

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018

**CITY OF BARNESVILLE, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2018**

ELECTED	NAME	TERM EXPIRES
Mayor	Gene Prim	12/31/2019
City Council	Dawn Stuvland	12/31/2019
City Council	David Brown	12/31/2019
City Council	Brad Field	12/31/2019
City Council	Scott Bauer	12/31/2021
City Council	Tonya Stokka	12/31/2021
City Council	Don Goedtke	12/31/2021

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, 2018, 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, 2018, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 March 25, 2019, 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 results 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Brainerd, Minnesota
March 25, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information. Certain comparative information between the current year (2018) and the prior year (2017) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 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 \$23,188,513 (net position). Of this amount, \$9,797,459 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$1,052,252 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$2,897,300, an increase of \$35,987, or 1.3% in comparison to the prior year. Approximately 21.78% of this amount, or \$630,998, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$586,885, or 27.82% 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.

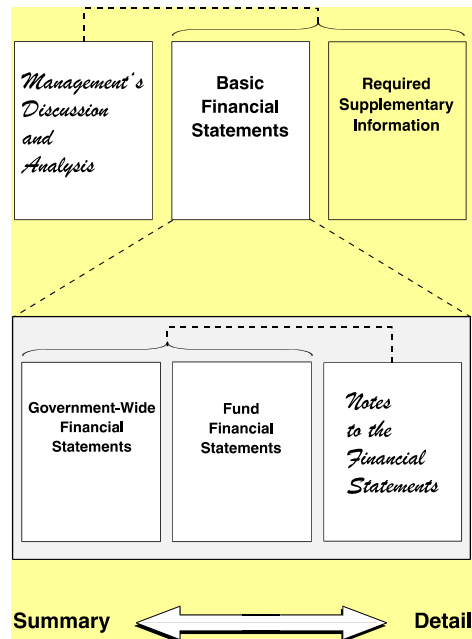
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018**

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, 2018**

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, 2018**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$23,188,513 on December 31, 2018 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 5,654,656	\$ 5,895,874	\$ 9,782,566	\$ 9,029,650	\$ 15,437,222	\$ 14,925,524
Capital Assets	6,026,968	5,859,563	13,318,468	13,923,869	19,345,436	19,783,432
Total Assets	11,681,624	11,755,437	23,101,034	22,953,519	34,782,658	34,708,956
Deferred Outflows of Resources	559,663	742,118	63,296	107,919	622,959	850,037
Current Liabilities	447,099	580,433	1,047,035	1,003,610	1,494,134	1,584,043
Long-Term Liabilities	3,244,370	3,655,337	6,556,903	7,222,203	9,801,273	10,877,540
Total Liabilities	3,691,469	4,235,770	7,603,938	8,225,813	11,295,407	12,461,583
Deferred Inflows of Resources	816,020	872,954	105,677	88,195	921,697	961,149
Net Position						
Net Investment in Capital Assets	3,315,354	2,902,402	6,529,478	6,553,677	9,844,832	9,456,079
Restricted	3,262,897	3,483,394	283,325	283,325	3,546,222	3,766,719
Unrestricted	1,155,547	1,003,035	8,641,912	7,910,428	9,797,459	8,913,463
Total Net Position	\$ 7,733,798	\$ 7,388,831	\$ 15,454,715	\$ 14,747,430	\$ 23,188,513	\$ 22,136,261

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$9,375,450 for the year ended December 31, 2018. Property taxes and intergovernmental revenues accounted for 21.5% of total revenue for the year, while user charges accounted for 69.2% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 278,724	\$ 254,526	\$ 6,213,518	\$ 6,258,904	\$ 6,492,242	\$ 6,513,430
Operating Grants and Contributions	253,892	477,290	54,569	52,664	308,461	529,954
Capital Grants and Contributions	78,477	111,650	11,068	18,185	89,545	129,835
<u>General Revenues</u>						
Property Taxes	745,624	700,057	45,000	45,000	790,624	745,057
Tax Increments	174,070	158,002	-	-	174,070	158,002
Unrestricted State Aid	825,311	803,046	-	-	825,311	803,046
Investment Earnings	39,473	27,534	35,753	13,198	75,226	40,732
Other	166,227	84,761	453,744	397,949	619,971	482,710
Total Revenues	2,561,798	2,616,866	6,813,652	6,785,900	9,375,450	9,402,766
EXPENSES						
General Government	782,104	1,172,190	-	-	782,104	1,172,190
Public Safety	676,915	745,808	-	-	676,915	745,808
Public Works	549,163	510,522	-	-	549,163	510,522
Culture and Recreation	566,199	509,618	-	-	566,199	509,618
Economic Development	329,742	290,434	-	-	329,742	290,434
Interest	73,794	79,918	-	-	73,794	79,918
Water	-	-	318,470	309,232	318,470	309,232
Sewer	-	-	399,226	396,132	399,226	396,132
Electric	-	-	1,874,297	1,823,303	1,874,297	1,823,303
Telephone	-	-	999,238	893,723	999,238	893,723
Municipal Liquor	-	-	599,327	434,716	599,327	434,716
Cable Television	-	-	422,461	441,486	422,461	441,486
Sanitation	-	-	237,842	221,188	237,842	221,188
Storm Sewer	-	-	32,301	23,659	32,301	23,659
Ambulance	-	-	389,778	670,306	389,778	670,306
Broadband Internet	-	-	72,341	55,308	72,341	55,308
Total Expenses	2,977,917	3,308,490	5,345,281	5,269,053	8,323,198	8,577,543
Transfers	761,086	112,597	(761,086)	(112,597)	-	-
CHANGE IN NET POSITION	344,967	(579,027)	707,285	1,404,250	1,052,252	825,223
Net Position - Beginning of Year	7,388,831	7,967,858	14,747,430	13,343,180	22,136,261	21,311,038
NET POSITION - END OF YEAR	<u>\$ 7,733,798</u>	<u>\$ 7,388,831</u>	<u>\$ 15,454,715</u>	<u>\$ 14,747,430</u>	<u>\$ 23,188,513</u>	<u>\$ 22,136,261</u>

Total revenues surpassed expenses, increasing City-wide net position by \$1,052,252 as compared to an increase of \$825,223 in 2017. The increase in net position for 2018 is primarily due to the business-type activities revenues exceeding expenses.

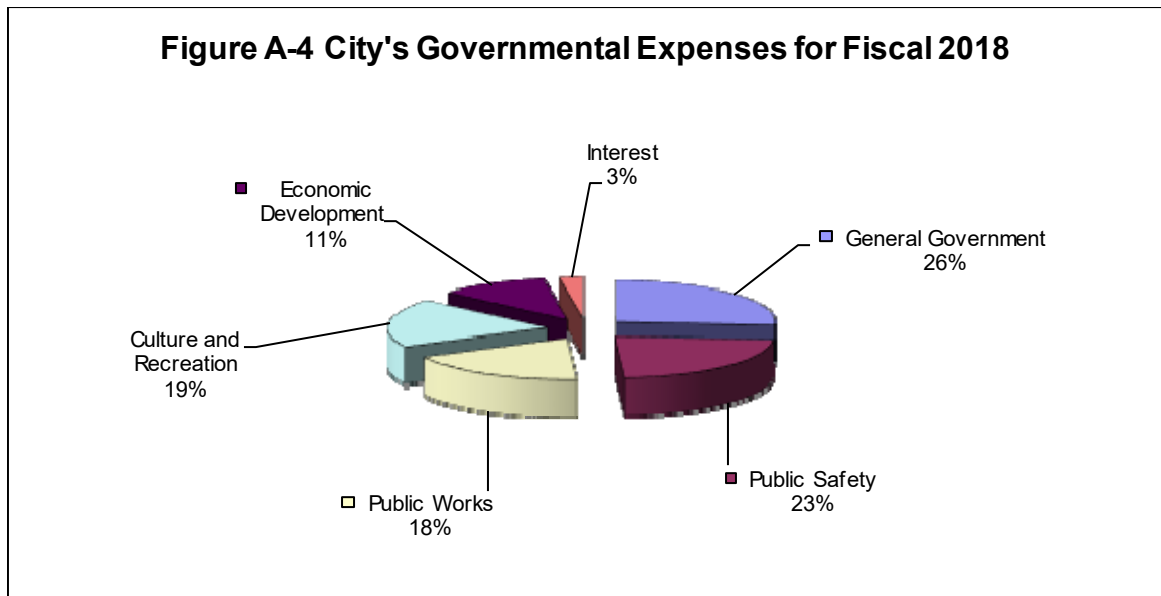
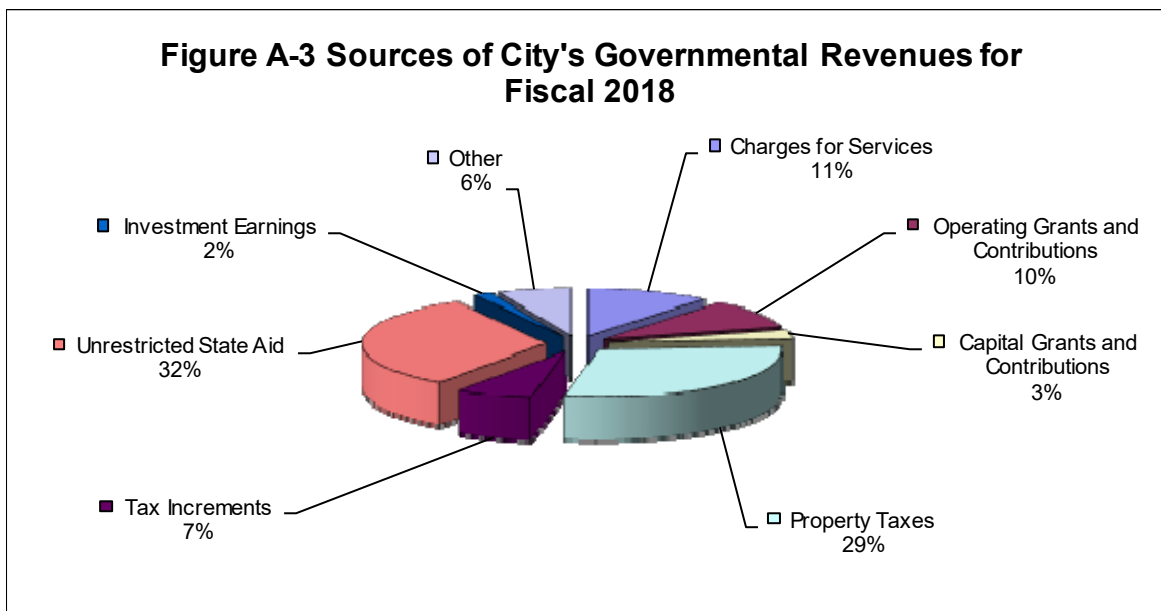
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The City-wide cost of all governmental activities this year was \$2,977,917.

