

**CITY OF BARNESVILLE, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2019**





**CITY OF BARNESVILLE, MINNESOTA  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2019**

<b>INTRODUCTORY SECTION</b>	
<b>PRINCIPAL CITY OFFICIALS</b>	<b>1</b>
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>17</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>18</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>20</b>
<b>RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE             GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL             ACTIVITIES</b>	<b>21</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES             – GOVERNMENTAL FUNDS</b>	<b>22</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND             CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE             GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES</b>	<b>23</b>
<b>STATEMENT OF NET POSITION – PROPRIETARY FUNDS</b>	<b>24</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –             PROPRIETARY FUNDS</b>	<b>26</b>
<b>STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS</b>	<b>28</b>
<b>STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUND</b>	<b>30</b>
<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUND</b>	<b>30</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>31</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&amp;A</b>	
<b>SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET         PENSION LIABILITY</b>	<b>67</b>
<b>SCHEDULE OF CITY PENSION CONTRIBUTIONS</b>	<b>68</b>
<b>BUDGETARY COMPARISON SCHEDULE – GENERAL FUND</b>	<b>69</b>
<b>BUDGETARY COMPARISON SCHEDULE – PARKS AND RECREATION         SPECIAL REVENUE FUND</b>	<b>70</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN     MD&amp;A</b>	<b>71</b>

**CITY OF BARNESVILLE, MINNESOTA  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL SECTION (CONTINUED)**

**SUPPLEMENTARY INFORMATION**

<b>COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>76</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS</b>	<b>77</b>
<b>COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS</b>	<b>78</b>
<b>COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – NONMAJOR PROPRIETARY FUNDS</b>	<b>79</b>
<b>COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS</b>	<b>80</b>
<b>OTHER COMBINING SCHEDULES</b>	
<b>COMBINING BALANCE SHEET – DEBT SERVICE FUND – BY BOND ISSUE</b>	<b>81</b>
<b>COMBINING STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – DEBT SERVICE FUND – BY BOND ISSUE</b>	<b>83</b>
<b>COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT</b>	<b>85</b>
<b>COMBINING STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – CAPITAL PROJECTS FUND – BY PROJECT</b>	<b>86</b>

**OTHER REPORTS SECTION**

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>87</b>
<b>INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>89</b>
<b>SCHEDULE OF FINDINGS AND RECOMMENDATIONS</b>	<b>90</b>



## **INTRODUCTORY SECTION**





**CITY OF BARNESVILLE, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
DECEMBER 31, 2019**

<b>ELECTED</b>	<b>NAME</b>	<b>TERM EXPIRES</b>
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

This Page Has Been Intentionally Left Blank.

## **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, 2019, 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, 2019, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

During the year ended December 31, 2019, the City adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the City restated fiduciary net position as described in Note 9 to the financial statements. Our auditors' opinion was not modified with respect to the restatement.

### ***Emphasis of a Matter Regarding Correction of an Error***

As described in Note 9 to the financial statements, beginning net position of the discretely presented component unit was restated to account for an overstatement of a special assessment payable account in prior years. Our auditors' opinion was not modified with respect to the restatement.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***


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

Honorable Mayor and  
Members of the City Council  
City of Barnesville

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2020, 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.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 23, 2020

This Page Has Been Intentionally Left Blank.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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, 2019. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information. Certain comparative information between the current year (2019) and the prior year (2018) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2019 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 \$24,112,165 (net position). Of this amount, \$10,408,903 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$923,652 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$3,022,041, an increase of \$124,741, or 4.3% in comparison to the prior year. Approximately 22.96% of this amount, or \$693,741, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$656,482, or 28.26% 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.

This Page Has Been Intentionally Left Blank.

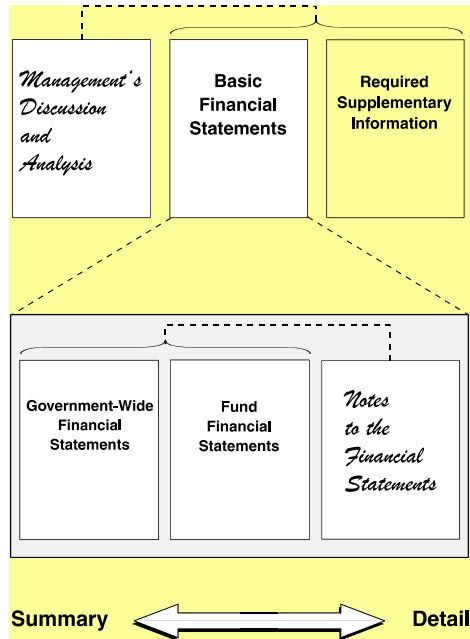
**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**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**



This Page Has Been Intentionally Left Blank.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

<b>Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements</b>				
<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: water, sewer, telephone, municipal liquor as examples.	Instances in which the City is the trustee or agent for someone else's resources.
Required financial statements	Statement of net 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, 2019**

**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, 2019**

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

**Net Position**

The City's net position was \$24,112,165 on December 31, 2019 (see Table A-1).

