Sewer	23,659	21,902	12,392	14,350
Ambulance	670,306	529,827	(158,179)	(114,529)
Broadband Internet	55,308	57,766	215,128	164,125
Total	<u>\$ 5,269,053</u>	<u>\$ 5,430,651</u>	<u>\$ 1,060,700</u>	<u>\$ 366,685</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 \$2,861,313.

Revenues for the City's governmental funds were \$2,744,040, while total expenditures were \$3,462,561.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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

General Fund	Year Ended		Change
	December 31, 2017	December 31, 2016	Increase (Decrease)
Taxes	\$ 269,109	\$ 273,933	\$ (4,824)
Special Assessments	1,898	23,680	(21,782)
Licenses and Permits	20,880	35,605	(14,725)
Intergovernmental	887,794	858,959	28,835
Charges for Services	27,900	995	26,905
Fines and Forfeits	9,115	4,754	4,361
Interest	15,560	13,744	1,816
Miscellaneous and Other	54,042	57,117	(3,075)
Total General Fund Revenues	<u>\$ 1,286,298</u>	<u>\$ 1,268,787</u>	<u>\$ 17,511</u>

Total General Fund revenue increased by \$17,511, or 1.4%, from the previous year. The primary reason for the increase is an increase in intergovernmental revenue and charges for services, offset by a decrease in special assessments and license and permit revenue. Local government aid (LGA), certified by the Department of Revenue based on LGA statutes, increased by approximately \$26,000 over prior year. Charges for services increased as the City performed seal coating and ditch cleaning services for local governments on a reimbursement basis.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change
	December 31, 2017	December 31, 2016	Increase (Decrease)
General Government	\$ 690,136	\$ 678,050	\$ 12,086
Public Safety	647,636	623,625	24,011
Public Works	277,298	263,356	13,942
Economic Development	150,541	163,003	(12,462)
Capital Outlay	189,376	1,892	187,484
Debt Service	11,885	11,884	1
Total Expenditures	<u>\$ 1,966,872</u>	<u>\$ 1,741,810</u>	<u>\$ 225,062</u>

The General Fund's expenditures increased \$225,062 from 2016. The increase is due largely to capital outlays for sealcoating and equipment purchases.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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 \$114,403 more than budget. This is primarily due to an increase in taxes from the levy, the recognition of the state fire pass through funds, and more building permits issued than budgeted.
- The actual expenditures were \$14,923 under budget. This is primarily due to public works expenditures coming in under budget by \$28,332 due to less projects done on streets than budgeted for. Public Safety expenditures were over budget by \$39,041 primarily due to the recognition of the state fire pass through funds.

Parks and Recreation Fund

The Parks and Recreation Fund had an increase in fund balance of \$50,517. Revenues and expenditures exceeded budget during 2017 by \$60,445 and \$9,928, respectively. The overages were a result of donations that were not budgeted for.

Capital Projects Fund

The Capital Projects Fund had a decrease in fund balance of \$30,525. The decrease is due to the completion of the Del Acres Gilbertson Second Addition.

Debt Service Fund

The Debt Service Fund's fund balance increased \$17,858 as a result of special assessment revenues collected in excess of debt payments.

Other Governmental Funds

The Other Governmental Fund's fund balance increased \$20,603 as a result of tax increment collections in excess of expenditures.

Business-Type Funds

Water and Sewer Funds

The Water and Sewer Funds reported net income (before transfers to other funds) of \$174,219 and \$281,509, respectively, for the year ended December 31, 2017, as compared to \$142,754 and \$267,424, respectively for 2016. The completion of the Del Acres Gilbertson second addition resulted in capital contributions of \$258,713 to both the Water and Sewer Funds.

Liquor and Cable Television Funds

The operations of the Municipal Liquor and Cable Television Funds reported net income(loss) (before transfers to other funds) of \$13,796 and 23,298, respectively, for the year ended December 31, 2017, as compared to (\$8,582) and (\$399,197), respectively, for 2016. The significant increase in Cable Television Fund is attributable to a loss on the sale of capital assets recognized in 2016.

Electric Fund

The Electric Fund reported net income (before transfers to other funds) of \$388,271 for the year ended December 31, 2017 compared to \$202,450 in 2016.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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

Business-Type Funds (Continued)

Telephone Fund

The Telephone Fund reported sales of \$999,432 compared to \$1,004,813 in 2016. Income of \$315,928 (compared to \$350,737 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 \$439,965 as compared to \$543,365 in the prior year.

Ambulance Fund

The Ambulance Fund reported net income (loss) (before transfers to other funds) of (\$68,732) for the year ended December 31, 2017, as compared to (\$27,831) for 2016. The decrease was a result of operating expenses exceeding charges for services.

CAPITAL ASSETS

By the end of 2017, the City had invested \$19,783,432 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 563,716	\$ 563,716	\$ 113,908	\$ 113,908	\$ 677,624	\$ 677,624
Construction-in-Progress	536,198	1,838,030	17,432	-	553,630	1,838,030
Buildings	1,621,994	1,616,409	1,357,861	1,330,997	2,979,855	2,947,406
Infrastructure	5,696,886	4,849,251	12,569,929	11,816,883	18,266,815	16,666,134
Improvements	1,144,543	1,104,759	5,088,890	979,170	6,233,433	2,083,929
Machinery and Equipment	834,078	820,736	2,563,468	6,538,623	3,397,546	7,359,359
Vehicles	399,244	444,789	515,802	466,942	915,046	911,731
Less: Accumulated Depreciation	(4,937,096)	(4,758,234)	(8,303,421)	(7,677,288)	(13,240,517)	(12,435,522)
Total	<u>\$ 5,859,563</u>	<u>\$ 6,479,456</u>	<u>\$ 13,923,869</u>	<u>\$ 13,569,235</u>	<u>\$ 19,783,432</u>	<u>\$ 20,048,691</u>

Major capital asset acquisitions during the year included:

Governmental Activities:

- Sealcoating project totaling \$105,645
- Del Acres Gilbertson second addition project totaling \$127,263

Business-type Activities:

- Additions related to Del Acres Gilbertson second addition totaling \$711,461
- Ambulance garage roof totaling \$26,864

Total depreciation expense for the year was \$930,933 (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
YEAR ENDED DECEMBER 31, 2017**

LONG-TERM LIABILITIES

At year-end, the City had \$10,334,729 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt decreased - \$585,748 due primarily to schedule principal payments offset by the issuance of 2017A General Obligation Equipment Certificates in the amount of \$675,000.

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

	2017	2016
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 2,950,000	\$ 3,145,000
Capital Leases Payable	18,352	26,998
Less: Bond Discounts	(3,815)	(4,239)
Total Governmental Activities	2,964,537	3,167,759
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	3,405,000	4,050,000
General Obligation Revenue Notes	1,989,000	2,221,000
General Obligation Bonds	1,395,000	1,516,000
Equipment Certificates	608,000	-
Less: Bond Discounts	(26,808)	(34,282)
Total Business-Type Activities	7,370,192	7,752,718
Total City-Wide Long-Term Liabilities	\$ 10,334,729	\$ 10,920,477

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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 3,097,627	\$ 4,401,185	\$ 7,498,812	\$ 142,176
Taxes Receivable				
Current	34,779	-	34,779	-
Special Assessments Receivable				
Delinquent	10,196	2,082	12,278	-
Noncurrent	2,782,095	350,772	3,132,867	-
Accounts Receivable - Net	24,590	666,623	691,213	-
Accrued Interest Receivable	5,536	-	5,536	-
Notes Receivable	25,601	-	25,601	-
Internal Balances	(90,261)	90,261	-	-
Inventories	1,200	53,453	54,653	-
Prepaid Services	-	93,334	93,334	-
Land Held for Resale	-	-	-	1,841,839
Advances to Component Unit	4,511	300,825	305,336	-
Advances to Primary Government	-	-	-	4,854
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	2,787,790	2,787,790	-
Capital Assets not Being Depreciated				
Land	563,716	113,908	677,624	-
Construction-in-Progress	536,198	17,432	553,630	-
Capital Assets Being Depreciated				
Buildings	764,719	639,732	1,404,451	8,657
Infrastructure	2,697,921	7,974,644	10,672,565	-
Improvements	918,624	4,079,655	4,998,279	-
Machinery and Equipment	318,907	888,163	1,207,070	-
Vehicles	59,478	210,335	269,813	-
Total Assets	11,755,437	22,953,519	34,708,956	1,997,526
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	742,118	102,243	844,361	18,022
Amount on Refunding	-	5,676	5,676	-
Total Deferred Outflows of Resources	742,118	107,919	850,037	18,022
LIABILITIES				
Accounts Payable	10,637	239,405	250,042	5,886
Contracts Payable	158,440	-	158,440	-
Salaries and Benefits Payable	20,946	16,474	37,420	2,024
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	31,047	36,346	67,393	66
Due to Other Governments	-	22,740	22,740	-
Due to Primary Government	-	-	-	70,053
Advances from Primary Government	-	-	-	305,336
Advances from Component Unit	4,854	-	4,854	-
Unearned Utility Payments	-	66,035	66,035	-
Bonds Payable - Due Within One Year	250,000	583,000	833,000	1,914
Capital Leases Payable - Due Within One Year	9,937	-	9,937	-
Compensated Absences Payable - Due Within One Year	94,572	38,261	132,833	9,037
Special Assessments Payable - Due in More Than One Year	-	-	-	1,368,439
Bonds Payable - Due in More Than One Year	2,696,185	6,787,192	9,483,377	1,256
Capital Leases Payable - Due in More Than One Year	8,415	-	8,415	-
Compensated Absences Payable - Due in More Than One Year	31,524	12,754	44,278	3,012
Net Pension Liability	919,213	422,257	1,341,470	74,427
Total Liabilities	4,235,770	8,225,813	12,461,583	1,841,450
DEFERRED INFLOWS OF RESOURCES				
Pension Related	865,562	88,195	953,757	15,545
Property Taxes Levied for Subsequent Year	7,392	-	7,392	-
Total Deferred Inflows of Resources	872,954	88,195	961,149	15,545
NET POSITION				
Net Investment in Capital Assets	2,902,402	6,553,677	9,456,079	8,657
Restricted for				
Debt Service	3,351,467	283,325	3,634,792	-
Public Safety	3,008	-	3,008	-
Economic Development	128,919	-	128,919	-
Unrestricted	1,003,035	7,910,428	8,913,463	149,896
Total Net Position	\$ 7,388,831	\$ 14,747,430	\$ 22,136,261	\$ 158,553