- Some of the cost was paid by the users of the City's programs (\$278,724).
- Federal and state government payments (\$253,892) subsidized certain programs.
- Ad valorem property taxes (\$745,624) and unrestricted state grants (\$825,311) also helped fund the net costs of governmental services.
- Transfers from the City's business-type operations also subsidize governmental operations (\$761,086).



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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	
	2018	2017	2018	2017
GOVERNMENTAL ACTIVITIES				
General Government	\$ 782,104	\$ 1,172,190	\$ (632,483)	\$ (724,456)
Public Safety	676,915	745,808	(608,464)	(648,649)
Public Works	549,163	510,522	(511,644)	(422,947)
Culture and Recreation	566,199	509,618	(210,697)	(298,620)
Economic Development	329,742	290,434	(329,742)	(290,434)
Interest	73,794	79,918	(73,794)	(79,918)
Total	<u>\$ 2,977,917</u>	<u>\$ 3,308,490</u>	<u>\$ (2,366,824)</u>	<u>\$ (2,465,024)</u>
BUSINESS-TYPE ACTIVITIES				
Water	\$ 318,470	\$ 309,232	\$ 162,351	\$ 166,885
Sewer	399,226	396,132	261,161	275,624
Electric	1,874,297	1,823,303	325,511	373,306
Telephone	999,238	893,723	59,653	108,508
Municipal Liquor	599,327	434,716	31,171	12,416
Cable Television	422,461	441,486	17,999	19,094
Sanitation	237,842	221,188	28,701	35,526
Storm Sewer	32,301	23,659	6,636	12,392
Ambulance	389,778	670,306	(207,005)	(158,179)
Broadband Internet	72,341	55,308	247,696	215,128
Total	<u>\$ 5,345,281</u>	<u>\$ 5,269,053</u>	<u>\$ 933,874</u>	<u>\$ 1,060,700</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 \$2,897,300.

Revenues for the City's governmental funds were \$2,681,717, while total expenditures were \$3,443,029.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018	December 31, 2017	Increase (Decrease)
Taxes	\$ 339,348	\$ 269,109	\$ 70,239
Special Assessments	5,383	1,898	3,485
Licenses and Permits	48,964	20,880	28,084
Intergovernmental	885,614	887,794	(2,180)
Charges for Services	988	27,900	(26,912)
Fines and Forfeits	8,205	9,115	(910)
Interest	26,641	15,560	11,081
Miscellaneous and Other	153,296	54,042	99,254
Total General Fund Revenues	\$ 1,468,439	\$ 1,286,298	\$ 182,141

Total General Fund revenue increased by \$182,141, or 14.2%, from the previous year. The primary reason for the increase is an increase in taxes and miscellaneous revenues. The City increased its tax levy for 2018. The increase in miscellaneous revenues is due to a settlement payment received during 2018.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change
	December 31, 2018	December 31, 2017	Increase (Decrease)
General Government	\$ 712,400	\$ 690,136	\$ 22,264
Public Safety	681,509	647,636	33,873
Public Works	233,959	277,298	(43,339)
Airport	2	-	2
Economic Development	220,470	150,541	69,929
Capital Outlay	240,098	189,376	50,722
Debt Service	21,517	11,885	9,632
Total Expenditures	\$ 2,109,955	\$ 1,966,872	\$ 143,083

The General Fund's expenditures increased \$143,083 from 2017. The increase is due largely to capital outlays for equipment purchases and economic development for tax abatement payments made during 2018.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 \$208,144 more than budget. This is primarily due to an increase in taxes from the levy, and a settlement payment received during 2018.
- The actual expenditures were \$33,133 under budget. This is primarily due to public works expenditures coming in under budget by \$115,378 due to less projects done on streets than budgeted. General Government expenditures were over budget by \$17,114 primarily due to an increase in legal fees and capital outlay expenditures were over budget by \$20,098 primarily due to additional equipment purchased.

Parks and Recreation Fund

The Parks and Recreation Fund had a decrease in fund balance of \$18,022. Revenues and expenditures exceeded budget during 2018 by \$167,434 and \$205,456, respectively. The overages were a result of donations that were not budgeted.

Debt Service Fund

The Debt Service Fund's fund balance decreased \$96,702 as a result of debt payments in excess of special assessment revenues collected.

Other Governmental Funds

The Other Governmental Fund's fund balance increased \$13,313 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 \$168,982 and \$268,394, respectively, for the year ended December 31, 2018, as compared to \$174,219 and \$281,509, respectively for 2017.

Liquor and Cable Television Funds

The operations of the Municipal Liquor and Cable Television Funds reported net income (before transfers to other funds) of \$32,626 and \$24,877, respectively, for the year ended December 31, 2018, as compared to \$13,796 and \$23,298, respectively, for 2017. The significant increase in the Municipal Liquor Fund is attributable to an increase in liquor sales due to a nearby competing store closing during 2018.

Electric Fund

The Electric Fund reported net income (before transfers to other funds) of \$356,324 for the year ended December 31, 2018 compared to \$288,271 in 2017.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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

Business-Type Funds (Continued)

Telephone Fund

The Telephone Fund reported sales of \$1,056,317 compared to \$999,432 in 2017. Income of \$376,429 (compared to \$315,928 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 \$452,774 as compared to \$439,965 in the prior year.

Ambulance Fund

The Ambulance Fund reported net income (loss) (before transfers to other funds) of (\$128,193) for the year ended December 31, 2018, as compared to (\$68,732) for 2017. The decrease was a result of operating expenses exceeding charges for services.

CAPITAL ASSETS

By the end of 2018, the City had invested \$19,345,436 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 583,716	\$ 563,716	\$ 113,908	\$ 113,908	\$ 697,624	\$ 677,624
Construction-in-Progress	-	536,198	8,838	17,432	8,838	553,630
Buildings	1,662,180	1,621,994	1,373,279	1,357,861	3,035,459	2,979,855
Infrastructure	5,696,886	5,696,886	12,634,520	12,569,929	18,331,406	18,266,815
Improvements	1,949,762	1,144,543	5,088,890	5,088,890	7,038,652	6,233,433
Machinery and Equipment	959,478	834,078	2,588,104	2,563,468	3,547,582	3,397,546
Vehicles	338,196	399,244	515,802	515,802	853,998	915,046
Less: Accumulated Depreciation	(5,163,250)	(4,937,096)	(9,004,873)	(8,303,421)	(14,168,123)	(13,240,517)
Total	<u>\$ 6,026,968</u>	<u>\$ 5,859,563</u>	<u>\$ 13,318,468</u>	<u>\$ 13,923,869</u>	<u>\$ 19,345,436</u>	<u>\$ 19,783,432</u>

Total depreciation expense for the year was \$1,109,799 (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, 2018**

LONG-TERM LIABILITIES

At year-end, the City had \$9,509,595 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt decreased \$825,134 due primarily to schedule principal payments.

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

	2018	2017
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 2,700,000	\$ 2,950,000
Capital Leases Payable	23,996	18,352
Less: Bond Discounts	(3,391)	(3,815)
Total Governmental Activities	2,720,605	2,964,537
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	3,250,000	3,405,000
General Obligation Revenue Notes	1,754,000	1,989,000
General Obligation Bonds	1,269,000	1,395,000
Equipment Certificates	541,000	608,000
Less: Bond Discounts	(25,010)	(26,808)
Total Business-Type Activities	6,788,990	7,370,192
Total City-Wide Long-Term Liabilities	\$ 9,509,595	\$ 10,334,729

Detailed information about long-term liabilities can be found in Note 3.C.3 to the financial statements.

FACTORS BEARING ON THE CITY'S FUTURE

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 2,889,637	\$ 5,128,552	\$ 8,018,189	\$ 141,098
Taxes Receivable				
Current	28,821	-	28,821	-
Special Assessments Receivable				
Delinquent	15,913	3,876	19,789	-
Noncurrent	2,640,081	329,936	2,970,017	-
Accounts Receivable - Net	34,749	663,597	698,346	-
Accrued Interest Receivable	1,710	-	1,710	-
Notes Receivable	23,908	-	23,908	-
Due from Other Governments	145	-	145	-
Internal Balances	13,981	(13,981)	-	-
Inventories	1,200	62,022	63,222	-
Prepaid Services	-	83,334	83,334	-
Land Held for Resale	-	-	-	1,480,958
Advances to Component Unit	4,511	214,825	219,336	-
Advances to Primary Government	-	-	-	4,854
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	3,027,080	3,027,080	-
Capital Assets not Being Depreciated				
Land	583,716	113,908	697,624	-
Construction-in-Progress	-	8,838	8,838	8,838
Capital Assets Being Depreciated				
Buildings	774,549	632,398	1,406,947	7,658
Infrastructure	2,531,696	7,778,831	10,310,527	-
Improvements	1,631,787	3,843,031	5,474,818	-
Machinery and Equipment	481,662	772,640	1,254,302	-
Vehicles	23,558	168,822	192,380	-
Total Assets	<u>11,681,624</u>	<u>23,101,034</u>	<u>34,782,658</u>	<u>1,643,406</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	559,663	58,330	617,993	10,893
Amount on Refunding	-	4,966	4,966	-
Total Deferred Outflows of Resources	<u>559,663</u>	<u>63,296</u>	<u>622,959</u>	<u>10,893</u>
LIABILITIES				
Accounts Payable	33,933	243,794	277,727	14,289
Salaries and Benefits Payable	24,114	19,677	43,791	2,982
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	29,176	33,964	63,140	53
Due to Other Governments	-	20,195	20,195	-
Due to Primary Government	-	-	-	70,053
Advances from Primary Government	-	-	-	219,336
Advances from Component Unit	4,854	-	4,854	-
Unearned Utility Payments	-	89,434	89,434	-
Bonds Payable - Due Within One Year	250,000	597,000	847,000	270
Capital Leases Payable - Due Within One Year	4,590	-	4,590	-
Compensated Absences Payable - Due Within One Year	100,432	41,622	142,054	9,708
Special Assessments Payable - Due in More Than One Year	-	-	-	1,082,270
Bonds Payable - Due in More Than One Year	2,446,609	6,191,990	8,638,599	-
Capital Leases Payable - Due in More Than One Year	19,406	-	19,406	-
Compensated Absences Payable - Due in More Than One Year	33,478	13,873	47,351	3,236
Net Pension Liability	744,877	351,040	1,095,917	65,559
Total Liabilities	<u>3,691,469</u>	<u>7,603,938</u>	<u>11,295,407</u>	<u>1,467,756</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	816,020	105,677	921,697	19,736
NET POSITION				
Net Investment in Capital Assets	3,315,354	6,529,478	9,844,832	16,496
Restricted for				
Debt Service	3,119,350	283,325	3,402,675	-
Public Safety	3,104	-	3,104	-
Economic Development	140,443	-	140,443	-
Unrestricted	1,155,547	8,641,912	9,797,459	150,311
Total Net Position	<u>\$ 7,733,798</u>	<u>\$ 15,454,715</u>	<u>\$ 23,188,513</u>	<u>\$ 166,807</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 782,104	\$ 59,332	\$ 90,289	\$ -
Public Safety	676,915	-	44,804	23,647
Public Works	549,163	915	8,477	28,127
Culture and Recreation	566,199	218,477	110,322	26,703
Economic Development	329,742	-	-	-
Interest	73,794	-	-	-
Total Governmental Activities	2,977,917	278,724	253,892	78,477
Business-Type Activities				
Water	318,470	474,688	-	6,133
Sewer	399,226	655,452	-	4,935
Electric	1,874,297	2,199,808	-	-
Telephone	999,238	1,056,317	2,574	-
Municipal Liquor	599,327	630,498	-	-
Cable Television	422,461	440,460	-	-
Sanitation	237,842	224,798	41,745	-
Storm Sewer	32,301	38,937	-	-
Ambulance	389,778	172,523	10,250	-
Broadband Internet	72,341	320,037	-	-
Total Business-Type Activities	5,345,281	6,213,518	54,569	11,068
Total Primary Government	\$ 8,323,198	\$ 6,492,242	\$ 308,461	\$ 89,545
Component Unit				
EDA	\$ 239,989	\$ 52,892	\$ -	\$ -