Table A-1  
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 5,747,857	\$ 5,654,656	\$ 10,349,723	\$ 9,782,566	\$ 16,097,580	\$ 15,437,222
Capital Assets	5,930,058	6,026,968	12,911,942	13,318,468	18,842,000	19,345,436
Total Assets	11,677,915	11,681,624	23,261,665	23,101,034	34,939,580	34,782,658
Deferred Outflows of Resources	416,712	559,663	28,192	63,296	444,904	622,959
Current Liabilities	500,949	447,099	1,121,046	1,047,035	1,621,995	1,494,134
Long-Term Liabilities	3,001,897	3,244,370	5,907,416	6,556,903	8,909,313	9,801,273
Total Liabilities	3,502,846	3,691,469	7,028,462	7,603,938	10,531,308	11,295,407
Deferred Inflows of Resources	661,332	816,020	79,679	105,677	741,011	921,697
Net Position						
Net Investment in Capital Assets	3,472,713	3,315,354	6,667,622	6,529,478	10,140,335	9,844,832
Restricted	3,279,602	3,262,897	283,325	283,325	3,562,927	3,546,222
Unrestricted	1,178,134	1,155,547	9,230,769	8,641,912	10,408,903	9,797,459
Total Net Position	\$ 7,930,449	\$ 7,733,798	\$ 16,181,716	\$ 15,454,715	\$ 24,112,165	\$ 23,188,513

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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

**Changes in Net Position**

The City-wide total revenues were \$9,936,555 for the year ended December 31, 2019. Property taxes and intergovernmental revenues accounted for 25.6% of total revenue for the year, while user charges accounted for 67.8% of total revenue (see Table A-2).

Table A-2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
<u>Program Revenues</u>						
Charges for Services	\$ 297,668	\$ 278,724	\$ 6,434,582	\$ 6,213,518	\$ 6,732,250	\$ 6,492,242
Operating Grants and Contributions	460,709	253,892	62,049	54,569	522,758	308,461
Capital Grants and Contributions	263,793	78,477	123,641	11,068	387,434	89,545
<u>General Revenues</u>						
Property Taxes	760,288	745,624	63,420	45,000	823,708	790,624
Tax Increments	171,054	174,070	-	-	171,054	174,070
Unrestricted State Aid	805,025	825,311	-	-	805,025	825,311
Investment Earnings	66,490	39,473	83,010	35,753	149,500	75,226
Other	95,114	166,227	249,712	453,744	344,826	619,971
Total Revenues	<u>2,920,141</u>	<u>2,561,798</u>	<u>7,016,414</u>	<u>6,813,652</u>	<u>9,936,555</u>	<u>9,375,450</u>
<b>EXPENSES</b>						
General Government	1,102,191	782,104	-	-	1,102,191	782,104
Public Safety	800,295	676,915	-	-	800,295	676,915
Public Works	649,359	549,163	-	-	649,359	549,163
Culture and Recreation	558,239	566,199	-	-	558,239	566,199
Economic Development	323,801	329,742	-	-	323,801	329,742
Interest	67,929	73,794	-	-	67,929	73,794
Water	-	-	369,595	318,470	369,595	318,470
Sewer	-	-	394,433	399,226	394,433	399,226
Electric	-	-	2,041,970	1,874,297	2,041,970	1,874,297
Telephone	-	-	993,850	999,238	993,850	999,238
Municipal Liquor	-	-	629,395	599,327	629,395	599,327
Cable Television	-	-	400,727	422,461	400,727	422,461
Sanitation	-	-	242,184	237,842	242,184	237,842
Storm Sewer	-	-	32,115	32,301	32,115	32,301
Ambulance	-	-	320,568	389,778	320,568	389,778
Broadband Internet	-	-	86,252	72,341	86,252	72,341
Total Expenses	<u>3,501,814</u>	<u>2,977,917</u>	<u>5,511,089</u>	<u>5,345,281</u>	<u>9,012,903</u>	<u>8,323,198</u>
Transfers	<u>778,324</u>	<u>761,086</u>	<u>(778,324)</u>	<u>(761,086)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	196,651	344,967	727,001	707,285	923,652	1,052,252
Net Position - Beginning 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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 7,930,449</u>	<u>\$ 7,733,798</u>	<u>\$ 16,181,716</u>	<u>\$ 15,454,715</u>	<u>\$ 24,112,165</u>	<u>\$ 23,188,513</u>

Total revenues surpassed expenses, increasing City-wide net position by \$923,652 as compared to an increase of \$1,052,252 in 2018. The increase in net position for 2019 is primarily due to the business-type activities revenues exceeding expenses.