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 1,172,190	\$ 31,018	\$ 416,716	\$ -
Public Safety	745,808	-	46,207	50,952
Public Works	510,522	26,877	-	60,698
Culture and Recreation	509,618	196,631	14,367	-
Economic Development	290,434	-	-	-
Interest	79,918	-	-	-
Total Governmental Activities	3,308,490	254,526	477,290	111,650
Business-Type Activities				
Water	309,232	467,273	2,280	6,564
Sewer	396,132	660,135	-	11,621
Electric	1,823,303	2,196,609	-	-
Telephone	893,723	999,432	2,799	-
Municipal Liquor	434,716	447,132	-	-
Cable Television	441,486	460,580	-	-
Sanitation	221,188	217,687	39,027	-
Storm Sewer	23,659	36,051	-	-
Ambulance	670,306	503,569	8,558	-
Broadband Internet	55,308	270,436	-	-
Total Business-Type Activities	5,269,053	6,258,904	52,664	18,185
Total Primary Government	\$ 8,577,543	\$ 6,513,430	\$ 529,954	\$ 129,835
Component Unit				
EDA	\$ 221,806	\$ 43,414	\$ -	\$ -

General Revenues
 Property Taxes
 Tax Increments
 Grants and Contributions not Restricted for a Particular Purpose
 Interest Income
 Miscellaneous
Transfers
 Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year
Restatement
Net Position - Beginning of Year, as Restated

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (724,456)	\$ -	\$ (724,456)	\$ -
(648,649)	-	(648,649)	-
(422,947)	-	(422,947)	-
(298,620)	-	(298,620)	-
(290,434)	-	(290,434)	-
(79,918)	-	(79,918)	-
(2,465,024)	-	(2,465,024)	-
-	166,885	166,885	-
-	275,624	275,624	-
-	373,306	373,306	-
-	108,508	108,508	-
-	12,416	12,416	-
-	19,094	19,094	-
-	35,526	35,526	-
-	12,392	12,392	-
-	(158,179)	(158,179)	-
-	215,128	215,128	-
-	1,060,700	1,060,700	-
(2,465,024)	1,060,700	(1,404,324)	-
-	-	-	(178,392)
700,057	45,000	745,057	-
158,002	-	158,002	-
803,046	-	803,046	147,941
27,534	13,198	40,732	222
84,761	397,949	482,710	23,373
112,597	(112,597)	-	-
1,885,997	343,550	2,229,547	171,536
(579,027)	1,404,250	825,223	(6,856)
7,967,858	13,573,540	21,541,398	165,409
-	(230,360)	(230,360)	-
7,967,858	13,343,180	21,311,038	165,409
\$ 7,388,831	\$ 14,747,430	\$ 22,136,261	\$ 158,553

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FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 1,625,020	\$ 477,823	\$ 724,891	\$ 165,816	\$ 104,077	\$ 3,097,627
Taxes Receivable						
Current	31,713	-	3,039	-	27	34,779
Special Assessments Receivable						
Delinquent	7,729	-	2,467	-	-	10,196
Noncurrent	38,231	-	2,652,117	91,747	-	2,782,095
Accounts Receivable	18,369	3,644	-	-	2,577	24,590
Accrued Interest Receivable	5,536	-	-	-	-	5,536
Notes Receivable	-	-	-	-	25,601	25,601
Inventory	-	1,200	-	-	-	1,200
Advance to Component Unit	4,511	-	-	-	-	4,511
Due from Other Funds	160,050	-	-	-	-	160,050
Total Assets	<u>\$ 1,891,159</u>	<u>\$ 482,667</u>	<u>\$ 3,382,514</u>	<u>\$ 257,563</u>	<u>\$ 132,282</u>	<u>\$ 6,146,185</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 9,777	\$ 505	\$ -	\$ -	\$ 355	\$ 10,637
Contracts Payable	-	-	-	158,440	-	158,440
Salaries and Benefits Payable	19,858	1,088	-	-	-	20,946
Due to Other Funds	-	-	-	110,311	-	110,311
Advance from Other Funds	140,000	-	-	-	-	140,000
Advance from Component Unit	4,854	-	-	-	-	4,854
Total Liabilities	174,489	1,593	-	268,751	355	445,188
Deferred Inflows of Resources						
Property Taxes Levied for Subsequent Year	7,392	-	-	-	-	7,392
Unavailable Taxes	14,170	-	1,831	-	-	16,001
Unavailable Special Assessments	45,960	-	2,652,983	91,747	-	2,790,690
Unavailable Loans Receivable	-	-	-	-	25,601	25,601
Total Deferred Inflows of Resources	67,522	-	2,654,814	91,747	25,601	2,839,684
Fund Balances (Deficit)						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Advances	4,511	-	-	-	-	4,511
Restricted for Capital Projects	-	-	-	7,376	-	7,376
Restricted for Economic Development	-	-	-	-	46,762	46,762
Restricted for Debt Repayment	-	-	727,700	-	-	727,700
Restricted for Small Cities Grant	-	-	-	-	56,556	56,556
Restricted for Dare Program	-	-	-	-	3,008	3,008
Committed for Capital Outlay	190,000	36,545	-	-	-	226,545
Committed for Community Projects	1,039,413	-	-	-	-	1,039,413
Committed for Park Operations	-	443,329	-	-	-	443,329
Assigned for Joint Powers	2,397	-	-	-	-	2,397
Unassigned	412,827	-	-	(110,311)	-	302,516
Total Fund Balances (Deficit)	<u>1,649,148</u>	<u>481,074</u>	<u>727,700</u>	<u>(102,935)</u>	<u>106,326</u>	<u>2,861,313</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 1,891,159</u>	<u>\$ 482,667</u>	<u>\$ 3,382,514</u>	<u>\$ 257,563</u>	<u>\$ 132,282</u>	<u>\$ 6,146,185</u>

See accompanying Notes to Basic 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, 2017**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS \$ 2,861,313

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. 5,859,563

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. 2,832,292

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

	\$ (919,213)	
Net Pension Liability		
Deferred Inflows of Resources - Pension Related	(865,562)	
Deferred Outflows of Resources - Pension Related	<u>742,118</u>	(1,042,657)

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	(2,946,185)	
Capital Lease Obligations	(18,352)	
Accrued Compensated Absences	(126,096)	
Accrued Interest Payable on General Obligation Bonds	<u>(31,047)</u>	<u>(3,121,680)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 7,388,831

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 269,109	\$ 357,168	\$ 74,340	\$ -	\$ -	\$ 700,617
Tax Increments	-	-	-	-	158,002	158,002
Special Assessments	1,898	-	215,929	-	-	217,827
Licenses and Permits	20,880	965	-	-	-	21,845
Intergovernmental	887,794	-	-	-	396,436	1,284,230
Charges for Services	27,900	195,666	-	-	-	223,566
Fines and Forfeits	9,115	-	-	-	-	9,115
Gifts and Contributions	-	14,367	-	-	2,000	16,367
Interest Income	15,560	952	2,417	338	194	19,461
Miscellaneous	54,042	28,895	2,000	-	8,073	93,010
Total Revenues	1,286,298	598,013	294,686	338	564,705	2,744,040
EXPENDITURES						
Current						
General Government	690,136	-	-	-	401,359	1,091,495
Public Safety	647,636	-	-	-	2,898	650,534
Public Works	277,298	-	-	-	-	277,298
Parks and Recreation	-	405,767	-	-	-	405,767
Economic Development	150,541	-	-	-	139,845	290,386
Capital Outlay						
General Government	5,585	-	-	-	-	5,585
Public Safety	67,123	-	-	-	-	67,123
Public Works	116,668	-	-	127,263	-	243,931
Parks and Recreation	-	141,729	-	-	-	141,729
Debt Service						
Principal	8,646	-	195,000	-	-	203,646
Interest and Other Charges	3,239	-	81,828	-	-	85,067
Total Expenditures	1,966,872	547,496	276,828	127,263	544,102	3,462,561
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(680,574)	50,517	17,858	(126,925)	20,603	(718,521)
OTHER FINANCING SOURCES (USES)						
Transfers In	754,522	-	-	96,400	-	850,922
Total Other Financing Sources (Uses)	754,522	-	-	96,400	-	850,922
NET CHANGE IN FUND BALANCES	73,948	50,517	17,858	(30,525)	20,603	132,401
Fund Balance (Deficit) - Beginning of Year	1,575,200	430,557	709,842	(72,410)	85,723	2,728,912
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,649,148	\$ 481,074	\$ 727,700	\$ (102,935)	\$ 106,326	\$ 2,861,313

See accompanying Notes to Basic 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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 132,401