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

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
\$ (632,483)	\$ -	\$ (632,483)	\$ -
(608,464)	-	(608,464)	-
(511,644)	-	(511,644)	-
(210,697)	-	(210,697)	-
(329,742)	-	(329,742)	-
(73,794)	-	(73,794)	-
(2,366,824)	-	(2,366,824)	-
-	162,351	162,351	-
-	261,161	261,161	-
-	325,511	325,511	-
-	59,653	59,653	-
-	31,171	31,171	-
-	17,999	17,999	-
-	28,701	28,701	-
-	6,636	6,636	-
-	(207,005)	(207,005)	-
-	247,696	247,696	-
-	933,874	933,874	-
(2,366,824)	933,874	(1,432,950)	-
-	-	-	(187,097)
745,624	45,000	790,624	-
174,070	-	174,070	-
825,311	-	825,311	168,968
39,473	35,753	75,226	766
166,227	453,744	619,971	25,617
761,086	(761,086)	-	-
2,711,791	(226,589)	2,485,202	195,351
344,967	707,285	1,052,252	8,254
7,388,831	14,747,430	22,136,261	158,553
\$ 7,733,798	\$ 15,454,715	\$ 23,188,513	\$ 166,807

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FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 1,673,384	\$ 463,693	\$ 627,255	\$ 8,991	\$ 116,314	\$ 2,889,637
Taxes Receivable						
Current	25,946	-	2,848	-	27	28,821
Special Assessments Receivable						
Delinquent	8,566	-	7,347	-	-	15,913
Noncurrent	37,770	-	2,511,076	91,235	-	2,640,081
Accounts Receivable	25,865	5,586	-	-	3,298	34,749
Due from Other Governments	-	145	-	-	-	145
Accrued Interest Receivable	1,710	-	-	-	-	1,710
Notes Receivable	-	-	-	-	23,908	23,908
Inventory	-	1,200	-	-	-	1,200
Advance to Component Unit	4,511	-	-	-	-	4,511
Due from Other Funds	244,292	-	-	-	-	244,292
Total Assets	\$ 2,022,044	\$ 470,624	\$ 3,148,526	\$ 100,226	\$ 143,547	\$ 5,884,967
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 27,407	\$ 6,526	\$ -	\$ -	\$ -	\$ 33,933
Salaries and Benefits Payable	23,068	1,046	-	-	-	24,114
Due to Other Funds	-	-	-	110,311	-	110,311
Advance from Other Funds	120,000	-	-	-	-	120,000
Advance from Component Unit	4,854	-	-	-	-	4,854
Total Liabilities	175,329	7,572	-	110,311	-	293,212
Deferred Inflows of Resources						
Unavailable Taxes	15,795	-	1,640	-	-	17,435
Unavailable Special Assessments	45,989	-	2,515,888	91,235	-	2,653,112
Unavailable Loans Receivable	-	-	-	-	23,908	23,908
Total Deferred Inflows of Resources	61,784	-	2,517,528	91,235	23,908	2,694,455
Fund Balances (Deficit)						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Advances	4,511	-	-	-	-	4,511
Restricted for Capital Projects	-	-	-	8,991	-	8,991
Restricted for Economic Development	-	-	-	-	62,255	62,255
Restricted for Debt Repayment	-	-	630,998	-	-	630,998
Restricted for Small Cities Grant	-	-	-	-	54,280	54,280
Restricted for DARE Program	-	-	-	-	3,104	3,104
Committed for Capital Outlay	146,000	16,825	-	-	-	162,825
Committed for Community Projects	1,044,486	-	-	-	-	1,044,486
Committed for Park Operations	-	445,027	-	-	-	445,027
Assigned for Joint Powers	3,049	-	-	-	-	3,049
Unassigned	586,885	-	-	(110,311)	-	476,574
Total Fund Balances (Deficit)	1,784,931	463,052	630,998	(101,320)	119,639	2,897,300
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 2,022,044	\$ 470,624	\$ 3,148,526	\$ 100,226	\$ 143,547	\$ 5,884,967

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, 2018**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS \$ 2,897,300

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. 6,026,968

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. 2,694,455

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:

Net Pension Liability	\$ (744,877)	
Deferred Inflows of Resources - Pension Related	(816,020)	
Deferred Outflows of Resources - Pension Related	<u>559,663</u>	(1,001,234)

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	(2,696,609)	
Capital Lease Obligations	(23,996)	
Accrued Compensated Absences	(133,910)	
Accrued Interest Payable on General Obligation Bonds	<u>(29,176)</u>	<u>(2,883,691)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 7,733,798

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 339,348	\$ 337,941	\$ 66,901	\$ -	\$ -	\$ 744,190
Tax Increments	-	-	-	-	174,070	174,070
Special Assessments	5,383	-	154,981	-	-	160,364
Licenses and Permits	48,964	1,449	-	-	-	50,413
Intergovernmental	885,614	26,703	-	-	91,982	1,004,299
Charges for Services	988	217,028	-	-	-	218,016
Fines and Forfeits	8,205	-	-	-	-	8,205
Gifts and Contributions	-	110,322	-	-	2,260	112,582
Interest Income	26,641	3,043	4,709	545	294	35,232
Miscellaneous	153,296	15,739	-	1,070	4,241	174,346
Total Revenues	1,468,439	712,225	226,591	1,615	272,847	2,681,717
EXPENDITURES						
Current						
General Government	712,400	-	-	-	98,760	811,160
Public Safety	681,509	-	-	-	2,180	683,689
Public Works	233,959	-	-	-	-	233,959
Airport	2	-	-	-	-	2
Parks and Recreation	-	455,322	-	-	-	455,322
Economic Development	220,470	-	-	-	158,594	379,064
Capital Outlay						
General Government	24,100	-	-	-	-	24,100
Public Works	215,998	-	-	-	-	215,998
Parks and Recreation	-	294,925	-	-	-	294,925
Debt Service						
Principal	19,569	-	250,000	-	-	269,569
Interest and Other Charges	1,948	-	73,293	-	-	75,241
Total Expenditures	2,109,955	750,247	323,293	-	259,534	3,443,029
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(641,516)	(38,022)	(96,702)	1,615	13,313	(761,312)
OTHER FINANCING SOURCES (USES)						
Transfers In	761,086	20,000	-	-	-	781,086
Transfers Out	(20,000)	-	-	-	-	(20,000)
Capital Lease Proceeds	25,213	-	-	-	-	25,213
Proceeds from Sale of Capital Assets	11,000	-	-	-	-	11,000
Total Other Financing Sources (Uses)	777,299	20,000	-	-	-	797,299
NET CHANGE IN FUND BALANCES						
	135,783	(18,022)	(96,702)	1,615	13,313	35,987
Fund Balance (Deficit) - Beginning of Year	1,649,148	481,074	727,700	(102,935)	106,326	2,861,313
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,784,931	\$ 463,052	\$ 630,998	\$ (101,320)	\$ 119,639	\$ 2,897,300

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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 35,987

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	\$ 595,120	
Current Year Depreciation	(397,562)	
Net Book Value of Asset Disposals	<u>(30,153)</u>	167,405

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (137,837)

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

Capital Lease Proceeds		(25,213)
------------------------	--	----------

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. 41,423

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	250,000	
Capital Lease	<u>19,569</u>	269,569

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

Change in Accrued Interest Payable	1,871	
Amortization of Discounts	(424)	
Change in Compensated Absences	<u>(7,814)</u>	<u>(6,367)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 344,967