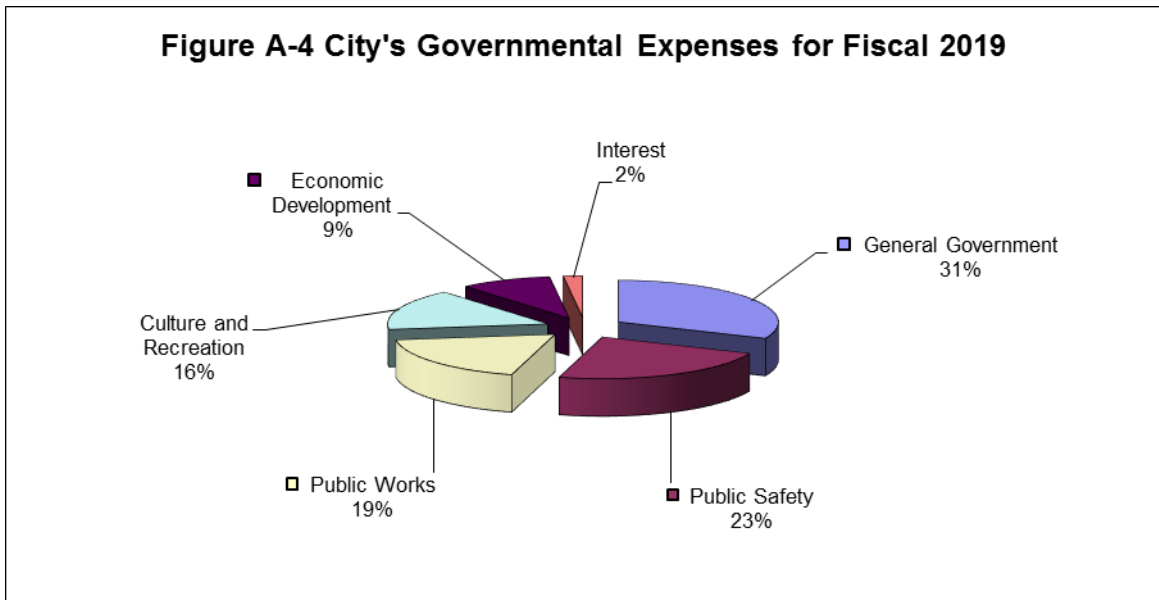
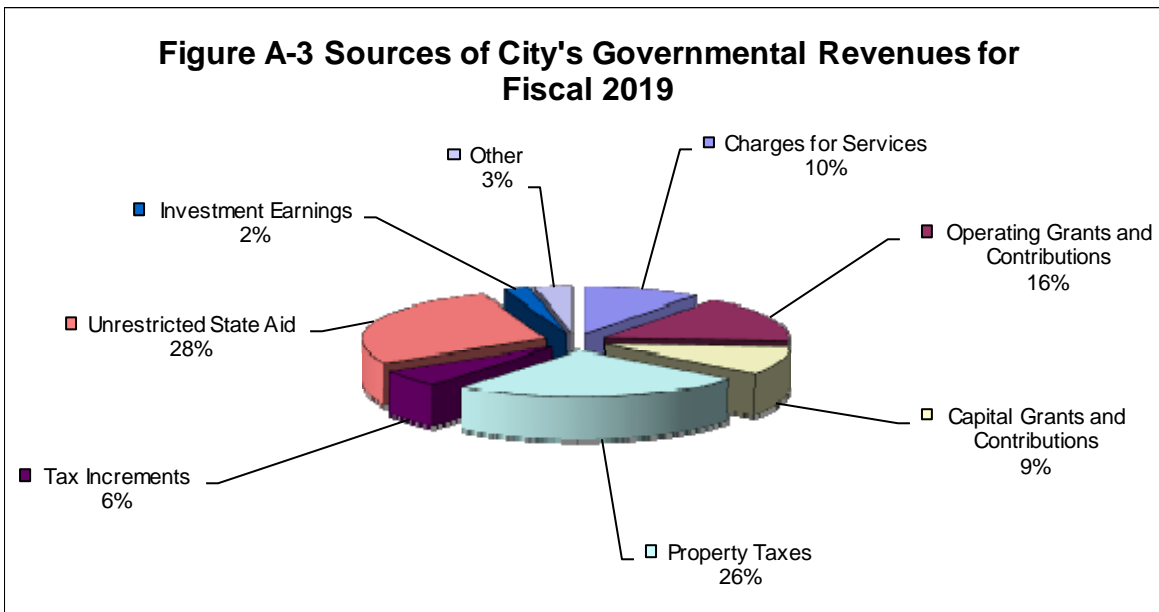
**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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

**Changes in Net Position (Continued)**

The City-wide cost of all governmental activities this year was \$3,501,814.