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	\$ 423,829	
Transfer to Enterprise Funds	(738,325)	
Current Year Depreciation	(304,800)	
Net Book Value of Asset Disposals	<u>(597)</u>	(619,893)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (127,174)

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 and the related deferred inflows and outflows of resources. (172,450)

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	195,000	
Capital Lease	<u>8,646</u>	203,646

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	5,698	
Amortization of Discounts	(424)	
Change in Compensated Absences	<u>(831)</u>	<u>4,443</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (579,027)

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Water	Sewer	Electric
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 740,784	\$ 985,119	\$ 974,124
Accounts Receivable - Net	54,468	76,104	314,673
Special Assessments Receivable			
Delinquent	1,106	976	-
Noncurrent	180,356	170,416	-
Inventories	-	-	-
Prepaid Services (Net)	11,667	29,167	35,000
Total Current Assets	<u>988,381</u>	<u>1,261,782</u>	<u>1,323,797</u>
Noncurrent Assets			
Investment in Joint Venture	-	-	-
Restricted Cash	-	-	-
Advance to Component Unit	129,320	104,625	-
Advances to Other Funds	-	140,000	-
Capital Assets			
Land	-	100,831	-
Construction in Progress	-	-	-
Buildings (Net)	346,237	2,263	60,157
Infrastructure (Net)	1,985,752	4,827,099	209,927
Improvements (Net)	-	-	-
Machinery and Equipment (Net)	114,807	59,842	164,820
Vehicles (Net)	-	82,290	-
Total Capital Assets	<u>2,446,796</u>	<u>5,072,325</u>	<u>434,904</u>
Total Noncurrent Assets	<u>2,576,116</u>	<u>5,316,950</u>	<u>434,904</u>
Total Assets	3,564,497	6,578,732	1,758,701
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	2,155	2,154	10,658
Amount on Refunding	-	-	-
Total Deferred Outflows of Resources	<u>2,155</u>	<u>2,154</u>	<u>10,658</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	-	-	167,316
Salaries and Benefits Payable	397	205	1,446
Deposits Payable	-	-	1,349
Accrued Interest Payable	5,819	13,804	-
Due to Other Governments	270	-	12,563
Due to Other Funds	-	-	-
Unearned Utility Payments	-	-	5,095
Compensated Absences - Due Within One Year	672	672	4,170
Bonds Payable - Due Within One Year	81,000	280,000	-
Total Current Liabilities	<u>88,158</u>	<u>294,681</u>	<u>191,939</u>
Noncurrent Liabilities			
Compensated Absences Payable -			
Due in More than One Year	224	224	1,390
Bonds Payable - Due in More than One Year	833,771	2,185,000	-
Net Pension Liability	8,899	8,899	44,019
Total Noncurrent Liabilities	<u>842,894</u>	<u>2,194,123</u>	<u>45,409</u>
Total Liabilities	931,052	2,488,804	237,348
DEFERRED INFLOWS OF RESOURCES			
Pension Related	1,859	1,859	9,194
NET POSITION			
Net Investment in Capital Assets	1,532,025	2,607,325	434,904
Restricted for Debt Service	-	-	-
Unrestricted	1,101,716	1,482,898	1,087,913
Total Net Position	<u>\$ 2,633,741</u>	<u>\$ 4,090,223</u>	<u>\$ 1,522,817</u>

See accompanying Notes to Basic Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 723,634	\$ 29,065	\$ 116,941	\$ -	\$ 831,518	\$ 4,401,185
44,024	8,404	40,743	51,765	76,442	666,623
-	-	-	-	-	2,082
-	-	-	-	-	350,772
-	53,453	-	-	-	53,453
17,500	-	-	-	-	93,334
<u>785,158</u>	<u>90,922</u>	<u>157,684</u>	<u>51,765</u>	<u>907,960</u>	<u>5,567,449</u>
2,787,790	-	-	-	-	2,787,790
212,494	-	-	-	70,831	283,325
-	-	-	-	66,880	300,825
-	-	-	-	-	140,000
-	-	-	-	13,077	113,908
17,432	-	-	-	-	17,432
1,252	41,586	65,930	28,718	93,589	639,732
-	-	325,033	-	626,833	7,974,644
4,079,655	-	-	-	-	4,079,655
215,333	-	268,327	51,717	13,317	888,163
49,189	-	2,392	76,464	-	210,335
<u>4,362,861</u>	<u>41,586</u>	<u>661,682</u>	<u>156,899</u>	<u>746,816</u>	<u>13,923,869</u>
<u>7,363,145</u>	<u>41,586</u>	<u>661,682</u>	<u>156,899</u>	<u>884,527</u>	<u>17,435,809</u>
8,148,303	132,508	819,366	208,664	1,792,487	23,003,258
36,440	10,763	3,070	27,920	9,083	102,243
-	-	5,676	-	-	5,676
<u>36,440</u>	<u>10,763</u>	<u>8,746</u>	<u>27,920</u>	<u>9,083</u>	<u>107,919</u>
29,136	3,792	21,603	2,296	15,262	239,405
5,364	1,257	2,299	4,241	1,265	16,474
-	-	-	-	-	1,349
10,288	-	6,435	-	-	36,346
555	4,913	2,695	-	1,744	22,740
-	-	-	49,739	-	49,739
26,813	-	18,860	-	15,267	66,035
19,339	2,051	3,152	5,298	2,907	38,261
155,000	-	67,000	-	-	583,000
<u>246,495</u>	<u>12,013</u>	<u>122,044</u>	<u>61,574</u>	<u>36,445</u>	<u>1,053,349</u>
6,446	684	1,051	1,766	969	12,754
3,227,421	-	541,000	-	-	6,787,192
150,494	44,453	12,677	115,305	37,511	422,257
<u>3,384,361</u>	<u>45,137</u>	<u>554,728</u>	<u>117,071</u>	<u>38,480</u>	<u>7,222,203</u>
3,630,856	57,150	676,772	178,645	74,925	8,275,552
31,433	9,284	2,648	24,083	7,835	88,195
980,440	41,586	53,682	156,899	746,816	6,553,677
212,494	-	-	-	70,831	283,325
<u>3,329,520</u>	<u>35,251</u>	<u>95,010</u>	<u>(123,043)</u>	<u>901,163</u>	<u>7,910,428</u>
<u>\$ 4,522,454</u>	<u>\$ 76,837</u>	<u>\$ 148,692</u>	<u>\$ 33,856</u>	<u>\$ 1,718,810</u>	<u>\$ 14,747,430</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Cost of Sales	-	-	-
Gross Profit	-	-	-
OPERATING REVENUES			
Charges for Services	467,273	660,135	2,196,609
OPERATING EXPENSES			
Professional Services	134,603	140,599	134,572
Wages, Salaries, and Compensation	11,497	11,855	54,859
Repairs and Maintenance	42,755	21,722	32,502
Insurance	4,142	7,260	3,696
Utilities	-	-	4,284
Depreciation	86,545	151,687	31,338
Amortization	836	2,083	2,500
Materials and Supplies	-	-	49,707
Miscellaneous Expenses	10,770	21,886	71,452
Purchased Power	-	-	1,438,393
License Fees	1,594	-	-
Medicare/Medicaid Fee Reductions	-	-	-
Total Operating Expenses	292,742	357,092	1,823,303
OPERATING INCOME (LOSS)	174,531	303,043	373,306
NONOPERATING REVENUES (EXPENSES)			
Taxes	-	-	-
Interest Income	1,983	3,206	3,062
Joint Venture Income	-	-	-
Special Assessments	6,564	11,621	-
Intergovernmental Grants	2,280	-	-
Miscellaneous - Nonoperating	5,351	2,679	11,903
Interest Expense and Fiscal Charges	(16,490)	(39,040)	-
Total Nonoperating Revenues (Expenses)	(312)	(21,534)	14,965
Income (Loss) before Transfers and Contributions	174,219	281,509	388,271
Capital Contributions	258,713	258,713	-
Transfers In	-	-	-
Transfers Out	(50,000)	(55,000)	(253,849)
CHANGE IN NET POSITION	382,932	485,222	134,422
Net Position - Beginning of Year, As Originally Stated	2,273,871	3,640,386	1,502,274
Restatement	(23,062)	(35,385)	(113,879)
Net Position - Beginning of Year, As Restated	2,250,809	3,605,001	1,388,395
NET POSITION - END OF YEAR	<u>\$ 2,633,741</u>	<u>\$ 4,090,223</u>	<u>\$ 1,522,817</u>

See accompanying Notes to Basic Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ -	\$ 447,132	\$ -	\$ -	\$ -	\$ 447,132
-	(352,064)	-	-	-	(352,064)
-	95,068	-	-	-	95,068
999,432	-	460,580	503,569	524,174	5,811,772
78,294	-	19,137	17,160	176,042	700,407
161,443	58,286	12,972	212,571	38,505	561,988
21,587	1,270	4,283	15,084	2,154	141,357
4,241	8,008	5,691	3,135	1,683	37,856
113	-	-	486	-	4,883
263,148	988	39,965	26,574	25,888	626,133
1,250	-	-	-	-	6,669
46,888	1,209	14,795	28,511	823	141,933
189,754	12,891	9,472	111,371	55,060	482,656
-	-	-	-	-	1,438,393
-	-	315,978	-	-	317,572
-	-	-	255,414	-	255,414
766,718	82,652	422,293	670,306	300,155	4,715,261
232,714	12,416	38,287	(166,737)	224,019	1,191,579
-	-	-	45,000	-	45,000
3,108	38	53	273	1,475	13,198
315,928	-	-	-	-	315,928
-	-	-	-	-	18,185
2,799	-	-	8,558	39,027	52,664
12,421	1,342	4,151	44,174	-	82,021
(127,005)	-	(19,193)	-	-	(201,728)
207,251	1,380	(14,989)	98,005	40,502	325,268
439,965	13,796	23,298	(68,732)	264,521	1,516,847
-	-	-	26,864	194,035	738,325
70,097	-	-	-	-	70,097
(350,950)	-	-	-	(211,220)	(921,019)
159,112	13,796	23,298	(41,868)	247,336	1,404,250
4,395,605	63,041	125,394	75,724	1,497,245	13,573,540
(32,263)	-	-	-	(25,771)	(230,360)
4,363,342	63,041	125,394	75,724	1,471,474	13,343,180
\$ 4,522,454	\$ 76,837	\$ 148,692	\$ 33,856	\$ 1,718,810	\$ 14,747,430