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018**

	Water	Sewer	Electric
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 927,063	\$ 1,145,488	\$ 1,101,549
Accounts Receivable - Net	55,429	81,257	297,465
Special Assessments Receivable			
Delinquent	2,059	1,817	-
Noncurrent	169,928	160,008	-
Inventories	-	-	-
Prepaid Services	10,417	26,042	31,250
Total Current Assets	<u>1,164,896</u>	<u>1,414,612</u>	<u>1,430,264</u>
Noncurrent Assets			
Investment in Joint Venture	-	-	-
Restricted Cash	-	-	-
Advance to Component Unit	92,340	74,525	-
Advances to Other Funds	-	120,000	-
Capital Assets			
Land	-	100,831	-
Construction in Progress	4,419	4,419	-
Buildings (Net)	333,379	2,184	72,599
Infrastructure (Net)	1,917,597	4,686,855	260,293
Improvements (Net)	-	-	-
Machinery and Equipment (Net)	105,826	46,893	149,610
Vehicles (Net)	-	70,085	-
Total Capital Assets	<u>2,361,221</u>	<u>4,911,267</u>	<u>482,502</u>
Total Noncurrent Assets	<u>2,453,561</u>	<u>5,105,792</u>	<u>482,502</u>
Total Assets	3,618,457	6,520,404	1,912,766
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	1,163	1,337	6,108
Amount on Refunding	-	-	-
Total Deferred Outflows of Resources	<u>1,163</u>	<u>1,337</u>	<u>6,108</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	15,854	8,409	159,612
Salaries and Benefits Payable	343	150	1,550
Deposits Payable	-	-	1,349
Accrued Interest Payable	5,957	12,219	-
Due to Other Governments	274	-	7,507
Due to Other Funds	-	-	-
Unearned Utility Payments	728	1,485	12,927
Compensated Absences - Due Within One Year	296	296	4,225
Bonds Payable - Due Within One Year	81,000	284,000	-
Total Current Liabilities	<u>104,452</u>	<u>306,559</u>	<u>187,170</u>
Noncurrent Liabilities			
Compensated Absences Payable -			
Due in More than One Year	99	99	1,408
Bonds Payable - Due in More than One Year	753,241	1,901,000	-
Net Pension Liability	6,998	8,044	36,761
Total Noncurrent Liabilities	<u>760,338</u>	<u>1,909,143</u>	<u>38,169</u>
Total Liabilities	864,790	2,215,702	225,339
DEFERRED INFLOWS OF RESOURCES			
Pension Related	2,107	2,422	11,067
NET POSITION			
Net Investment in Capital Assets	1,526,980	2,726,267	482,502
Restricted for Debt Service	-	-	-
Unrestricted	1,225,743	1,577,350	1,199,966
Total Net Position	<u>\$ 2,752,723</u>	<u>\$ 4,303,617</u>	<u>\$ 1,682,468</u>

See accompanying Notes to Basic Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 824,832	\$ 48,416	\$ 113,516	\$ -	\$ 967,688	\$ 5,128,552
67,807	7,237	38,425	36,522	79,455	663,597
-	-	-	-	-	3,876
-	-	-	-	-	329,936
-	62,022	-	-	-	62,022
15,625	-	-	-	-	83,334
<u>908,264</u>	<u>117,675</u>	<u>151,941</u>	<u>36,522</u>	<u>1,047,143</u>	<u>6,271,317</u>
3,027,080	-	-	-	-	3,027,080
212,494	-	-	-	70,831	283,325
-	-	-	-	47,960	214,825
-	-	-	-	-	120,000
-	-	-	-	13,077	113,908
-	-	-	-	-	8,838
1,251	40,674	63,980	27,375	90,956	632,398
-	-	318,854	-	595,232	7,778,831
3,843,031	-	-	-	-	3,843,031
165,569	5,441	245,851	40,645	12,805	772,640
35,017	-	-	63,720	-	168,822
<u>4,044,868</u>	<u>46,115</u>	<u>628,685</u>	<u>131,740</u>	<u>712,070</u>	<u>13,318,468</u>
<u>7,284,442</u>	<u>46,115</u>	<u>628,685</u>	<u>131,740</u>	<u>830,861</u>	<u>16,963,698</u>
8,192,706	163,790	780,626	168,262	1,878,004	23,235,015
21,238	6,135	1,671	15,692	4,986	58,330
-	-	4,966	-	-	4,966
<u>21,238</u>	<u>6,135</u>	<u>6,637</u>	<u>15,692</u>	<u>4,986</u>	<u>63,296</u>
9,782	2,334	25,683	6,308	15,812	243,794
6,882	1,414	2,392	5,407	1,539	19,677
-	-	-	-	-	1,349
10,062	-	5,726	-	-	33,964
2,560	5,528	2,527	-	1,799	20,195
-	-	-	133,981	-	133,981
28,752	-	18,860	-	26,682	89,434
20,527	2,362	3,318	7,297	3,301	41,622
160,000	-	72,000	-	-	597,000
<u>238,565</u>	<u>11,638</u>	<u>130,506</u>	<u>152,993</u>	<u>49,133</u>	<u>1,181,016</u>
6,842	787	1,106	2,432	1,100	13,873
3,068,749	-	469,000	-	-	6,191,990
127,819	36,922	10,055	94,437	30,004	351,040
<u>3,203,410</u>	<u>37,709</u>	<u>480,161</u>	<u>96,869</u>	<u>31,104</u>	<u>6,556,903</u>
3,441,975	49,347	610,667	249,862	80,237	7,737,919
<u>38,478</u>	<u>11,115</u>	<u>3,027</u>	<u>28,429</u>	<u>9,032</u>	<u>105,677</u>
816,119	46,115	87,685	131,740	712,070	6,529,478
212,494	-	-	-	70,831	283,325
3,704,878	63,348	85,884	(226,077)	1,010,820	8,641,912
<u>\$ 4,733,491</u>	<u>\$ 109,463</u>	<u>\$ 173,569</u>	<u>\$ (94,337)</u>	<u>\$ 1,793,721</u>	<u>\$ 15,454,715</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, 2018

	Water	Sewer	Electric
OPERATING REVENUES			
Sales	\$ -	\$ -	\$ -
Cost of Sales	-	-	-
Gross Profit	-	-	-
OPERATING REVENUES			
Charges for Services	474,688	655,452	2,199,808
OPERATING EXPENSES			
Professional Services	130,983	145,934	165,005
Wages, Salaries, and Compensation	11,719	14,855	66,875
Repairs and Maintenance	40,976	8,902	31,329
Insurance	4,887	7,246	4,009
Utilities	-	-	4,228
Depreciation	97,576	165,475	32,411
Amortization	1,250	3,125	3,750
Materials and Supplies	105	-	45,525
Miscellaneous Expenses	13,790	18,806	71,764
Purchased Power	-	-	1,449,401
License Fees	1,748	-	-
Total Operating Expenses	303,034	364,343	1,874,297
OPERATING INCOME (LOSS)	171,654	291,109	325,511
NONOPERATING REVENUES (EXPENSES)			
Taxes	-	-	-
Interest Income	5,382	6,950	7,646
Joint Venture Income	-	-	-
Special Assessments	6,133	4,935	-
Intergovernmental Grants	-	-	-
Miscellaneous - Nonoperating	1,249	283	23,167
Interest Expense and Fiscal Charges	(15,436)	(34,883)	-
Total Nonoperating Revenues (Expenses)	(2,672)	(22,715)	30,813
Income (Loss) before Transfers	168,982	268,394	356,324
Transfers In	-	-	-
Transfers Out	(50,000)	(55,000)	(196,673)
CHANGE IN NET POSITION	118,982	213,394	159,651
Net Position - Beginning of Year	2,633,741	4,090,223	1,522,817
NET POSITION - END OF YEAR	\$ 2,752,723	\$ 4,303,617	\$ 1,682,468

See accompanying Notes to Basic Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ -	\$ 630,498	\$ -	\$ -	\$ -	\$ 630,498
-	(498,128)	-	-	-	(498,128)
-	132,370	-	-	-	132,370
1,056,317	-	440,460	172,523	583,772	5,583,020
70,778	-	15,144	18,906	181,585	728,335
239,221	68,874	18,179	205,737	54,602	680,062
11,972	376	1,281	12,837	698	108,371
8,015	7,670	3,658	2,553	1,778	39,816
-	-	-	-	-	4,228
317,991	1,301	38,103	25,160	34,750	712,767
1,875	-	-	-	-	10,000
36,361	1,846	16,260	107,610	996	208,703
187,998	21,132	7,013	16,975	68,075	405,553
-	-	-	-	-	1,449,401
-	-	307,379	-	-	309,127
874,211	101,199	407,017	389,778	342,484	4,656,363
182,106	31,171	33,443	(217,255)	241,288	1,059,027
-	-	-	45,000	-	45,000
7,509	71	421	535	7,239	35,753
376,429	-	-	-	-	376,429
-	-	-	-	-	11,068
2,574	-	-	10,250	41,745	54,569
9,183	1,384	6,457	33,277	2,315	77,315
(125,027)	-	(15,444)	-	-	(190,790)
270,668	1,455	(8,566)	89,062	51,299	409,344
452,774	32,626	24,877	(128,193)	292,587	1,468,371
69,613	-	-	-	-	69,613
(311,350)	-	-	-	(217,676)	(830,699)
211,037	32,626	24,877	(128,193)	74,911	707,285
4,522,454	76,837	148,692	33,856	1,718,810	14,747,430
\$ 4,733,491	\$ 109,463	\$ 173,569	\$ (94,337)	\$ 1,793,721	\$ 15,454,715

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Water	Sewer	Electric
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 474,455	\$ 651,784	\$ 2,224,848
Payments to Suppliers	(176,061)	(172,479)	(1,784,021)
Payments to Employees	(12,935)	(14,886)	(67,533)
Net Cash Provided (Used) by Operating Activities	285,459	464,419	373,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(50,000)	(55,000)	(196,673)
Transfers In	-	-	-
Advance from (to) Component Unit	36,980	30,100	-
Interfund Borrowings	-	20,000	-
Taxes	-	-	-
Other Miscellaneous Receipts	1,249	283	23,167
Intergovernmental Grants	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(11,771)	(4,617)	(173,506)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	(81,000)	(280,000)	-
Interest Paid on Debt	(15,398)	(36,468)	-
Special Assessments	15,608	14,502	-
Acquisition of Capital Assets	(12,001)	(4,417)	(80,009)
Net Cash Provided (Used) by Capital and Related Financing Activities	(92,791)	(306,383)	(80,009)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from Joint Venture	-	-	-
Interest and Dividends Received	5,382	6,950	7,646
Net Cash Provided (Used) by Investing Activities	5,382	6,950	7,646
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	186,279	160,369	127,425
Cash and Cash Equivalents - Beginning of Year	740,784	985,119	974,124
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 927,063</u>	<u>\$ 1,145,488</u>	<u>\$ 1,101,549</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 171,654	\$ 291,109	\$ 325,511
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	97,576	165,475	32,411
(Increase) Decrease in Assets and Deferred Outflows			
Accounts Receivable	(961)	(5,153)	17,208
Inventory	-	-	-
Prepaid Services, Net	1,250	3,125	3,750
Deferred Outflows of Resources - Pension	992	817	4,550
Increase (Decrease) in Liabilities and Deferred Inflows			
Accounts Payable	16,424	8,409	(7,704)
Salaries and Benefits Payable	(54)	(55)	104
Due to Other Governments	4	-	(5,056)
Due to Other Funds	-	-	-
Compensated Absences Payable	(501)	(501)	73
Net Pension Liability	(1,901)	(855)	(7,258)
Deferred Inflows of Resources - Pension	248	563	1,873
Unearned Utility Payments	728	1,485	7,832
Total Adjustments	113,805	173,310	47,783
Net Cash Provided (Used) by Operating Activities	<u>\$ 285,459</u>	<u>\$ 464,419</u>	<u>\$ 373,294</u>

See accompanying Notes to Basic Financial Statements.