- Some of the cost was paid by the users of the City's programs (\$724,502).
- Federal and state government payments (\$460,709) subsidized certain programs.
- Ad valorem property taxes (\$760,288) and unrestricted state grants (\$805,025) also helped fund the net costs of governmental services.
- Transfers from the City's business-type operations also subsidize governmental operations (\$778,324).



This Page Has Been Intentionally Left Blank.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**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	
	2019	2018	2019	2018
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 1,102,191	\$ 782,104	\$ (654,916)	\$ (632,483)
Public Safety	800,295	676,915	(644,400)	(608,464)
Public Works	649,359	549,163	(438,338)	(511,644)
Culture and Recreation	558,239	566,199	(350,260)	(210,697)
Economic Development	323,801	329,742	(323,801)	(329,742)
Interest	67,929	73,794	(67,929)	(73,794)
Total	<u>\$ 3,501,814</u>	<u>\$ 2,977,917</u>	<u>\$ (2,479,644)</u>	<u>\$ (2,366,824)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water	\$ 369,595	\$ 318,470	\$ 173,524	\$ 162,351
Sewer	394,433	399,226	345,498	261,161
Electric	2,041,970	1,874,297	247,983	325,511
Telephone	993,850	999,238	59,986	59,653
Municipal Liquor	629,395	599,327	48,387	31,171
Cable Television	400,727	422,461	19,788	17,999
Sanitation	242,184	237,842	41,307	28,701
Storm Sewer	32,115	32,301	8,689	6,636
Ambulance	320,568	389,778	(84,756)	(207,005)
Broadband Internet	86,252	72,341	248,777	247,696
Total	<u>\$ 5,511,089</u>	<u>\$ 5,345,281</u>	<u>\$ 1,109,183</u>	<u>\$ 933,874</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 \$3,022,041.

Revenues for the City's governmental funds were \$3,001,438, while total expenditures were \$3,706,021. Expenditures in excess of revenues were covered by a budgeted transfer from the enterprise funds.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**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, 2019	December 31, 2018	Increase (Decrease)
Taxes	\$ 344,396	\$ 339,348	\$ 5,048
Special Assessments	10,792	5,383	5,409
Licenses and Permits	51,549	48,964	2,585
Intergovernmental	950,630	885,614	65,016
Charges for Services	16,423	988	15,435
Fines and Forfeits	20,381	8,205	12,176
Interest	36,068	26,641	9,427
Miscellaneous and Other	57,869	153,296	(95,427)
Total General Fund Revenues	<u>\$ 1,488,108</u>	<u>\$ 1,468,439</u>	<u>\$ 19,669</u>

Total General Fund revenue increased by \$19,669, or 1.3%, from the previous year. The primary reason for the increase is an increase in intergovernmental revenues due to receiving fire state aid in 2019.

The following schedule presents a summary of General Fund Expenditures:

Table A-5  
General Fund Expenditures

	Year Ended		Change
	December 31, 2019	December 31, 2018	Increase (Decrease)
General Government	\$ 729,614	\$ 712,400	\$ 17,214
Public Safety	777,338	681,509	95,829
Public Works	311,052	233,959	77,093
Airport	-	2	(2)
Economic Development	196,763	220,470	(23,707)
Capital Outlay	302,380	240,098	62,282
Debt Service	5,686	21,517	(15,831)
Total Expenditures	<u>\$ 2,322,833</u>	<u>\$ 2,109,955</u>	<u>\$ 212,878</u>

The General Fund's expenditures increased \$212,878 from 2018. The increase is due largely to the payment to the fire relief association for state aid received.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**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 \$211,231 more than budget. This is primarily due to an increase in intergovernmental revenues related to fire state aid.
- The actual expenditures were \$185,035 more than budget. This is primarily due to public safety expenditures coming in over budget by \$92,114 due to the payment to the fire relief associate for state aid received.

**Parks and Recreation Fund**

The Parks and Recreation Fund had an increase in fund balance of \$66,245. Revenues exceeded budget during 2019 by \$19,676 as a result of reimbursements that were not budgeted. Expenditures were under budget by \$46,569 during 2019.

**Debt Service Fund**

The Debt Service Fund's fund balance increased \$44,708 as a result of special assessment and taxes revenues collected in excess of debt payments.

**Other Governmental Funds**

The Other Governmental Fund's fund balance increased \$15,816 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 \$185,841 and \$360,848, respectively, for the year ended December 31, 2019, as compared to \$168,982 and \$268,394, respectively for 2018.