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 470,670	\$ 673,543	\$ 2,141,615
Payments to Suppliers	(207,225)	(223,342)	(1,773,498)
Payments to Employees	(13,363)	(13,364)	(65,005)
Net Cash Provided (Used) by Operating Activities	250,082	436,837	303,112
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(50,000)	(55,000)	(253,849)
Transfers In	-	-	-
Advance from (to) Component Unit	7,840	(66,725)	-
Interfund Borrowings	-	20,000	-
Taxes	-	-	-
Other Miscellaneous Receipts	5,351	2,679	11,903
Intergovernmental Grants	2,280	-	-
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(34,529)	(99,046)	(241,946)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	(81,000)	(272,000)	-
Interest Paid on Debt	(16,383)	(40,560)	-
Bond Proceeds	-	-	-
Special Assessments	17,401	15,443	-
Acquisition of Capital Assets	(29,029)	(78,434)	(8,740)
Net Cash Provided (Used) by Capital and Related Financing Activities	(109,011)	(375,551)	(8,740)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from Joint Venture	-	-	-
Interest and Dividends Received	1,983	3,206	3,062
Net Cash Provided (Used) by Investing Activities	1,983	3,206	3,062
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,525	(34,554)	55,488
Cash and Cash Equivalents - Beginning of Year	632,259	1,019,673	918,636
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 740,784	\$ 985,119	\$ 974,124
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 174,531	\$ 303,043	\$ 373,306
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	86,545	151,687	31,338
(Increase) Decrease in Assets and Deferred Outflows			
Accounts Receivable	3,397	13,408	(22,789)
Inventory	-	-	-
Prepaid Services, Net	(11,667)	(29,167)	(35,000)
Deferred Outflows of Resources - Pension	3,992	3,786	20,282
Increase (Decrease) in Liabilities and Deferred Inflows			
Accounts Payable	(877)	(625)	(8,087)
Salaries and Benefits Payable	(299)	(299)	(1,683)
Due to Other Governments	19	-	6,695
Due to Other Funds	-	-	-
Compensated Absences Payable	456	456	2,472
Net Pension Liability	(5,884)	(5,387)	(30,394)
Deferred Inflows of Resources - Pension	(131)	(65)	(823)
Unearned Utility Payments	-	-	(32,205)
Total Adjustments	75,551	133,794	(70,194)
Net Cash Provided (Used) by Operating Activities	\$ 250,082	\$ 436,837	\$ 303,112
NONCASH CAPITAL ACTIVITIES			
Capital Assets Contributed from Governmental Activities	\$ 258,713	\$ 258,713	\$ -

See accompanying Notes to Basic Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 1,073,476	\$ 446,484	\$ 478,155	\$ 541,584	\$ 531,716	\$ 6,357,243
(346,613)	(364,710)	(444,084)	(443,503)	(234,511)	(4,037,486)
(222,595)	(63,164)	(16,716)	(196,086)	(53,002)	(643,295)
504,268	18,610	17,355	(98,005)	244,203	1,676,462
(350,950)	-	-	-	(211,220)	(921,019)
70,097	-	-	-	-	70,097
-	-	-	-	4,060	(54,825)
#NAME?	-	-	-	-	#NAME?
-	-	-	45,000	-	45,000
12,421	1,342	4,151	44,174	-	82,021
2,799	-	-	8,558	39,027	52,664
#NAME?	1,342	4,151	97,732	(168,133)	#NAME?
(155,000)	-	(557,000)	-	-	(1,065,000)
(125,838)	-	(22,618)	-	-	(205,399)
-	-	675,000	-	-	675,000
-	-	-	-	-	32,844
(126,239)	-	-	-	-	(242,442)
(407,077)	-	95,382	-	-	(804,997)
131,824	-	-	-	-	131,824
3,108	38	53	273	1,476	13,199
134,932	38	53	273	1,476	145,023
#NAME?	19,990	116,941	-	77,546	#NAME?
969,638	9,075	-	-	824,803	4,374,084
#NAME?	\$ 29,065	\$ 116,941	\$ -	\$ 902,349	#NAME?
\$ 232,714	\$ 12,416	\$ 38,287	\$ (166,737)	\$ 224,019	\$ 1,191,579
263,148	988	39,965	26,574	25,888	626,133
47,231	(648)	50,574	38,015	(7,725)	121,463
-	7,092	-	-	-	7,092
(17,500)	-	-	-	-	(93,334)
83,290	16,097	7,673	23,939	19,997	179,056
14,503	2,253	290	1,730	914	10,101
(5,617)	(2,257)	1,404	(5,348)	(1,270)	(15,369)
(1,489)	1,387	86	-	337	7,035
-	-	(75,104)	(14,072)	-	(89,176)
5,974	840	1,172	-	786	12,156
(137,467)	(20,146)	(13,163)	(9,420)	(32,430)	(254,291)
(7,332)	588	(830)	7,293	(1,580)	(2,880)
26,813	-	(32,999)	21	15,267	(23,103)
271,554	6,194	(20,932)	68,732	20,184	484,883
\$ 504,268	\$ 18,610	\$ 17,355	\$ (98,005)	\$ 244,203	\$ 1,676,462
\$ -	\$ -	\$ -	\$ 26,864	\$ 194,035	\$ 738,325

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

ASSETS

Cash and Pooled Investments	<u>\$ 169,555</u>
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LIABILITIES

Due to Fire Department	<u>\$ 169,555</u>
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See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

E. 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, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. 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, 2017**

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, 2017**

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.

H. 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 and restricted 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.

Restricted cash in the enterprise funds relates to cash restricted for repayment of debt.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

All accounts receivable are shown net of allowance for uncollectible accounts when applicable. 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. Prepaid Services, Net

Prepayments to vendors for services that will benefit future periods are recorded as prepaid services. Prepaid services are reported using the consumption method and recorded as expenditures/expenses at the time of consumption

7. 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, 2017**

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)

8. Capital Assets

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

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

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

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

9. 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, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. 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.

11. 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.

12. 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, 2017**

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. 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. Deferred inflows related to pensions are reported in the government-wide and proprietary fund statement of net position. This deferred inflow results from differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments.

14. 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.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

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 unavailable 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

Expenditure 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, 2017**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$102,935 as of December 31, 2017. The City plans to eliminate this deficit through future special assessment revenues and/or transfers.

B. Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following funds:

	Expenditures	Budget	Excess
Park and Recreation Fund	\$ 547,496	\$ 537,568	\$ 9,928

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.

Deposits

In accordance with applicable Minnesota 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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

At December 31, 2017, the balance was fully insured and collateralized as required by Minnesota Statutes §118A.03.

Investments

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

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

As of December 31, 2017, the City had the following investments in its pool:

Type	Maturity Date	Credit Rating	Fair Value	Percent of Total
Money Market Account	N/A	NR	\$ 1,029,380	39.0 %
Minnesota Municipal Money Market Fund (4M)	N/A	NR	45,618	1.7
Ehlers Money Market Funds	N/A	NR	12,054	0.5
Federal Natl Mtg Assn	12/20/2018	NR	251,269	9.5
Capital One Nat'l Assn CD - Mclean	6/14/2021	NR	99,920	3.8
Capital One Nat'l Assn CD	10/22/2018	NR	100,047	3.8
American Express Centrin	4/13/2020	NR	245,004	9.3
Capital One Nat'l Assn CD	12/20/2019	NR	15,027	0.6
Mercantile Commercebank NA CD	2/10/2020	NR	99,518	3.8
Morgan Stanley Bank CD	12/23/2019	NR	247,437	9.4
Customers Bank CD	6/29/2018	NR	247,896	9.4
Capital One BK USA Natl Assn CD	8/5/2019	NR	244,793	9.2
			<u>\$ 2,637,963</u>	

NR = Not Rated

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, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

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	\$ 5,455,905
Investments	2,637,963
Total Cash and Investments	<u>\$ 8,093,868</u>
Governmental Funds	
Cash and Investments	\$ 3,097,627
Enterprise Funds	
Cash and Investments	4,401,185
Restricted Cash and Investments	283,325
Component Unit	142,176
Fiduciary Funds	169,555
Total Cash and Investments	<u>\$ 8,093,868</u>

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the City's own assumptions about the assumptions market participants and would use in pricing the asset.

Investments are measured as follows:

	<u>12/31/2017</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Certificates of Deposit	\$ 1,299,642	\$ 1,299,642	\$ -	\$ -
U.S. Agency	<u>251,269</u>	<u>251,269</u>	-	-
Total Investments by Fair Value Level	<u>1,550,911</u>	<u>\$1,550,911</u>	<u>\$ -</u>	<u>\$ -</u>
 Investments Measured at Amortized Cost				
External Investment Pool	45,618			
Money Market Funds	<u>1,041,434</u>			
Total Investments	<u>\$2,637,963</u>			

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

The Minnesota Municipal Money Market Trust Fund (4M) is an external investment pool (Pool) which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unrated pool and reported at amortized cost. The 4M Fund does not restrict or limit withdrawals made by the City.