Telephone	Municipal Liquor	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 1,034,473	\$ 631,665	\$ 442,778	\$ 452,328	\$ 592,174	\$ 6,504,505
(332,473)	(538,564)	(346,823)	(335,189)	(252,527)	(3,938,137)
(236,547)	(69,375)	(18,709)	(206,200)	(56,016)	(682,201)
465,453	23,726	77,246	(89,061)	283,631	1,884,167
(311,350)	-	-	-	(217,676)	(830,699)
69,613	-	-	-	-	69,613
-	-	-	-	18,920	86,000
-	-	-	-	-	20,000
-	-	-	45,000	-	45,000
9,185	1,384	6,457	33,276	2,315	77,316
2,574	-	-	10,250	41,745	54,569
(229,978)	1,384	6,457	88,526	(154,696)	(478,201)
(155,000)	-	(67,000)	-	-	(583,000)
(123,925)	-	(15,443)	-	-	(191,234)
-	-	-	-	-	30,110
-	(5,830)	(5,106)	-	-	(107,363)
(278,925)	(5,830)	(87,549)	-	-	(851,487)
137,139	-	-	-	-	137,139
7,509	71	421	535	7,235	35,749
144,648	71	421	535	7,235	172,888
101,198	19,351	(3,425)	-	136,170	727,367
936,128	29,065	116,941	-	902,349	4,684,510
\$ 1,037,326	\$ 48,416	\$ 113,516	\$ -	\$ 1,038,519	\$ 5,411,877
\$ 182,106	\$ 31,171	\$ 33,443	\$ (217,255)	\$ 241,288	\$ 1,059,027
317,991	1,301	38,103	25,160	34,750	712,767
(23,783)	1,167	2,318	15,243	(3,013)	3,026
-	(8,569)	-	-	-	(8,569)
1,875	-	-	-	-	10,000
15,202	4,628	1,399	12,228	4,097	43,913
(19,354)	(1,458)	4,080	4,012	550	4,959
1,518	157	93	1,166	274	3,203
2,005	615	(168)	-	55	(2,545)
-	-	-	84,242	-	84,242
1,584	414	221	-	525	1,815
(22,675)	(7,531)	(2,622)	(20,868)	(7,507)	(71,217)
7,045	1,831	379	4,346	1,197	17,482
1,939	-	-	2,665	11,415	26,064
283,347	(7,445)	43,803	128,194	42,343	825,140
\$ 465,453	\$ 23,726	\$ 77,246	\$ (89,061)	\$ 283,631	\$ 1,884,167

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2018**

ASSETS

Cash and Pooled Investments	<u>\$ 173,399</u>
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LIABILITIES

Due to Fire Department	<u>\$ 173,399</u>
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See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

Discretely Presented Component Unit

While part of the reporting entity, a discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The Economic Development Authority of Barnesville (EDA) meets the criteria to be included as a discrete presentation. The EDA was created under the provision of Minnesota Statutes §458C. The EDA is governed by seven commissioners appointed among the residents and business owners of the City. Two of the commissioners must be members of the City Council. The EDA's primary operations include those activities necessary to encourage the promotion and development of the City, which is reported in its General Fund. The EDA has a Debt Service Fund, which has been established for the retirement of its lease revenue bonds. The EDA did not issue separate 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 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 Recreation Special Revenue Fund – The Parks and Recreation 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 Projects Fund – The Capital Projects 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 Fund – The Electric 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

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

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

1. Cash and Investments (Including Cash Equivalents)

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

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

For the purposes of the statement of cash flows of the proprietary fund types, the City considers all cash and investments under the classification current assets 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Prepayments to vendors for services that will benefit future periods are recorded as prepaid services. Expense is allocated over the periods benefitted.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 its 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$101,320 as of December 31, 2018. The City plans to eliminate this deficit through future special assessment revenues and/or transfers. The Ambulance Fund has a deficit fund balance of \$94,337 as of December 31, 2018. The City plans to eliminate this deficit through future taxes and/or transfers.

B. Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following funds:

	Expenditures	Budget	Excess
Park and Recreation Fund	\$ 750,247	\$ 544,791	\$ 205,456

The over expenditures were funded by existing fund balance and were approved by the Council.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

At December 31, 2018, 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, 2018, 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	\$ 1,084,829	41.0 %
United States Treasury	3/31/2019	AA+	269,471	10.2
<u>Negotiable Certificates of Deposit</u>				
Ameris Bank	7/12/2019	NR	247,787	9.4
Capital One Bank, National Association	8/5/2019	A-2	245,800	9.3
Capital One Bank, National Association	12/20/2019	A-2	14,912	0.6
Morgan Stanley Bank, N.A.	12/23/2019	A-2	245,530	9.3
Mercantil Bank, National Association	2/10/2020	NR	98,949	3.7
American Express National Bank	4/13/2020	A-2	243,856	9.2
Capital One National Association CD - Mclean	6/14/2021	NR	97,820	3.7
JPMorgan Change Bank NA Columbus	10/31/2021	NR	100,042	3.8
			<u>\$ 2,648,996</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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ 5,967,015
Investments	2,648,996
Total Cash and Investments	\$ 8,616,011
Governmental Funds	
Cash and Investments	\$ 2,889,637
Enterprise Funds	
Cash and Investments	5,128,552
Restricted Cash and Investments	283,325
Component Unit	141,098
Fiduciary Funds	173,399
Total Cash and Investments	\$ 8,616,011

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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>12/31/2018</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Negotiable Certificates of Deposit	\$ 1,294,696	\$ 1,294,696	\$ -	\$ -
U.S. Treasury	269,471	269,471	-	-
Total Investments by Fair Value Level	<u>1,564,167</u>	<u>\$1,564,167</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
External Investment Pool	50,226			
Money Market Funds	1,034,603			
Total Investments	<u>\$2,648,996</u>			

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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. Nonmarketable 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 2018 is as follows:

Balance, January 1, 2018	\$	2,787,790
Cash Distributions		(137,139)
Net Income		376,429
 Balance, December 31, 2018	 \$	 <u><u>3,027,080</u></u>

Separate 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 563,716	\$ 20,000	\$ -	\$ 583,716
Construction in Progress	536,198	23,743	(559,941)	-
Total Capital Assets Not Being Depreciated	<u>1,099,914</u>	<u>43,743</u>	<u>(559,941)</u>	<u>583,716</u>
Capital Assets Being Depreciated				
Buildings	1,621,994	40,186	-	1,662,180
Infrastructure	5,696,886	-	-	5,696,886
Improvements	1,144,543	813,167	(7,948)	1,949,762
Machinery and Equipment	834,078	257,965	(132,565)	959,478
Vehicles	399,244	-	(61,048)	338,196
Total Capital Assets Being Depreciated	<u>9,696,745</u>	<u>1,111,318</u>	<u>(201,561)</u>	<u>10,606,502</u>
Less: Accumulated Depreciation for				
Buildings	857,275	30,356	-	887,631
Infrastructure	2,998,965	166,225	-	3,165,190
Improvements	225,919	92,586	(530)	317,975
Machinery and Equipment	515,171	86,697	(124,052)	477,816
Vehicles	339,766	21,698	(46,826)	314,638
Total Accumulated Depreciation	<u>4,937,096</u>	<u>397,562</u>	<u>(171,408)</u>	<u>5,163,250</u>
Total Capital Assets Being Depreciated, Net	<u>4,759,649</u>	<u>713,756</u>	<u>(30,153)</u>	<u>5,443,252</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,859,563</u>	<u>\$ 757,499</u>	<u>\$ (590,094)</u>	<u>\$ 6,026,968</u>

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 113,908	\$ -	\$ -	\$ 113,908
Construction in Progress	17,432	8,838	(17,432)	8,838
Total Capital Assets Not Being Depreciated	131,340	8,838	(17,432)	122,746
Capital Assets Being Depreciated				
Buildings	1,357,861	15,418	-	1,373,279
Infrastructure	12,569,929	64,591	-	12,634,520
Improvements	5,088,890	-	-	5,088,890
Machinery and Equipment	2,563,468	35,951	(11,315)	2,588,104
Vehicles	515,802	-	-	515,802
Total Capital Assets Being Depreciated	22,095,950	115,960	(11,315)	22,200,595
Less: Accumulated Depreciation for				
Buildings	718,129	22,752	-	740,881
Infrastructure	4,595,285	260,404	-	4,855,689
Improvements	1,009,235	236,624	-	1,245,859
Machinery and Equipment	1,675,305	151,474	(11,315)	1,815,464
Vehicles	305,467	41,513	-	346,980
Total Accumulated Depreciation	8,303,421	712,767	(11,315)	9,004,873
Total Capital Assets Being Depreciated, Net	13,792,529	(596,807)	-	13,195,722
Business-Type Activities Capital Assets, Net	\$ 13,923,869	\$ (587,969)	\$ (17,432)	\$ 13,318,468

The following is a summary of the component unit capital assets at December 31, 2018:

	Beginning Balance	Additions	Disposals	Ending Balance
COMPONENT UNIT				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ -	\$ 8,838	\$ -	\$ 8,838
Capital Assets Being Depreciated				
Buildings	9,989	-	-	9,989
Less: Accumulated Depreciation for				
Buildings	1,332	999	-	2,331
Total Capital Assets Being Depreciated	8,657	(999)	-	7,658
Component Unit Capital Assets, Net	\$ 8,657	\$ 7,839	\$ -	\$ 16,496

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ 23,051
Public Safety	12,304
Public Works	233,350
Culture and Recreation	128,857
Total Depreciation Expense - Governmental Activities	<u>\$ 397,562</u>
Business-Type Activities:	
Water	\$ 97,576
Sewer	165,475
Electric	32,411
Telephone	317,991
Municipal Liquor	1,301
Cable Television	38,103
Sanitation	2,635
Storm Sewer	32,115
Ambulance	25,160
Total Depreciation Expense - Business-Type Activities	<u>\$ 712,767</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of December 31, 2018 is as follows:

	Transfers In:			Total
	General Fund	Parks and Recreation Fund	Telephone Enterprise Fund	
Transfer Out:				
General Fund	\$ -	\$ 20,000	\$ -	\$ 20,000
Water Enterprise Fund	50,000	-	-	50,000
Sewer Enterprise Fund	55,000	-	-	55,000
Electric Enterprise Fund	196,673	-	-	196,673
Telephone Enterprise Fund	311,350	-	-	311,350
Nonmajor Enterprise Funds	148,063	-	69,613	217,676
Total	<u>\$ 761,086</u>	<u>\$ 20,000</u>	<u>\$ 69,613</u>	<u>\$ 850,699</u>

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

The composition of interfund balances at December 31, 2018, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 110,311
General Fund	Ambulance Fund	133,981
Total		<u>\$ 244,292</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	120,000
Component Unit - EDA	Sewer Fund	74,525
Component Unit - EDA	Water Fund	92,340
Component Unit - EDA	Sanitation Fund	47,960
Total		<u>\$ 344,190</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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 2019	
			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	\$ 280,000	\$ 65,000	\$ 4,893
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	1,020,000	395,000	75,000	13,303
G.O. Improvement and Refunding Bonds Series 2012A, 0.55% to 3.30%, Issued 04/12/12, Final Maturity 02/01/32.	760,000	555,000	35,000	14,270
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	265,000	20,000	8,303
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	1,205,000	55,000	26,765
Total General Obligation Bonds, Including Refunding Bonds	3,930,000	2,700,000	250,000	67,534
Less: Unamortized Discount	-	(3,391)	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	3,930,000	2,696,609	250,000	67,534
Capital Leases	57,564	23,996	4,590	1,096
Total Long-Term Debt - Governmental Activities	3,987,564	2,720,605	254,590	68,630

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2019	
			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	\$ 3,250,000	\$ 160,000	\$ 120,738
Less: Unamortized Discount	-	(21,251)	-	-
Total Revenue Bonds - Net	3,870,000	3,228,749	160,000	120,738
<u>General Obligation Bonds</u>				
G.O. Improvement and Refunding Bonds Series 2012A; 0.65% to 2.70%, Issued 04/12/12; Final Maturity 2/01/26.	740,000	470,000	55,000	10,070
G.O. Improvement and Refunding Bonds Series 2012A; 0.80% to 2.20%, Issued 04/12/12; Final Maturity 2/01/22.	150,000	80,000	20,000	1,380
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	719,000	51,000	7,716
Total General Obligation Bonds	1,939,285	1,269,000	126,000	19,166
Less: Unamortized Discount	-	(3,759)	-	-
Total General Obligation Bonds - Net	1,939,285	1,265,241	126,000	19,166
<u>Revenue Notes</u>				
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	1,754,000	239,000	27,362
<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	541,000	72,000	13,741
Total Long-Term Debt - Business-Type Activities	10,621,925	6,788,990	597,000	181,007
Total Government-Wide Long-Term Liabilities	<u>\$ 14,609,489</u>	<u>\$ 9,509,595</u>	<u>\$ 851,590</u>	<u>\$ 249,637</u>
DISCRETELY PRESENTED COMPONENT UNIT				
<u>Revenue Bonds</u>				
Lease Revenue Bonds of 2009; 2.25%, Issued 09/15/09; Final Maturity 09/15/2022.	\$ 31,500	\$ 270	\$ 270	\$ 182

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2017	Additions	Retirements	December 31, 2018	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Debt, Including					
Refunding Bonds	\$ 2,950,000	\$ -	\$ 250,000	\$ 2,700,000	\$ 250,000
Less: Unamortized Discounts	(3,815)	-	(424)	(3,391)	-
Capital Lease Obligations	18,352	25,213	19,569	23,996	4,590
Compensated Absences Payable	126,096	98,515	90,701	133,910	100,432
Total Governmental Activities	<u>\$ 3,090,633</u>	<u>\$ 123,728</u>	<u>\$ 359,846</u>	<u>\$ 2,854,515</u>	<u>\$ 355,022</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	\$ 3,405,000	\$ -	\$ 155,000	\$ 3,250,000	\$ 160,000
Revenue Notes	1,989,000	-	235,000	1,754,000	239,000
Equipment Certificates	608,000	-	67,000	541,000	72,000
General Obligation Bonds	1,395,000	-	126,000	1,269,000	126,000
Less: Unamortized Discounts	(26,808)	-	(1,798)	(25,010)	-
Compensated Absences Payable	51,015	39,115	34,635	55,495	41,622
Total Business-Type Activities	<u>\$ 7,421,207</u>	<u>\$ 39,115</u>	<u>\$ 615,837</u>	<u>\$ 6,844,485</u>	<u>\$ 638,622</u>
DISCRETELY PRESENTED COMPONENT UNIT					
Revenue Bonds	\$ 3,170	\$ -	\$ 2,900	\$ 270	\$ 270
Special Assessments Payable	1,368,439	-	286,169	1,082,270	-
Compensated Absences Payable	12,049	6,829	5,934	12,944	9,708
Total Discretely Presented Component Unit	<u>\$ 1,383,658</u>	<u>\$ 6,829</u>	<u>\$ 295,003</u>	<u>\$ 1,095,484</u>	<u>\$ 9,978</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
2019	\$ 250,000	\$ 67,534	\$ 317,534	\$ 270	\$ 182	\$ 452
2020	255,000	62,144	317,144	-	-	-
2021	265,000	55,995	320,995	-	-	-
2022	265,000	49,309	314,309	-	-	-
2023	200,000	42,987	242,987	-	-	-
2024 - 2028	620,000	163,079	783,079	-	-	-
2029 - 2033	545,000	79,097	624,097	-	-	-
2034 - 2037	300,000	18,363	318,363	-	-	-
Total	<u>\$ 2,700,000</u>	<u>\$ 538,508</u>	<u>\$ 3,238,508</u>	<u>\$ 270</u>	<u>\$ 182</u>	<u>\$ 452</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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
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	175,000	105,450	280,450	254,000	12,074	266,074
2024 - 2028	970,000	438,125	1,408,125	520,000	12,199	532,199
2029 - 2033	1,175,000	225,640	1,400,640	-	-	-
2034	270,000	12,420	282,420	-	-	-
Total	\$ 3,250,000	\$ 1,243,436	\$ 4,493,436	\$ 1,754,000	\$ 111,102	\$ 1,865,102

Year	G.O. Bonds			G.O. Equipment Certificates		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 126,000	\$ 19,166	\$ 145,166	\$ 72,000	\$ 13,741	\$ 85,741
2020	128,000	17,325	145,325	72,000	11,913	83,913
2021	128,000	15,294	143,294	76,000	10,084	86,084
2022	133,000	13,077	146,077	76,000	8,153	84,153
2023	114,000	10,938	124,938	79,000	6,223	85,223
2024 - 2028	465,000	25,933	490,933	166,000	6,299	172,299
2029 - 2031	175,000	3,767	178,767	-	-	-
Total	\$ 1,269,000	\$ 105,500	\$ 1,374,500	\$ 541,000	\$ 56,413	\$ 597,413

Year	Total Business-Type Activities		
	Principal	Interest	Total
2019	\$ 597,000	\$ 181,007	\$ 778,007
2020	608,000	170,410	778,410
2021	616,000	159,046	775,046
2022	630,000	146,920	776,920
2023	622,000	134,685	756,685
2024 - 2028	2,121,000	482,556	2,603,556
2029 - 2033	1,350,000	229,407	1,579,407
2034	270,000	12,420	282,420
Total	\$ 6,814,000	\$ 1,516,451	\$ 8,330,451

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Capital Leases

During 2018, the City entered into a 60-month lease with Konica Minolta for the purchase of a copier and printer. Annual installments including interest are \$5,686. At December 31, 2018, the City has assets under this capital lease of \$25,213 with related accumulated depreciation of \$2,994.

The future minimum lease payments are as follows:

Capital Leases	
Year	Minimum Payments
2019	\$ 5,686
2020	5,686
2021	5,686
2022	5,686
2023	4,264
Total Minimum Lease Payments	27,008
Less: Amounts Representing Interest	(3,012)
Present Value of Minimum Lease Payments	\$ 23,996

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, 2018.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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.

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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Increase are relate to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given at 1.0% increase. A benefit recipient who has been receiving a benefit for at least 12 full months of as June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. Police and Fire Plan Benefits

Benefits for 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.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio or two consecutive years. If the adjustment is increased to 2.5% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the post-retirement benefit increase will be lowered to 1.0%. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2018. The City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2018, were \$72,474. The City contributions were equal to the required contributions as set by state statute.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 and the City was required to contribute 16.2% of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$58,511. 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, 2018, the City reported a liability of \$804,401 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a nonemployer 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 \$26,429. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was .0145%, which was a decrease of .0007% from its proportionate share measured as of June 30, 2017.

City's Proportionate Share of the Net Pension Liability	\$	804,401
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		26,429
		26,429
Total Proportionate Share of the Net Pension Liability Associated with the City	\$	830,830

For the year ended December 31, 2018, the City recognized pension expense of \$47,943 for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional \$6,163 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2018, the City reported its 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	\$ 21,291	\$ 23,461
Changes in Actuarial Assumptions	76,841	90,383
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	82,197
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	46,115
City Contributions Subsequent to the Measurement Date	35,530	-
Total	<u>\$ 133,662</u>	<u>\$ 242,156</u>

\$35,530 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, 2019. 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
2019	\$ 4,385
2020	(55,634)
2021	(75,986)
2022	(16,789)

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$357,075 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City proportion was .0335%, which was an increase of 0.0005% from its proportionate share measured as of June 30, 2017. The City also recognized \$3,015 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City recognized pension expense of \$37,986 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, 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
Differences Between Expected and Actual		
Economic Experience	\$ 14,392	\$ 87,600
Changes in Actuarial Assumptions	443,934	525,662
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	74,790
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	7,547	11,225
City Contributions Subsequent to the Measurement Date	29,351	-
Total	<u>\$ 495,224</u>	<u>\$ 699,277</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$29,351 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, 2019. 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
2019	\$ (10,897)
2020	(27,477)
2021	(53,988)
2022	(141,375)
2023	333

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2018 was \$95,107.