**Liquor and Cable Television Funds**

The operations of the Municipal Liquor and Cable Television Funds reported net income (before transfers to other funds) of \$50,570 and \$28,841, respectively, for the year ended December 31, 2019, as compared to \$32,626 and \$24,877, respectively, for 2018.

**Electric Fund**

The Electric Fund reported net income (before transfers to other funds) of \$272,860 for the year ended December 31, 2019 compared to \$356,324 in 2018.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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

**Business-Type Funds (Continued)**

**Telephone Fund**

The Telephone Fund reported sales of \$1,052,365 compared to \$1,056,317 in 2018. Net income (before transfers to other funds) of \$262,784 as compared to \$452,774 in the prior year.

**Ambulance Fund**

The Ambulance Fund reported net income (loss) (before transfers to other funds) of \$26,193 for the year ended December 31, 2019, as compared to (\$128,193) for 2018. The increase was due to an increase in the property tax levy, an increase in charges for service revenues and decrease in operating expense related to radios purchased in 2018 that did not recur in 2019.

**CAPITAL ASSETS**

By the end of 2019, the City had invested \$18,842,000 (net of accumulated depreciation) in a broad range of capital assets, including buildings, computers, improvements, equipment, and infrastructure (see Table A-6).

Table A-6  
The City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 583,716	\$ 583,716	\$ 113,908	\$ 113,908	\$ 697,624	\$ 697,624
Construction-in-Progress	-	-	54,788	8,838	54,788	8,838
Buildings	1,680,180	1,662,180	1,416,952	1,373,279	3,097,132	3,035,459
Infrastructure	5,816,224	5,696,886	12,737,706	12,634,520	18,553,930	18,331,406
Improvements	1,983,564	1,949,762	5,088,890	5,088,890	7,072,454	7,038,652
Machinery and Equipment	978,455	959,478	2,602,529	2,588,104	3,580,984	3,547,582
Vehicles	450,061	338,196	621,155	515,802	1,071,216	853,998
Less: Accumulated Depreciation	(5,562,142)	(5,163,250)	(9,723,986)	(9,004,873)	(15,286,128)	(14,168,123)
Total	<u>\$ 5,930,058</u>	<u>\$ 6,026,968</u>	<u>\$ 12,911,942</u>	<u>\$ 13,318,468</u>	<u>\$ 18,842,000</u>	<u>\$ 19,345,436</u>

Total depreciation expense for the year was \$1,146,797 (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, 2019**

**LONG-TERM LIABILITIES**

At year-end, the City had \$8,660,227 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt decreased \$849,368 due primarily to schedule principal payments.

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

	2019	2018
<b>GOVERNMENTAL ACTIVITIES</b>		
General Obligation Bonds	\$ 2,450,000	\$ 2,700,000
Capital Leases Payable	19,406	23,996
Less: Bond Discounts	(2,967)	(3,391)
Total Governmental Activities	2,466,439	2,720,605
<b>BUSINESS-TYPE ACTIVITIES</b>		
Revenue Bonds	3,090,000	3,250,000
Direct Borrowing - Revenue Notes	2,183,000	2,473,000
General Obligation Bonds	475,000	550,000
Equipment Certificates	469,000	541,000
Less: Bond Discounts	(23,212)	(25,010)
Total Business-Type Activities	6,193,788	6,788,990
Total City-Wide Long-Term Liabilities	\$ 8,660,227	\$ 9,509,595

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.

This Page Has Been Intentionally Left Blank.