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 2017 is as follows:

Balance, January 1, 2017	\$ 2,603,686
Cash Distributions	(141,531)
Net Income	<u>325,635</u>
Balance, December 31, 2017	<u><u>\$ 2,787,790</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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2017, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 563,716	\$ -	\$ -	\$ 563,716
Construction in Progress	1,838,030	151,619	(1,453,451)	536,198
Total Capital Assets Not Being Depreciated	<u>2,401,746</u>	<u>151,619</u>	<u>(1,453,451)</u>	<u>1,099,914</u>
Capital Assets Being Depreciated				
Buildings	1,616,409	5,585	-	1,621,994
Infrastructure	4,849,251	847,635	-	5,696,886
Improvements	1,104,759	39,784	-	1,144,543
Machinery and Equipment	820,736	67,962	(54,620)	834,078
Vehicles	444,789	26,370	(71,915)	399,244
Total Capital Assets Being Depreciated	<u>8,835,944</u>	<u>987,336</u>	<u>(126,535)</u>	<u>9,696,745</u>
Less: Accumulated Depreciation for				
Buildings	828,575	28,700	-	857,275
Infrastructure	2,858,639	140,326	-	2,998,965
Improvements	178,284	47,635	-	225,919
Machinery and Equipment	520,029	49,165	(54,023)	515,171
Vehicles	372,707	38,974	(71,915)	339,766
Total Accumulated Depreciation	<u>4,758,234</u>	<u>304,800</u>	<u>(125,938)</u>	<u>4,937,096</u>
Total Capital Assets Being Depreciated, Net	<u>4,077,710</u>	<u>682,536</u>	<u>(597)</u>	<u>4,759,649</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,479,456</u>	<u>\$ 834,155</u>	<u>\$ (1,454,048)</u>	<u>\$ 5,859,563</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

The following is a summary of the business-type activities capital assets at December 31, 2017:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 113,908	\$ -	\$ -	\$ 113,908
Construction in Progress	-	17,432	-	17,432
Total Capital Assets Not Being Depreciated	113,908	17,432	-	131,340
Capital Assets Being Depreciated				
Buildings	1,330,997	26,864	-	1,357,861
Infrastructure	11,816,883	753,046	-	12,569,929
Improvements	5,088,890	-	-	5,088,890
Machinery and Equipment	2,428,903	134,565	-	2,563,468
Vehicles	466,942	48,860	-	515,802
Total Capital Assets Being Depreciated	21,132,615	963,335	-	22,095,950
Less: Accumulated Depreciation for				
Buildings	695,844	22,285	-	718,129
Infrastructure	4,367,255	228,030	-	4,595,285
Improvements	824,936	184,299	-	1,009,235
Machinery and Equipment	1,526,623	148,682	-	1,675,305
Vehicles	262,630	42,837	-	305,467
Total Accumulated Depreciation	7,677,288	626,133	-	8,303,421
Total Capital Assets Being Depreciated, Net	13,455,327	337,202	-	13,792,529
Business-Type Activities Capital Assets, Net	\$ 13,569,235	\$ 354,634	\$ -	\$ 13,923,869

Beginning balances have been reclassified to present \$4,109,720 (cost) and \$164,388 (accumulated depreciation) as improvements instead of machinery and equipment as reported in previously issued financial statements.

The following is a summary of the component unit capital assets at December 31, 2017:

	Beginning Balance	Additions	Disposals	Ending Balance
COMPONENT UNIT				
Capital Assets Being Depreciated				
Buildings	\$ 9,989	\$ -	\$ -	\$ 9,989
Less: Accumulated Depreciation for				
Buildings	250	1,082	-	1,332
Component Unit Capital Assets, Net	\$ 9,739	\$ (1,082)	\$ -	\$ 8,657

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 29,877
Public Safety	14,279
Public Works	181,370
Culture and Recreation	79,274
Total Depreciation Expense - Governmental Activities	<u>\$ 304,800</u>
Business-Type Activities:	
Water	\$ 86,545
Sewer	151,687
Electric	31,338
Telephone	263,148
Municipal Liquor	988
Cable Television	39,965
Sanitation	2,632
Storm Sewer	23,256
Ambulance	26,574
Total Depreciation Expense - Business-Type Activities	<u>\$ 626,133</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of December 31, 2017 is as follows:

	Transfers In:			Total
	General Fund	Capital Projects Fund	Telephone Enterprise Fund	
Transfer Out:				
Water Enterprise Fund	\$ 50,000	\$ -	\$ -	\$ 50,000
Sewer Enterprise Fund	55,000	-	-	55,000
Electric Enterprise Fund	202,449	51,400	-	253,849
Telephone Enterprise Fund	305,950	45,000	-	350,950
Nonmajor Enterprise Funds	141,123	-	70,097	211,220
Total	<u>\$ 754,522</u>	<u>\$ 96,400</u>	<u>\$ 70,097</u>	<u>\$ 921,019</u>

Transfers between funds were used to (1) provide funding for operating purposes, (2) make scheduled debt payments, and (3) reimburse governments funds for capital expenditures.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

The composition of interfund balances at December 31, 2017, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 110,311
General Fund	Ambulance Fund	49,739
Total		<u>\$ 160,050</u>

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

Advances To/From Other Funds and Discrete Component Unit

Advance To	Advance From	Amount
General Fund	Component Unit - EDA	\$ 4,854
Component Unit - EDA	General Fund	4,511
General Fund	Sewer Fund	140,000
Component Unit - EDA	Sewer Fund	104,625
Component Unit - EDA	Water Fund	129,320
Component Unit - EDA	Sanitation Fund	66,880
Total		<u>\$ 450,190</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, Water, and Sanitation Fund. The advance will be repaid as the Del Gilbertson properties are sold.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

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

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

Capital Lease Obligations

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

2. Components of Long-Term Debt

	Authorized and Issued	Outstanding	Due in 2018	
			Principal	Interest
GOVERNMENTAL ACTIVITIES				
<u>General Obligation Bonds, Including Refunding Bonds</u>				
G.O. Improvement and Refunding Bonds Series 2012A, 0.80% to 2.20%, Issued 04/12/12, Final Maturity 02/01/22.	\$ 545,000	\$ 350,000	\$ 70,000	\$ 5,902
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	1,020,000	465,000	70,000	15,625
G.O. Improvement and Refunding Bonds Series 2012A, 0.55% to 3.30%, Issued 04/12/12, Final Maturity 02/01/32.	760,000	590,000	35,000	14,795
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	285,000	20,000	8,603
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	1,260,000	55,000	27,343
Total General Obligation Bonds, Including Refunding Bonds	3,930,000	2,950,000	250,000	72,268
Less: Unamortized Discount	-	(3,815)	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	3,930,000	2,946,185	250,000	72,268
Capital Leases	57,564	18,352	9,937	1,948
Total Long-Term Debt - Governmental Activities	3,987,564	2,964,537	259,937	74,216

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2018	
			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	\$ 3,405,000	\$ 155,000	\$ 123,450
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	-	-	-
Total Revenue Bonds	4,660,000	3,405,000	155,000	123,450
Less: Unamortized Discount	-	(22,579)	-	-
Total Revenue Bonds - Net	4,660,000	3,382,421	155,000	123,450
<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	525,000	55,000	10,895
G.O. Improvement and Refunding Bonds Series 2012A; 0.80% to 2.20%, Issued 04/12/12; Final Maturity 2/01/22.	150,000	100,000	20,000	1,680
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	1,989,000	235,000	31,028
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	770,000	51,000	8,263
Total General Obligation Bonds	6,076,925	3,384,000	361,000	51,866
Less: Unamortized Discount	-	(4,229)	-	-
Total General Obligation Bonds - Net	6,076,925	3,379,771	361,000	51,866
<u>General Obligation Equipment Certificates</u>				
G.O. Equipment Certificates of 2017A, 2.54%, Issued 4/13/17, Final Maturity 8/01/2025.	675,000	608,000	67,000	15,443
Total Long-Term Debt - Business-Type Activities	11,411,925	7,370,192	583,000	190,759
Total Government-Wide Long-Term Liabilities	\$ 15,399,489	\$ 10,334,729	\$ 842,937	\$ 264,975
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	\$ 3,170	\$ 1,914	\$ 225