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, 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 males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund:

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

Police and Fire Fund:

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year thereafter to 1.0% for all years, with no trigger

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 Stocks	36 %	5.1 %
International Stocks	17	5.3
Bonds	20	0.8
Alternative Assets	25	5.9
Cash	2	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 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 and Police and Fire 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease 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	\$ 1,307,254	\$ 804,401	\$ 389,309

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	\$ 765,592	\$ 357,075	\$ 19,249

H. Pension Plan Fiduciary Net Position

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

**CITY OF BARNESVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

NOTE 5 DEFINED CONTRIBUTION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

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 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 2018 contribution to the plan was as follows:

State Aid flowed through City to District	\$	-
Voluntary (Non-Required) Contribution from City		20,000
Total Contribution		\$ 20,000

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 its 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. The prepaid balance as of December 31, 2018 totals \$83,334.

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, 2018, the City paid excess tax increment in the amount of \$158,594.

The City participates in a two-year residential property tax abatement program with the Clay County under Minnesota Statutes, Sections 469.1813 through 469.1816. Under these statutes, the City is able to grant property tax abatements for economic development purposes including general economic development, such as increasing the property tax base or the number of jobs in the area, and providing access to services for residents such as housing. Property owners are eligible if they have new home construction or improvements to existing homes and classified as 1a, 1b, 2a, 4a, 4b, 4bb, and 4d under Minnesota Statutes, Section 273.13. The assessed value attributable to land and new residential structures shall be abated from property taxes, for two taxes payable years, corresponding to the first two years of full value assessment after construction has been completed. The abatement shall not apply to any special assessments that are levied against the property. For the year ended December 31, 2018, the City abated property taxes totaling \$48,652. No other commitments were made by the City as part of these agreements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS**

	Measurement Date June 30, 2018	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	0.0145%	0.0152%	0.0153%	0.0162%
City's Proportionate Share of the Net Pension Liability	\$ 804,401	\$ 970,358	\$ 1,242,284	\$ 839,568
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 26,429	\$ 12,170	\$ 16,225	\$ -
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 830,830	\$ 982,528	\$ 1,258,509	\$ 839,568
City's Covered Payroll	\$ 972,532	\$ 976,694	\$ 951,245	\$ 950,430
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.71%	99.35%	130.60%	88.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.91%	78.20%
PERA - Police and Fire Plan				
City's Proportion of the Net Pension Liability	0.0335%	0.0330%	0.0330%	0.0350%
City's Proportionate Share of the Net Pension Liability	\$ 357,075	\$ 445,539	\$ 1,324,347	\$ 397,682
City's Covered Payroll	\$ 352,668	\$ 338,298	\$ 322,142	\$ 320,101
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	101.25%	131.70%	411.11%	124.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.80%	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
LAST TEN FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA - General Employees Plan					
Contractually Required Contribution	\$ 72,474	\$ 70,677	\$ 72,123	\$ 73,020	\$ 68,395
Contributions in Relation to the Contractually Required Contribution	<u>(72,474)</u>	<u>(70,677)</u>	<u>(72,123)</u>	<u>(73,020)</u>	<u>(68,395)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 966,320	\$ 942,360	\$ 961,636	\$ 973,605	\$ 943,183
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.25%
PERA - Police and Fire Plan					
Contractually Required Contribution	\$ 58,511	\$ 54,145	\$ 52,873	\$ 54,333	\$ 47,791
Contributions in Relation to the Contractually Required Contribution	<u>(58,511)</u>	<u>(54,145)</u>	<u>(52,873)</u>	<u>(54,333)</u>	<u>(47,791)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 361,179	\$ 334,231	\$ 326,375	\$ 335,388	\$ 301,363
Contributions as a Percentage of Covered Payroll	16.20%	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, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 328,800	\$ 339,348	\$ 10,548
Special Assessments	5,000	5,383	383
Licenses and Permits	21,300	48,964	27,664
Intergovernmental	848,145	885,614	37,469
Charges for Services	900	988	88
Fines and Forfeits	6,650	8,205	1,555
Interest Income	11,000	26,641	15,641
Miscellaneous	38,500	153,296	114,796
Total Revenues	1,260,295	1,468,439	208,144
EXPENDITURES			
Current			
General Government	695,286	712,400	17,114
Public Safety	679,322	681,509	2,187
Public Works	349,337	233,959	(115,378)
Airport	25	2	(23)
Economic Development	199,118	220,470	21,352
Capital Outlay			
General Government	-	24,100	24,100
Public Works	220,000	215,998	(4,002)
Debt service			
Principal	-	19,569	19,569
Interest and Other Charges	-	1,948	1,948
Total Expenditures	2,143,088	2,109,955	(33,133)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(882,793)	(641,516)	241,277
OTHER FINANCING SOURCES (USES)			
Transfers In	761,086	761,086	-
Transfers Out	(20,000)	(20,000)	-
Capital Lease Proceeds	-	25,213	25,213
Proceeds From Sale of Capital Assets	15,000	11,000	(4,000)
Total Other Financing Sources and (Uses)	756,086	777,299	21,213
NET CHANGE IN FUND BALANCE	<u>\$ (126,707)</u>	135,783	<u>\$ 262,490</u>
Fund Balance - Beginning of Year		1,649,148	
FUND BALANCE - END OF YEAR		<u>\$ 1,784,931</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, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 337,941	\$ 337,941	\$ -
Licenses and Permits	700	1,449	749
Intergovernmental	-	26,703	26,703
Charges for Services	185,850	217,028	31,178
Gifts and Contributions	-	110,322	110,322
Interest on Investments	-	3,043	3,043
Miscellaneous	20,300	15,739	(4,561)
Total Revenues	<u>544,791</u>	<u>712,225</u>	<u>167,434</u>
EXPENDITURES			
Current			
Parks and Recreation	474,791	455,322	(19,469)
Capital Outlay			
Parks and Recreation	70,000	294,925	224,925
Total Expenditures	<u>544,791</u>	<u>750,247</u>	<u>205,456</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(38,022)	(38,022)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	20,000	20,000
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(18,022)</u>	<u>\$ (18,022)</u>
Fund Balance - Beginning of Year		<u>481,074</u>	
FUND BALANCE - END OF YEAR		<u>\$ 463,052</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, 2018

I. BUDGETARY INFORMATION

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

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

II. DEFINED BENEFIT PENSION PLAN – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2018:

General Employees Fund:

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

Police and Fire Fund:

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year thereafter to 1.0% for all years, with no trigger.

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SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 3,104	\$ 50,982	\$ 62,228	\$ 116,314
Accounts Receivable	-	3,298	-	3,298
Taxes Receivable	-	-	27	27
Notes Receivable	-	23,908	-	23,908
Total Assets	<u>\$ 3,104</u>	<u>\$ 78,188</u>	<u>\$ 62,255</u>	<u>\$ 143,547</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Loans Receivable	\$ -	\$ 23,908	\$ -	\$ 23,908
Fund Balances				
Restricted for DARE Program	3,104	-	-	3,104
Restricted for Economic Development	-	-	62,255	62,255
Restricted for Small Cities Grant	-	54,280	-	54,280
Total Fund Balances	<u>3,104</u>	<u>54,280</u>	<u>62,255</u>	<u>119,639</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,104</u>	<u>\$ 78,188</u>	<u>\$ 62,255</u>	<u>\$ 143,547</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
REVENUES				
Tax Increments	\$ -	\$ -	\$ 174,070	\$ 174,070
Intergovernmental	-	91,982	-	91,982
Gifts and Contributions	2,260	-	-	2,260
Interest Income	16	261	17	294
Miscellaneous	-	4,241	-	4,241
Total Revenues	2,276	96,484	174,087	272,847
EXPENDITURES				
Current				
General Government	-	98,760	-	98,760
Public Safety	2,180	-	-	2,180
Economic Development	-	-	158,594	158,594
Total Expenditures	2,180	98,760	158,594	259,534
NET CHANGE IN FUND BALANCES	96	(2,276)	15,493	13,313
Fund Balances - Beginning of Year	3,008	56,556	46,762	106,326
FUND BALANCES - END OF YEAR	\$ 3,104	\$ 54,280	\$ 62,255	\$ 119,639

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2018**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 157,842	\$ 391,112	\$ 418,734	\$ 967,688
Accounts Receivable - Net	38,423	4,681	36,351	79,455
Total Current Assets	196,265	395,793	455,085	1,047,143
Noncurrent Assets				
Restricted Cash	-	-	70,831	70,831
Advance to Component Unit	47,960	-	-	47,960
Capital Assets				
Land	-	13,077	-	13,077
Buildings (Net)	90,956	-	-	90,956
Infrastructure (Net)	-	595,232	-	595,232
Machinery and Equipment (Net)	-	12,805	-	12,805
Net Capital Assets	90,956	621,114	-	712,070
Total Noncurrent	138,916	621,114	70,831	830,861
Total Assets	335,181	1,016,907	525,916	1,878,004
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	2,620	-	2,366	4,986
LIABILITIES				
Current Liabilities				
Accounts Payable	15,795	-	17	15,812
Salaries and Benefits Payable	1,036	-	503	1,539
Due to Other Governments	1,799	-	-	1,799
Unearned Revenue	-	-	26,682	26,682
Compensated Absences - Due Within One Year	1,873	-	1,428	3,301
Total Current Liabilities	20,503	-	28,630	49,133
Noncurrent Liabilities				
Compensated Absences - Due in More than One Year	624	-	476	1,100
Net Pension Liability	15,766	-	14,238	30,004
Total Noncurrent Liabilities	16,390	-	14,714	31,104
Total Liabilities	36,893	-	43,344	80,237
DEFERRED INFLOWS OF RESOURCES				
Pension Related	4,746	-	4,286	9,032
NET POSITION				
Net Investment in Capital Assets	90,956	621,114	-	712,070
Restricted for Debt Service	-	-	70,831	70,831
Unrestricted	205,206	395,793	409,821	1,010,820
Total Net Position	\$ 296,162	\$ 1,016,907	\$ 480,652	\$ 1,793,721