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Investments	\$ 3,040,053	\$ 5,530,194	\$ 8,570,247	\$ 192,484
Taxes Receivable				
Current	27,727	-	27,727	-
Special Assessments Receivable				
Delinquent	7,647	4,162	11,809	-
Noncurrent	2,562,408	404,475	2,966,883	-
Accounts Receivable - Net	24,114	665,009	689,123	-
Accrued Interest Receivable	5,452	-	5,452	-
Notes Receivable	42,691	-	42,691	-
Due from Other Governments	252	-	252	-
Internal Balances	34,019	(34,019)	-	-
Inventories	1,200	88,636	89,836	-
Prepaid Services	-	73,334	73,334	-
Land Held for Resale	-	-	-	1,001,590
Advances to Component Unit	2,294	311,637	313,931	-
Advances to Primary Government	-	-	-	4,854
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	3,022,970	3,022,970	-
Capital Assets not Being Depreciated				
Land	583,716	113,908	697,624	-
Construction-in-Progress	-	54,788	54,788	-
Capital Assets Being Depreciated				
Buildings	759,369	650,883	1,410,252	6,659
Infrastructure	2,494,266	7,618,752	10,113,018	113,157
Improvements	1,554,339	3,606,409	5,160,748	-
Machinery and Equipment	433,684	643,511	1,077,195	-
Vehicles	104,684	223,691	328,375	-
Total Assets	11,677,915	23,261,665	34,939,580	1,318,744
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	416,712	23,936	440,648	5,165
Amount on Refunding	-	4,256	4,256	-
Total Deferred Outflows of Resources	416,712	28,192	444,904	5,165
<b>LIABILITIES</b>				
Accounts Payable	46,085	321,093	367,178	22,009
Salaries and Benefits Payable	50,329	28,364	78,693	5,497
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	27,101	30,831	57,932	-
Due to Other Governments	-	15,717	15,717	-
Advances from Primary Government	-	-	-	313,931
Advances from Component Unit	4,854	-	4,854	-
Unearned Utility Payments	-	72,235	72,235	-
Notes Payable - Due Within One Year	-	-	-	83,182
Bonds Payable - Due Within One Year	255,000	608,000	863,000	-
Capital Leases Payable - Due Within One Year	4,825	-	4,825	-
Compensated Absences Payable - Due Within One Year	112,755	43,457	156,212	10,379
Special Assessments Payable - Due in More Than One Year	-	-	-	525,483
Bonds Payable - Due in More Than One Year	2,192,033	5,585,788	7,777,821	-
Capital Leases Payable - Due in More Than One Year	14,581	-	14,581	-
Compensated Absences Payable - Due in More Than One Year	37,585	14,486	52,071	3,460
Net Pension Liability	757,698	307,142	1,064,840	66,277
Total Liabilities	3,502,846	7,028,462	10,531,308	1,030,218
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	661,332	79,679	741,011	17,191
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,472,713	6,667,622	10,140,335	36,634
Restricted for				
Debt Service	3,101,456	283,325	3,384,781	-
Public Safety	2,459	-	2,459	-
Economic Development	175,687	-	175,687	-
Unrestricted	1,178,134	9,230,769	10,408,903	239,866
Total Net Position	\$ 7,930,449	\$ 16,181,716	\$ 24,112,165	\$ 276,500

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 1,102,191	\$ 65,530	\$ 381,745	\$ -
Public Safety	800,295	8,297	59,398	88,200
Public Works	649,359	15,872	19,556	175,593
Culture and Recreation	558,239	207,969	10	-
Economic Development	323,801	-	-	-
Interest	67,929	-	-	-
Total Governmental Activities	3,501,814	297,668	460,709	263,793
Business-Type Activities				
Water	369,595	479,261	-	63,858
Sewer	394,433	680,148	-	59,783
Electric	2,041,970	2,289,953	-	-
Telephone	993,850	1,052,365	1,471	-
Municipal Liquor	629,395	677,782	-	-
Cable Television	400,727	420,515	-	-
Sanitation	242,184	234,163	49,328	-
Storm Sewer	32,115	40,804	-	-
Ambulance	320,568	224,562	11,250	-
Broadband Internet	86,252	335,029	-	-
Total Business-Type Activities	5,511,089	6,434,582	62,049	123,641
Total Primary Government	\$ 9,012,903	\$ 6,732,250	\$ 522,758	\$ 387,434
Component Unit				
EDA	\$ 332,865	\$ 42,215	\$ 15,644	\$ -

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

**CHANGE IN NET POSITION**

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

**NET POSITION - END OF YEAR**

See accompanying Notes to Basic Financial Statements.



Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (654,916)	\$ -	\$ (654,916)	\$ -
(644,400)	-	(644,400)	-
(438,338)	-	(438,338)	-
(350,260)	-	(350,260)	-
(323,801)	-	(323,801)	-
(67,929)	-	(67,929)	-
(2,479,644)	-	(2,479,644)	-
-	173,524	173,524	-
-	345,498	345,498	-
-	247,983	247,983	-
-	59,986	59,986	-
-	48,387	48,387	-
-	19,788	19,788	-
-	41,307	41,307	-
-	8,689	8,689	-
-	(84,756)	(84,756)	-
-	248,777	248,777	-
-	1,109,183	1,109,183	-
(2,479,644)	1,109,183	(1,370,461)	-
-	-	-	(275,006)
760,288	63,420	823,708	-
171,054	-	171,054	-
805,025	-	805,025	167,749
66,490	83,010	149,500	1,105
78,822	249,712	328,534	145,792
16,292	-	16,292	-
778,324	(778,324)	-	-
2,676,295	(382,182)	2,294,113	314,646
196,651	727,001	923,652	39,640
7,733,798	15,454,715	23,188,513	166,807
-	-	-	70,053
7,733,798	15,454,715	23,188,513	236,860
\$ 7,930,449	\$ 16,181,716	\$ 24,112,165	\$ 276,500

This Page Has Been Intentionally Left Blank.