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2016	Additions	Retirements	December 31, 2017	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Debt, Including					
Refunding Bonds	\$ 3,145,000	\$ -	\$ 195,000	\$ 2,950,000	\$ 250,000
Less: Unamortized Discounts	(4,239)	-	(424)	(3,815)	-
Capital Lease Obligations	26,998	-	8,646	18,352	9,937
Compensated Absences Payable	125,265	87,018	86,187	126,096	94,572
Total Governmental Activities	<u>\$ 3,293,024</u>	<u>\$ 87,018</u>	<u>\$ 289,409</u>	<u>\$ 3,090,633</u>	<u>\$ 354,509</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	\$ 4,050,000	\$ -	\$ 645,000	\$ 3,405,000	\$ 155,000
Revenue Notes	2,221,000	-	232,000	1,989,000	235,000
Equipment Certificates	-	675,000	67,000	608,000	67,000
General Obligation Bonds	1,516,000	-	121,000	1,395,000	126,000
Less: Unamortized Discounts	(34,282)	-	(7,474)	(26,808)	-
Compensated Absences Payable	38,838	40,863	28,686	51,015	38,261
Total Business-Type Activities	<u>\$ 7,791,556</u>	<u>\$ 715,863</u>	<u>\$ 1,086,212</u>	<u>\$ 7,421,207</u>	<u>\$ 621,261</u>
DISCRETELY PRESENTED COMPONENT UNIT					
Revenue Bonds	\$ 5,042	\$ -	\$ 1,872	\$ 3,170	\$ 1,914
Special Assessments Payable	1,451,049	-	82,610	1,368,439	-
Compensated Absences Payable	-	21,001	8,952	12,049	9,037
Total Discretely Presented Component Unit	<u>\$ 1,456,091</u>	<u>\$ 21,001</u>	<u>\$ 93,434</u>	<u>\$ 1,383,658</u>	<u>\$ 10,951</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
2018	\$ 250,000	\$ 72,268	\$ 322,268	\$ 1,914	\$ 225	\$ 2,139
2019	250,000	67,533	317,533	1,256	182	1,438
2020	255,000	62,144	317,144	-	-	-
2021	265,000	55,995	320,995	-	-	-
2022	265,000	49,309	314,309	-	-	-
2023 - 2027	695,000	179,982	874,982	-	-	-
2028 - 2032	600,000	95,393	695,393	-	-	-
2033 - 2037	370,000	28,150	398,150	-	-	-
Total	<u>\$ 2,950,000</u>	<u>\$ 610,774</u>	<u>\$ 3,560,774</u>	<u>\$ 3,170</u>	<u>\$ 407</u>	<u>\$ 3,577</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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
2018	\$ 155,000	\$ 123,450	\$ 278,450	\$ 235,000	\$ 31,028	\$ 266,028
2019	160,000	120,738	280,738	239,000	27,362	266,362
2020	165,000	117,538	282,538	243,000	23,634	266,634
2021	165,000	113,825	278,825	247,000	19,843	266,843
2022	170,000	109,700	279,700	251,000	15,990	266,990
2023 - 2027	935,000	470,275	1,405,275	774,000	24,274	798,274
2028 - 2032	1,130,000	274,790	1,404,790	-	-	-
2033 - 2037	525,000	36,570	561,570	-	-	-
Total	\$ 3,405,000	\$ 1,366,886	\$ 4,771,886	\$ 1,989,000	\$ 142,131	\$ 2,131,131

Year	G.O. Bonds			G.O. Equipment Certificates		
	Principal	Interest	Total	Principal	Interest	Total
	2018	\$ 126,000	\$ 20,838	\$ 146,838	\$ 67,000	\$ 15,443
2019	126,000	19,166	145,166	67,000	13,741	80,741
2020	128,000	17,325	145,325	72,000	11,913	83,913
2021	128,000	15,294	143,294	72,000	10,084	82,084
2022	133,000	13,077	146,077	76,000	8,153	84,153
2023 - 2027	522,000	34,381	556,381	254,000	12,523	266,523
2028 - 2032	232,000	6,258	238,258	-	-	-
Total	\$ 1,395,000	\$ 126,339	\$ 1,521,339	\$ 608,000	\$ 71,857	\$ 679,857

Year	Total Business-Type Activities		
	Principal	Interest	Total
	2018	\$ 583,000	\$ 190,759
2019	592,000	181,007	773,007
2020	608,000	170,410	778,410
2021	612,000	159,046	771,046
2022	630,000	146,920	776,920
2023 - 2027	2,485,000	541,453	3,026,453
2028 - 2032	1,362,000	281,048	1,643,048
2033 - 2037	525,000	36,570	561,570
Total	\$ 7,397,000	\$ 1,707,213	\$ 9,104,213

5. Bonds Issued

During 2017, the City issued General Obligation Equipment Certificates, Series 2017A in the amount of \$675,000 with interest rate of 2.54%. The certificates were issued to finance improvements to the City's telecom system and to redeem the 2017 through 2025 maturities of the Series 2008A bonds. The redemption of these bonds created a cash savings of \$40,755 or a net present value benefit of approximately \$37,000.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 \$990. At December 31, 2017, the City has assets under this capital lease of \$42,564 with related accumulated depreciation of \$28,376.

The future minimum lease payments are as follows:

Capital Leases	
Year	Minimum Payments
2018	\$ 11,885
2019	8,913
Total Minimum Lease Payments	20,798
Less: Amounts Representing Interest	(2,446)
Present Value of Minimum Lease Payments	\$ 18,352

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, 2017.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. Plan 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 Plan

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

B. Benefits Provided

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

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% 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, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For 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.

2. Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members 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. General Employees Fund 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 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City contributions to the General Employees Fund for the year ended December 31, 2017, were \$70,677. The City contributions were equal to the required contributions as set by state statute.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2017. The City contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$54,145. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$970,358 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$12,170. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .0152%, which was a decrease of .0001% from its proportionate share measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$116,746 for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional \$2,432 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

The proportionate share of the General Employee Plan'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	\$ 31,980	\$ 62,426
Changes in Actuarial Assumptions	161,100	97,278
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,268	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	42,967
City Contributions Subsequent to the Measurement Date	35,611	-
Total	<u>\$ 234,959</u>	<u>\$ 202,671</u>

\$35,611 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 ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expenses Amount
2018	\$ 13,987
2019	43,667
2020	(19,788)
2021	(41,189)

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$445,539 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City proportion was .033%, which was no change from its proportionate share measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$106,545 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2017, the City's proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Differences Between Expected and Actual</u>		
Economic Experience	\$ 10,255	\$ 119,110
Changes in Actuarial Assumptions	583,077	632,555
<u>Net Difference Between Projected and Actual</u>		
Earnings on Pension Plan Investments	6,119	-
<u>Changes in Proportion and Differences</u>		
Between City Contributions and Proportionate Share of Contributions	-	14,966
<u>City Contributions Subsequent to the</u>		
Measurement Date	27,973	-
Total	\$ 627,424	\$ 766,631

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$27,973 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 ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expenses Amount
2018	\$ 4,015
2019	4,015
2020	(12,318)
2021	(38,433)
2022	(124,459)

E. Total Pension Expense

Governmental activities recognized pension expense of \$223,291 for the year ended December 31, 2017.

F. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per Year
Salary Increases	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Police and Fire Fund:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.1 %
International Stocks	19	5.3
Bonds	20	0.8
Alternative Assets	20	5.9
Cash	2	-
Totals	<u>100 %</u>	

G. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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 in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.50%	7.50%	8.50%
City's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,505,097	\$ 970,358	\$ 532,577

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.50%	7.50%	8.50%
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 839,080	\$ 445,539	\$ 120,649

I. Pension Plan Fiduciary Net Position

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 DEFINED CONTRIBUTION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

Effective January 1, 2015, all members of the Barnesville Fire Department are covered by a defined contribution plan administered by the Barnesville Firemen's District (District). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statutes Chapter 69.

The District provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with state statute, and vest after ten years of credited service. Retirement benefits are based on a member's years of service. Benefit provisions can be amended by the District within the parameters provided by state statutes.

The Barnesville Area Joint Fire Department did not issue separate audited financial statements. Copies of the Barnesville Area Joint Fire Department financial information may be obtained from the City's general accounting office at Barnesville City Hall.

B. Funding Policy

Minnesota Statutes Chapter 69.77 sets the minimum contribution requirement for the City of Barnesville and State Aid on an annual basis. These statutes are established and amended by the state legislature. The Association is comprised of volunteers; therefore, members have no contribution requirements. The City's 2017 contribution to the plan was as follows:

State Aid flowed through City to District	\$ 32,039
Voluntary (Non-Required) Contribution from City	<u>8,000</u>
Total Contribution	<u><u>\$ 40,039</u></u>

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2057.

Software License Agreement

During 2017, the City entered into a ten year agreement with their software provider requiring monthly software service payments of \$6,500 and a down payment of \$100,000. The down payment has been recognized as a prepaid service arrangement and will be amortized over the ten year agreement.

NOTE 8 TAX ABATEMENTS

The City has five pay-as-you-go tax increment financing districts with local businesses to promote economic development, redevelopment, and housing within the City as authorized under Minnesota Statutes §469.174. The City is currently collecting tax increments that are paid through the property tax collection process. Two of the districts will stop collections as of December 31, 2022 another district will stop collections as of December 31, 2024, while the last two districts will stop collections as of December 31, 2029 and 2039, respectively. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees. For the year ended December 31, 2017, the City paid excess tax increment in the amount of \$139,845. No other commitments were made by the City as part of these agreements.

NOTE 9 RESTATEMENT

The City restated beginning net position in the following funds to correct an error in the unbilled utility receivable reported as of December 31, 2016.