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES				
Charges for Services	\$ 224,798	\$ 38,937	\$ 320,037	\$ 583,772
OPERATING EXPENSES				
Professional Services	181,585	-	-	181,585
Wages, Salaries, and Compensation	28,674	-	25,928	54,602
Repairs and Maintenance	698	-	-	698
Insurance	1,778	-	-	1,778
Depreciation	2,635	32,115	-	34,750
Materials and Supplies	996	-	-	996
Miscellaneous Expenses	21,476	186	46,413	68,075
Total Operating Expenses	<u>237,842</u>	<u>32,301</u>	<u>72,341</u>	<u>342,484</u>
OPERATING INCOME (LOSS)	(13,044)	6,636	247,696	241,288
NONOPERATING REVENUES (EXPENSES)				
Interest Income	626	2,964	3,649	7,239
Intergovernmental Grants	41,745	-	-	41,745
Miscellaneous - Nonoperating	-	-	2,315	2,315
Total Nonoperating Revenues (Expenses)	<u>42,371</u>	<u>2,964</u>	<u>5,964</u>	<u>51,299</u>
Income before Transfers and Contributions	29,327	9,600	253,660	292,587
Transfers Out	<u>(18,000)</u>	<u>(7,500)</u>	<u>(192,176)</u>	<u>(217,676)</u>
CHANGE IN NET POSITION	11,327	2,100	61,484	74,911
Net Position - Beginning of Year	<u>284,835</u>	<u>1,014,807</u>	<u>419,168</u>	<u>1,718,810</u>
NET POSITION - END OF YEAR	<u>\$ 296,162</u>	<u>\$ 1,016,907</u>	<u>\$ 480,652</u>	<u>\$ 1,793,721</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 224,035	\$ 38,782	\$ 329,357	\$ 592,174
Payments to Suppliers	(205,911)	(186)	(46,430)	(252,527)
Payments to Employees	(29,720)	-	(26,296)	(56,016)
Net Cash Provided (Used) by Operating Activities	(11,596)	38,596	256,631	283,631
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
FINANCING ACTIVITIES				
Transfers to Other Funds	(18,000)	(7,500)	(192,176)	(217,676)
Advance from Component Unit	18,920	-	-	18,920
Other Miscellaneous Receipts	-	-	2,315	2,315
Grant Receipts	41,745	-	-	41,745
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	42,665	(7,500)	(189,861)	(154,696)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	624	2,962	3,649	7,235
NET INCREASE IN CASH AND CASH EQUIVALENTS	31,693	34,058	70,419	136,170
Cash and Cash Equivalents - Beginning of Year	126,149	357,054	419,146	902,349
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 157,842	\$ 391,112	\$ 489,565	\$ 1,038,519
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (13,044)	\$ 6,636	\$ 247,696	\$ 241,288
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	2,635	32,115	-	34,750
(Increase) Decrease in Assets and Deferred Outflows				
Accounts Receivable	(763)	(155)	(2,095)	(3,013)
Deferred Outflows of Resources	2,204	-	1,893	4,097
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	567	-	(17)	550
Salaries and Benefits Payable	(61)	-	335	274
Due to Other Governments	55	-	-	55
Compensated Absences Payable	382	-	143	525
Net Pension Liability	(4,156)	-	(3,351)	(7,507)
Unearned Revenue	-	-	11,415	11,415
Deferred Inflows of Resources	585	-	612	1,197
Total Adjustments	1,448	31,960	8,935	42,343
Net Cash Provided (Used) by Operating Activities	\$ (11,596)	\$ 38,596	\$ 256,631	\$ 283,631

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OTHER COMBINING SCHEDULES

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND – BY BOND ISSUE
 DECEMBER 31, 2018**

	<u>Series 2004A Refunding Bonds</u>	<u>G.O. Taxable Bonds</u>	<u>G.O. 2005 Bond Refinance</u>	<u>G.O. 2006 Bonds (Refunded by 2012A)</u>
ASSETS				
Cash and Investments	\$ 104,485	\$ 99,388	\$ 159,887	\$ 146,342
Taxes Receivable				
Current	-	-	-	85
Special Assessments Receivable				
Delinquent	-	813	1,462	-
Noncurrent	66,540	2,948	67,052	588,943
Total Assets	<u>\$ 171,025</u>	<u>\$ 103,149</u>	<u>\$ 228,401</u>	<u>\$ 735,370</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Taxes	\$ -	\$ -	\$ -	\$ -
Unavailable Special Assessments	66,540	2,948	67,218	588,943
Total Deferred Inflows of Resources	<u>66,540</u>	<u>2,948</u>	<u>67,218</u>	<u>588,943</u>
Fund Balances				
Restricted	<u>104,485</u>	<u>100,201</u>	<u>161,183</u>	<u>146,427</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 171,025</u>	<u>\$ 103,149</u>	<u>\$ 228,401</u>	<u>\$ 735,370</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds (Refunded by 2012A)	G.O. 2013A Improvement Bonds	G.O. 2016A Improvement Bonds	Total Debt Service Fund
\$ 14,554	\$ 102,893	\$ 4,049	\$ (4,343)	\$ 627,255
492	2,148	123	-	2,848
2,892	2,180	-	-	7,347
<u>146,464</u>	<u>179,923</u>	<u>288,081</u>	<u>1,171,125</u>	<u>2,511,076</u>
<u>\$ 164,402</u>	<u>\$ 287,144</u>	<u>\$ 292,253</u>	<u>\$ 1,166,782</u>	<u>\$ 3,148,526</u>

\$ -	\$ 1,640	\$ -	\$ -	\$ 1,640
149,356	181,677	288,081	1,171,125	2,515,888
<u>149,356</u>	<u>183,317</u>	<u>288,081</u>	<u>1,171,125</u>	<u>2,517,528</u>
<u>15,046</u>	<u>103,827</u>	<u>4,172</u>	<u>(4,343)</u>	<u>630,998</u>
<u>\$ 164,402</u>	<u>\$ 287,144</u>	<u>\$ 292,253</u>	<u>\$ 1,166,782</u>	<u>\$ 3,148,526</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, 2018

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 85
Special Assessments	17,948	3,143	13,647	50,114
Interest Income	834	813	831	743
Total Revenues	18,782	3,956	14,478	50,942
EXPENDITURES				
Debt Service				
Principal	-	-	-	70,000
Interest and Other Charges	475	-	-	5,903
Total Expenditures	475	-	-	75,903
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18,307	3,956	14,478	(24,961)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	25,000
Transfers Out	(35,000)	(15,000)	(30,000)	-
Total Other Financing Sources (Uses)	(35,000)	(15,000)	(30,000)	25,000
NET CHANGE IN FUND BALANCES	(16,693)	(11,044)	(15,522)	39
Fund Balances - Beginning of Year	121,178	111,245	176,705	146,388
FUND BALANCES - END OF YEAR	<u>\$ 104,485</u>	<u>\$ 100,201</u>	<u>\$ 161,183</u>	<u>\$ 146,427</u>

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds (Refunded by 2012A)	G.O. 2013A Improvement Bonds	G.O. 2016A Improvement Bonds	Internal Eliminations	Total Debt Service Fund
\$ 20,399	\$ 31,364	\$ 15,053	\$ -	\$ -	\$ 66,901
36,768	16,648	8,021	8,692	-	154,981
1,071	412	5	-	-	4,709
58,238	48,424	23,079	8,692	-	226,591
70,000	35,000	20,000	55,000	-	250,000
15,625	14,795	8,703	27,792	-	73,293
85,625	49,795	28,703	82,792	-	323,293
(27,387)	(1,371)	(5,624)	(74,100)	-	(96,702)
10,000	-	6,000	39,000	(80,000)	-
-	-	-	-	80,000	-
10,000	-	6,000	39,000	-	-
(17,387)	(1,371)	376	(35,100)	-	(96,702)
32,433	105,198	3,796	30,757	-	727,700
<u>\$ 15,046</u>	<u>\$ 103,827</u>	<u>\$ 4,172</u>	<u>\$ (4,343)</u>	<u>\$ -</u>	<u>\$ 630,998</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND – BY PROJECT
 DECEMBER 31, 2018**

	Commercial Park Extension	Del Acres Gilbertson Second Addition	Total Capital Projects Fund
ASSETS			
Cash and Investments	\$ -	\$ 8,991	\$ 8,991
Special Assessments - Noncurrent	91,235	-	91,235
Total Assets	<u>\$ 91,235</u>	<u>\$ 8,991</u>	<u>\$ 100,226</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS			
Liabilities			
Due to Other Funds	\$ 110,311	\$ -	\$ 110,311
Deferred Inflows of Resources			
Unavailable Special Assessments	91,235	-	91,235
Fund Balances (Deficits)			
Restricted	-	8,991	8,991
Unassigned	(110,311)	-	(110,311)
Total Fund Balances (Deficits)	<u>(110,311)</u>	<u>8,991</u>	<u>(101,320)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 91,235</u>	<u>\$ 8,991</u>	<u>\$ 100,226</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 CAPITAL PROJECTS FUND – BY PROJECT
 YEAR ENDED DECEMBER 31, 2018**

	<u>Commercial Park Extension</u>	<u>Del Acres Gilbertson Second Addition</u>	<u>Total Capital Projects Fund</u>
REVENUES			
Interest Income	\$ -	\$ 545	\$ 545
Miscellaneous	-	1,070	1,070
Total Revenues	-	1,615	1,615
NET CHANGE IN FUND BALANCES	-	1,615	1,615
Fund Balances (Deficit) - Beginning of Year	<u>(110,311)</u>	<u>7,376</u>	<u>(102,935)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u><u>\$ (110,311)</u></u>	<u><u>\$ 8,991</u></u>	<u><u>\$ (101,320)</u></u>

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OTHER REPORTS SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Barnesville (City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2019.

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 2018-001 through 2018-003 that we consider to be material weaknesses.

Compliance and Other Matters

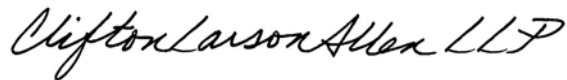
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's Responses to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
March 25, 2019

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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, 2018 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 March 25, 2019.

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 2018-004. 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, insofar as they relate to accounting matters.

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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
March 25, 2019

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**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2018-001

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, has physical access to the related assets, and has 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 rights, 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 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, 2018**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2018-002

MATERIAL AUDIT ADJUSTMENTS

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

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

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

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

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, 2018**

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2018-003

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 the City does not have an internal control policy in place over the annual financial reporting and that it does 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 its 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, 2018**

MINNESOTA LEGAL COMPLIANCE:

2018-004

TAX INCREMENT FINANCING DISTRICT MODIFICATIONS

Criteria: Minnesota Statutes §471.345 sub 4 requires the City notify the County auditor of any tax increment financing district modifications.

Condition/Context: The City decertified parcels within tax increment financing district 1-7 and the County auditor was not notified of the modification.

Cause: The City was unaware of the legislation.

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

Recommendation: We recommend City personnel notify the County of all tax increment financing plan modifications and designate one person responsible at the City for ensuring this is done timely.

Management Response: Management agrees and has notified the County of changes in 2019.