## **FUND FINANCIAL STATEMENTS**



**CITY OF BARNESVILLE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Investments	\$ 1,684,246	\$ 536,901	\$ 674,024	\$ 9,094	\$ 135,788	\$ 3,040,053
Taxes Receivable						
Current	24,959	-	2,741	-	27	27,727
Special Assessments Receivable						
Delinquent	4,400	-	3,247	-	-	7,647
Noncurrent	44,470	-	2,430,510	87,428	-	2,562,408
Accounts Receivable	16,967	7,147	-	-	-	24,114
Due from Other Governments	-	252	-	-	-	252
Accrued Interest Receivable	5,452	-	-	-	-	5,452
Notes Receivable	-	-	-	-	42,691	42,691
Inventory	-	1,200	-	-	-	1,200
Advance to Component Unit	2,294	-	-	-	-	2,294
Due from Other Funds	241,060	-	-	-	-	241,060
<b>Total Assets</b>	<b>\$ 2,023,848</b>	<b>\$ 545,500</b>	<b>\$ 3,110,522</b>	<b>\$ 96,522</b>	<b>\$ 178,506</b>	<b>\$ 5,954,898</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 34,881	\$ 10,844	\$ -	\$ -	\$ 360	\$ 46,085
Salaries and Benefits Payable	44,970	5,359	-	-	-	50,329
Due to Other Funds	-	-	-	107,041	-	107,041
Advance from Other Funds	100,000	-	-	-	-	100,000
Advance from Component Unit	4,854	-	-	-	-	4,854
<b>Total Liabilities</b>	<b>184,705</b>	<b>16,203</b>	<b>-</b>	<b>107,041</b>	<b>360</b>	<b>308,309</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Taxes	14,808	-	1,533	-	-	16,341
Unavailable Special Assessments	44,805	-	2,433,283	87,428	-	2,565,516
Unavailable Loans Receivable	-	-	-	-	42,691	42,691
<b>Total Deferred Inflows of Resources</b>	<b>59,613</b>	<b>-</b>	<b>2,434,816</b>	<b>87,428</b>	<b>42,691</b>	<b>2,624,548</b>
<b>Fund Balances (Deficit)</b>						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Advances	2,294	-	-	-	-	2,294
Restricted for Capital Projects	-	-	-	9,094	-	9,094
Restricted for Economic Development	-	-	-	-	79,968	79,968
Restricted for Debt Repayment	-	-	693,741	-	-	693,741
Restricted for Small Cities Grant	-	-	-	-	53,028	53,028
Restricted for DARE Program	-	-	-	-	2,459	2,459
Committed for Capital Outlay	50,000	6,141	-	-	-	56,141
Committed for Community Projects	1,067,198	-	-	-	-	1,067,198
Committed for Park Operations	-	521,956	-	-	-	521,956
Assigned for Joint Powers	3,556	-	-	-	-	3,556
Unassigned	656,482	-	(18,035)	(107,041)	-	531,406
<b>Total Fund Balances (Deficit)</b>	<b>1,779,530</b>	<b>529,297</b>	<b>675,706</b>	<b>(97,947)</b>	<b>135,455</b>	<b>3,022,041</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</b>	<b>\$ 2,023,848</b>	<b>\$ 545,500</b>	<b>\$ 3,110,522</b>	<b>\$ 96,522</b>	<b>\$ 178,506</b>	<b>\$ 5,954,898</b>