	Net Position as Previously Stated	Restatement: To Correct Utility Receivable	Net Position As Restated
Business-Type Activities	\$ 13,573,540	\$ (230,360)	\$ 13,343,180
Major Enterprise Funds:			
Water Fund	2,273,871	(23,062)	2,250,809
Sewer Fund	3,640,386	(35,385)	3,605,001
Electric Fund	1,502,274	(113,879)	1,388,395
Telephone Fund	4,395,605	(32,263)	4,363,342
Nonmajor Enterprise Funds:			
Sanitation Fund	278,067	(11,009)	267,058
Broadband Internet Fund	404,043	(14,762)	389,281

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Plan			
City's Proportion of the Net Pension Liability	0.0152%	0.0153%	0.0162%
City's Proportionate Share of the Net Pension Liability	\$ 970,358	\$ 1,242,284	\$ 839,568
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 12,170	\$ 16,225	\$ -
City's Covered Payroll	\$ 976,694	\$ 951,245	\$ 950,430
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.35%	130.60%	88.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.91%	78.20%
PERA - Police and Fire Plan			
City's Proportion of the Net Pension Liability	0.0330%	0.0330%	0.0350%
City's Proportionate Share of the Net Pension Liability	\$ 445,539	\$ 1,324,347	\$ 397,682
City's Covered Payroll	\$ 338,298	\$ 322,142	\$ 320,101
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	131.70%	411.11%	124.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.43%	63.88%	82.30%

Note: Information is required to be presented for ten years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA - General Employees Plan				
Contractually Required Contribution	\$ 70,677	\$ 72,123	\$ 73,020	\$ 68,395
Contributions in Relation to the Contractually Required Contribution	(70,677)	(72,123)	(73,020)	(68,395)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 942,360	\$ 961,636	\$ 973,605	\$ 943,183
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
PERA - Police and Fire Plan				
Contractually Required Contribution	\$ 54,145	\$ 52,873	\$ 54,333	\$ 47,791
Contributions in Relation to the Contractually Required Contribution	(54,145)	(52,873)	(54,333)	(47,791)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 334,231	\$ 326,375	\$ 335,388	\$ 301,363
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	15.86%

Note: Information is required to be presented for ten years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 261,750	\$ 269,109	\$ 7,359
Special Assessments	5,000	1,898	(3,102)
Licenses and Permits	21,350	20,880	(470)
Intergovernmental	823,401	887,794	64,393
Charges for Services	1,518	27,900	26,382
Fines and Forfeits	6,625	9,115	2,490
Interest Income	12,000	15,560	3,560
Miscellaneous	40,251	54,042	13,791
Total Revenues	1,171,895	1,286,298	114,403
EXPENDITURES			
Current			
General Government	725,561	690,136	(35,425)
Public Safety	608,595	647,636	39,041
Public Works	310,098	277,298	(32,800)
Economic Development	150,541	150,541	-
Capital Outlay			
General Government	-	5,585	5,585
Public Safety	42,000	67,123	25,123
Public Works	145,000	116,668	(28,332)
Debt service			
Principal	-	8,646	8,646
Interest and Other Charges	-	3,239	3,239
Total Expenditures	1,981,795	1,966,872	(14,923)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(809,900)	(680,574)	129,326
OTHER FINANCING SOURCES (USES)			
Transfers In	754,522	754,522	-
Transfers Out	(20,000)	-	20,000
Proceeds From Sale of Capital Assets	4,000	-	(4,000)
Total Other Financing Sources and (Uses)	738,522	754,522	16,000
NET CHANGE IN FUND BALANCE	<u>\$ (71,378)</u>	73,948	<u>\$ 145,326</u>
Fund Balance - Beginning of Year		<u>1,575,200</u>	
FUND BALANCE - END OF YEAR		<u>\$ 1,649,148</u>	

Notes to 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, 2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 357,168	\$ 357,168	\$ -
Licenses and Permits	500	965	465
Charges for Services	179,500	195,666	16,166
Gifts and Contributions	-	14,367	14,367
Interest on Investments	-	952	952
Miscellaneous	400	28,895	28,495
Total Revenues	<u>537,568</u>	<u>598,013</u>	<u>60,445</u>
EXPENDITURES			
Current			
Parks and Recreation	424,568	405,767	(18,801)
Capital Outlay			
Parks and Recreation	113,000	141,729	28,729
Total Expenditures	<u>537,568</u>	<u>547,496</u>	<u>9,928</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	50,517	<u>\$ 50,517</u>
Fund Balance - Beginning of Year		<u>430,557</u>	
FUND BALANCE - END OF YEAR		<u>\$ 481,074</u>	

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

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2017

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.

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SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 3,363	\$ 53,979	\$ 46,735	\$ 104,077
Accounts Receivable	-	2,577	-	2,577
Taxes Receivable	-	-	27	27
Notes Receivable	-	25,601	-	25,601
Total Assets	<u>\$ 3,363</u>	<u>\$ 82,157</u>	<u>\$ 46,762</u>	<u>\$ 132,282</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 355	\$ -	\$ -	\$ 355
Deferred Inflows of Resources				
Unavailable Loans Receivable	-	25,601	-	25,601
Fund Balances				
Restricted for Dare Program	3,008	-	-	3,008
Restricted for Economic Development	-	-	46,762	46,762
Restricted for Small Cities Grant	-	56,556	-	56,556
Total Fund Balances	<u>3,008</u>	<u>56,556</u>	<u>46,762</u>	<u>106,326</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,363</u>	<u>\$ 82,157</u>	<u>\$ 46,762</u>	<u>\$ 132,282</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017**

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
REVENUES				
Tax Increments	\$ -	\$ -	\$ 158,002	\$ 158,002
Intergovernmental	-	396,436	-	396,436
Gifts and Contributions	2,000	-	-	2,000
Interest Income	10	184	-	194
Miscellaneous	-	8,073	-	8,073
Total Revenues	2,010	404,693	158,002	564,705
EXPENDITURES				
Current				
General Government	-	401,359	-	401,359
Public Safety	2,898	-	-	2,898
Economic Development	-	-	139,845	139,845
Total Expenditures	2,898	401,359	139,845	544,102
NET CHANGE IN FUND BALANCES	(888)	3,334	18,157	20,603
Fund Balances - Beginning of Year	3,896	53,222	28,605	85,723
FUND BALANCES - END OF YEAR	\$ 3,008	\$ 56,556	\$ 46,762	\$ 106,326

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 126,149	\$ 357,054	\$ 348,315	\$ 831,518
Accounts Receivable - Net	37,660	4,526	34,256	76,442
Total Current Assets	163,809	361,580	382,571	907,960
Noncurrent Assets				
Restricted Cash	-	-	70,831	70,831
Advance to Component Unit	66,880	-	-	66,880
Capital Assets				
Land	-	13,077	-	13,077
Buildings (Net)	93,589	-	-	93,589
Infrastructure (Net)	-	626,833	-	626,833
Machinery and Equipment (Net)	-	13,317	-	13,317
Net Capital Assets	93,589	653,227	-	746,816
Total Noncurrent	160,469	653,227	70,831	884,527
Total Assets	324,278	1,014,807	453,402	1,792,487
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	4,824	-	4,259	9,083
LIABILITIES				
Current Liabilities				
Accounts Payable	15,228	-	34	15,262
Salaries and Benefits Payable	1,097	-	168	1,265
Due to Other Governments	1,744	-	-	1,744
Unearned Revenue	-	-	15,267	15,267
Compensated Absences - Due Within One Year	1,586	-	1,321	2,907
Total Current Liabilities	19,655	-	16,790	36,445
Noncurrent Liabilities				
Compensated Absences - Due in More than One Year	529	-	440	969
Net Pension Liability	19,922	-	17,589	37,511
Total Noncurrent Liabilities	20,451	-	18,029	38,480
Total Liabilities	40,106	-	34,819	74,925
DEFERRED INFLOWS OF RESOURCES				
Pension Related	4,161	-	3,674	7,835
NET POSITION				
Net Investment in Capital Assets	93,589	653,227	-	746,816
Restricted for Debt Service	-	-	70,831	70,831
Unrestricted	191,246	361,580	348,337	901,163
Total Net Position	\$ 284,835	\$ 1,014,807	\$ 419,168	\$ 1,718,810

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES				
Charges for Services	\$ 217,687	\$ 36,051	\$ 270,436	\$ 524,174
OPERATING EXPENSES				
Professional Services	175,734	-	308	176,042
Wages, Salaries, and Compensation	19,415	-	19,090	38,505
Repairs and Maintenance	936	403	815	2,154
Insurance	1,683	-	-	1,683
Depreciation	2,632	23,256	-	25,888
Materials and Supplies	823	-	-	823
Miscellaneous Expenses	19,965	-	35,095	55,060
Total Operating Expenses	<u>221,188</u>	<u>23,659</u>	<u>55,308</u>	<u>300,155</u>
OPERATING INCOME (LOSS)	(3,501)	12,392	215,128	224,019
NONOPERATING REVENUES (EXPENSES)				
Interest Income	251	745	479	1,475
Intergovernmental Grants	39,027	-	-	39,027
Total Nonoperating Revenues (Expenses)	<u>39,278</u>	<u>745</u>	<u>479</u>	<u>40,502</u>
Income before Transfers and Contributions	35,777	13,137	215,607	264,521
Capital Contributions	-	194,035	-	194,035
Transfers Out	(18,000)	(7,500)	(185,720)	(211,220)
CHANGE IN NET POSITION	17,777	199,672	29,887	247,336
Net Position - Beginning of Year, As Originally Stated	278,067	815,135	404,043	1,497,245
Restatement	(11,009)	-	(14,762)	(25,771)
Net Position - Beginning of Year, As Restated	<u>267,058</u>	<u>815,135</u>	<u>389,281</u>	<u>1,471,474</u>
NET POSITION - END OF YEAR	<u>\$ 284,835</u>	<u>\$ 1,014,807</u>	<u>\$ 419,168</u>	<u>\$ 1,718,810</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 209,637	\$ 33,293	\$ 288,786	\$ 531,716
Payments to Suppliers	(197,887)	(403)	(36,221)	(234,511)
Payments to Employees	(27,377)	-	(25,625)	(53,002)
Net Cash Provided (Used) by Operating Activities	(15,627)	32,890	226,940	244,203
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
FINANCING ACTIVITIES				
Transfers to Other Funds	(18,000)	(7,500)	(185,720)	(211,220)
Advance from Component Unit	4,060	-	-	4,060
Grant Receipts	39,027	-	-	39,027
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	25,087	(7,500)	(185,720)	(168,133)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	251	746	479	1,476
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,711	26,136	41,699	77,546
Cash and Cash Equivalents - Beginning of Year	116,438	330,918	377,447	824,803
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 126,149	\$ 357,054	\$ 419,146	\$ 902,349
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (3,501)	\$ 12,392	\$ 215,128	\$ 224,019
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	2,632	23,256	-	25,888
(Increase) Decrease in Assets and Deferred Outflows				
Accounts Receivable	(8,050)	(2,758)	3,083	(7,725)
Deferred Outflows of Resources	10,981	-	9,016	19,997
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	917	-	(3)	914
Salaries and Benefits Payable	(339)	-	(931)	(1,270)
Due to Other Governments	337	-	-	337
Compensated Absences Payable	444	-	342	786
Net Pension Liability	(18,092)	-	(14,338)	(32,430)
Unearned Revenue	-	-	15,267	15,267
Deferred Inflows of Resources	(956)	-	(624)	(1,580)
Total Adjustments	(12,126)	20,498	11,812	20,184
Net Cash Provided (Used) by Operating Activities	\$ (15,627)	\$ 32,890	\$ 226,940	\$ 244,203
NONCASH CAPITAL ACTIVITIES				
Capital Assets Contributed from Governmental Activities	\$ -	\$ 194,035	\$ -	\$ 194,035

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OTHER COMBINING SCHEDULES

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND – BY BOND ISSUE
 DECEMBER 31, 2017**

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 Investments	\$ 121,178	\$ 111,245	\$ 175,409	\$ 146,303
Taxes Receivable				
Current	-	-	-	85
Special Assessments Receivable				
Delinquent	-	-	1,296	-
Noncurrent	67,885	5,693	77,495	662,925
Total Assets	<u>\$ 189,063</u>	<u>\$ 116,938</u>	<u>\$ 254,200</u>	<u>\$ 809,313</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Taxes	\$ -	\$ -	\$ -	\$ -
Unavailable Special Assessments	67,885	5,693	77,495	662,925
Total Deferred Inflows of Resources	<u>67,885</u>	<u>5,693</u>	<u>77,495</u>	<u>662,925</u>
Fund Balances				
Restricted	<u>121,178</u>	<u>111,245</u>	<u>176,705</u>	<u>146,388</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 189,063</u>	<u>\$ 116,938</u>	<u>\$ 254,200</u>	<u>\$ 809,313</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds	G.O. 2013A Improvement Bonds	G.O. 2016A Improvement Bonds	Total Debt Service Fund
\$ 31,941	\$ 104,385	\$ 3,673	\$ 30,757	\$ 724,891
492	2,339	123	-	3,039
-	1,171	-	-	2,467
<u>179,379</u>	<u>190,964</u>	<u>292,635</u>	<u>1,175,141</u>	<u>2,652,117</u>
<u>\$ 211,812</u>	<u>\$ 298,859</u>	<u>\$ 296,431</u>	<u>\$ 1,205,898</u>	<u>\$ 3,382,514</u>
\$ -	\$ 1,831	\$ -	\$ -	\$ 1,831
179,379	191,830	292,635	1,175,141	2,652,983
<u>179,379</u>	<u>193,661</u>	<u>292,635</u>	<u>1,175,141</u>	<u>2,654,814</u>
<u>32,433</u>	<u>105,198</u>	<u>3,796</u>	<u>30,757</u>	<u>727,700</u>
<u>\$ 211,812</u>	<u>\$ 298,859</u>	<u>\$ 296,431</u>	<u>\$ 1,205,898</u>	<u>\$ 3,382,514</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
DEBT SERVICE FUND – BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2017

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 20,610
Special Assessments	25,527	16,234	18,855	80,138
Interest Income	363	453	433	207
Miscellaneous	-	-	-	-
Total Revenues	<u>25,890</u>	<u>16,687</u>	<u>19,288</u>	<u>100,955</u>
EXPENDITURES				
Debt Service				
Principal	-	-	-	65,000
Interest and Other Charges	-	-	-	6,750
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,750</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,890	16,687	19,288	29,205
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	35,000
Transfers Out	<u>(40,000)</u>	<u>(20,000)</u>	<u>(30,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(20,000)</u>	<u>(30,000)</u>	<u>35,000</u>
NET CHANGE IN FUND BALANCES	(14,110)	(3,313)	(10,712)	64,205
Fund Balances - Beginning of Year	<u>135,288</u>	<u>114,558</u>	<u>187,417</u>	<u>82,183</u>
FUND BALANCES - END OF YEAR	<u>\$ 121,178</u>	<u>\$ 111,245</u>	<u>\$ 176,705</u>	<u>\$ 146,388</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds	G.O. 2013A Improvement Bonds	G.O. 2016A Improvement Bonds	Internal Eliminations	Total Debt Service Fund
\$ 14,547	\$ 32,125	\$ 7,058	\$ -	\$ -	\$ 74,340
37,869	18,437	8,021	10,848	-	215,929
758	179	-	24	-	2,417
-	-	-	2,000	-	2,000
53,174	50,741	15,079	12,872	-	294,686
75,000	35,000	20,000	-	-	195,000
17,798	15,233	9,453	32,594	-	81,828
92,798	50,233	29,453	32,594	-	276,828
(39,624)	508	(14,374)	(19,722)	-	17,858
8,856	-	14,000	32,144	(90,000)	-
-	-	-	-	90,000	-
8,856	-	14,000	32,144	-	-
(30,768)	508	(374)	12,422	-	17,858
63,201	104,690	4,170	18,335	-	709,842
\$ 32,433	\$ 105,198	\$ 3,796	\$ 30,757	\$ -	\$ 727,700

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND – BY PROJECT
 DECEMBER 31, 2017**

	Commercial Park Extension	Del Acres Gilbertson Second Addition	Total Capital Projects Fund
ASSETS			
Cash and Investments	\$ -	\$ 165,816	\$ 165,816
Special Assessments - Noncurrent	91,747	-	91,747
Total Assets	\$ 91,747	\$ 165,816	\$ 257,563
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS			
Liabilities			
Due to Other Funds	\$ 110,311	\$ -	\$ 110,311
Contracts Payable	-	158,440	158,440
Total Liabilities	110,311	158,440	268,751
Deferred Inflows of Resources			
Unavailable Special Assessments	91,747	-	91,747
Fund Balances (Deficits)			
Restricted	-	7,376	7,376
Unassigned	(110,311)	-	(110,311)
Total Fund Balances (Deficits)	(110,311)	7,376	(102,935)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 91,747	\$ 165,816	\$ 257,563

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
CAPITAL PROJECTS FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2017

	Commercial Park Extension	Del Acres Gilbertson Second Addition	Total Capital Projects Fund
REVENUES			
Interest Income	\$ -	\$ 338	\$ 338
EXPENDITURES			
Capital Outlay			
Public Works	-	127,263	127,263
Total Expenditures	-	127,263	127,263
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(126,925)	(126,925)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	96,400	96,400
NET CHANGE IN FUND BALANCES	-	(30,525)	(30,525)
Fund Balances (Deficit) - Beginning of Year	(110,311)	37,901	(72,410)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (110,311)	\$ 7,376	\$ (102,935)

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2017-001 through 2017-003 that we consider to be material weaknesses.

Honorable Mayor and Members of the City Council
City of Barnesville

Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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
May 7, 2018

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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, 2017 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 May 7, 2018.

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

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*, except as described in the accompanying schedule of findings and recommendations as item 2017-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions.

The City's written response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
May 7, 2018

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**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2017-001

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 Finance Director 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.

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2017-002 MATERIAL AUDIT ADJUSTMENTS/RESTATEMENT

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. In addition, beginning net position in the enterprise funds and business-type activities was restated to correct an overstated unbilled utility receivable in the previously issued financial statements.

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.

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.

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2017-003

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.

Cause: 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.

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.

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

MINNESOTA LEGAL COMPLIANCE:

2017-004 ELECTRONIC FUNDS TRANSFER

Criteria: Minnesota Statutes §471.38 requires annual delegation of authority to make electronic fund transfers to a chief financial officer or the officer's designee and the disbursing bank to keep a certified copy of the delegation of authority.

Condition/Context: The City has not enacted a plan for electronic fund transfers that contains policy controls regarding annual delegation of authority to make transfers. The disbursing bank was not provided with a certified copy of the delegation of authority.

Cause: The City was unaware of the new legislation.

Effect: The City is not in compliance with Minnesota Statutes.

Recommendation: We recommend City establish internal controls to ensure compliance with Minnesota Statutes regarding electronic fund transfers. To comply with the Statute, the following controls should be in place:

- (a) the governing body shall annually delegate the authority to make electronic funds transfers to a designated business administrator or chief financial officer or the officer's designee;
- (b) the disbursing bank shall keep on file a certified copy of the delegation of authority;
- (c) the initiator of the electronic transfer shall be identified;
- (d) the initiator shall document the request and obtain an approval from the designated business administrator, or chief financial officer or the officer's designee, before initiating the transfer as required by internal control policies;
- (e) a written confirmation of the transaction shall be made no later than one business day after the transaction and shall be used in lieu of a check, order check or warrant required to support the transaction;
- (f) a list of all transactions made by electronic funds transfer shall be submitted to the governing body at its next regular meeting after the transaction.

Management Response: Management agrees and will establish a policy of annual delegation. The Council's resolution approving the annual delegation of authority will be provided to the disbursing bank.