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, 2019**

<b>FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 3,022,041</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		5,930,058
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.		2,624,548
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	\$ (757,698)	
Deferred Inflows of Resources - Pension Related	(661,332)	
Deferred Outflows of Resources - Pension Related	416,712	(1,002,318)
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	(2,447,033)	
Capital Lease Obligations	(19,406)	
Accrued Compensated Absences	(150,340)	
Accrued Interest Payable on General Obligation Bonds	(27,101)	(2,643,880)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 7,930,449</u></u></b>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 344,396	\$ 345,533	\$ 71,453	\$ -	\$ -	\$ 761,382
Tax Increments	-	-	-	-	171,054	171,054
Special Assessments	10,792	-	268,094	3,270	-	282,156
Licenses and Permits	51,549	1,200	-	-	-	52,749
Intergovernmental	950,630	-	-	-	381,745	1,332,375
Charges for Services	16,423	206,769	-	-	-	223,192
Fines and Forfeits	20,381	-	-	-	-	20,381
Gifts and Contributions	-	10	-	-	2,030	2,040
Interest Income	36,068	6,168	6,525	103	652	49,516
Miscellaneous	57,869	5,731	17,120	-	25,873	106,593
<b>Total Revenues</b>	<b>1,488,108</b>	<b>565,411</b>	<b>363,192</b>	<b>3,373</b>	<b>581,354</b>	<b>3,001,438</b>
<b>EXPENDITURES</b>						
Current						
General Government	729,614	-	-	-	409,486	1,139,100
Public Safety	777,338	-	-	-	2,705	780,043
Public Works	311,052	-	-	-	-	311,052
Parks and Recreation	-	408,676	-	-	-	408,676
Economic Development	196,763	-	-	-	153,347	350,110
Capital Outlay						
General Government	25,844	-	-	-	-	25,844
Public Safety	32,829	-	-	-	-	32,829
Public Works	243,707	-	-	-	-	243,707
Parks and Recreation	-	90,490	-	-	-	90,490
Debt Service						
Principal	4,590	-	250,000	-	-	254,590
Interest and Other Charges	1,096	-	68,484	-	-	69,580
<b>Total Expenditures</b>	<b>2,322,833</b>	<b>499,166</b>	<b>318,484</b>	<b>-</b>	<b>565,538</b>	<b>3,706,021</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(834,725)</b>	<b>66,245</b>	<b>44,708</b>	<b>3,373</b>	<b>15,816</b>	<b>(704,583)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	778,324	-	-	-	-	778,324
Proceeds from Sale of Capital Assets	51,000	-	-	-	-	51,000
<b>Total Other Financing Sources (Uses)</b>	<b>829,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>829,324</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,401)</b>	<b>66,245</b>	<b>44,708</b>	<b>3,373</b>	<b>15,816</b>	<b>124,741</b>
Fund Balance (Deficit) - Beginning of Year	1,784,931	463,052	630,998	(101,320)	119,639	2,897,300
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<b>\$ 1,779,530</b>	<b>\$ 529,297</b>	<b>\$ 675,706</b>	<b>\$ (97,947)</b>	<b>\$ 135,455</b>	<b>\$ 3,022,041</b>

See accompanying Notes to Basic Financial Statements.

This Page Has Been Intentionally Left Blank.



**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, 2019**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 124,741

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	\$ 372,482	
Current Year Depreciation	(427,684)	
Net Book Value of Asset Disposals	<u>(41,708)</u>	(96,910)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (69,907)

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. (1,084)

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>4,590</u>	254,590

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	2,075	
Amortization of Discounts	(424)	
Change in Compensated Absences	<u>(16,430)</u>	<u>(14,779)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 196,651

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	Water	Sewer	Electric	Telephone	Municipal Liquor
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 934,857	\$ 1,210,724	\$ 1,126,835	\$ 927,918	\$ 76,744
Accounts Receivable - Net	55,812	81,363	320,318	39,460	6,540
Special Assessments Receivable					
Delinquent	2,211	1,951	-	-	-
Noncurrent	208,406	196,069	-	-	-
Inventories	-	-	-	-	88,636
Prepaid Services	9,167	22,917	27,500	13,750	-
Total Current Assets	<u>1,210,453</u>	<u>1,513,024</u>	<u>1,474,653</u>	<u>981,128</u>	<u>171,920</u>
Noncurrent Assets					
Investment in Joint Venture	-	-	-	3,022,970	-
Restricted Cash	-	-	-	212,494	-
Advance to Component Unit	140,633	133,340	-	-	-
Advances to Other Funds	-	100,000	-	-	-
Capital Assets					
Land	-	100,831	-	-	-
Construction in Progress	54,788	-	-	-	-
Buildings (Net)	320,522	2,105	78,332	33,777	39,762
Infrastructure (Net)	1,901,409	4,596,478	244,561	-	-
Improvements (Net)	-	-	-	3,606,409	-
Machinery and Equipment (Net)	88,252	33,944	135,665	107,672	4,275
Vehicles (Net)	-	57,920	89,550	25,245	-
Total Capital Assets	<u>2,364,971</u>	<u>4,791,278</u>	<u>548,108</u>	<u>3,773,103</u>	<u>44,037</u>
Total Noncurrent Assets	<u>2,505,604</u>	<u>5,024,618</u>	<u>548,108</u>	<u>7,008,567</u>	<u>44,037</u>
Total Assets	<u>3,716,057</u>	<u>6,537,642</u>	<u>2,022,761</u>	<u>7,989,695</u>	<u>215,957</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related	720	720	2,833	9,616	2,627
Amount on Refunding	-	-	-	-	-
Total Deferred Outflows of Resources	<u>720</u>	<u>720</u>	<u>2,833</u>	<u>9,616</u>	<u>2,627</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	56,084	4,391	218,648	16,188	3,888
Salaries and Benefits Payable	463	271	1,731	10,187	1,637
Deposits Payable	-	-	1,349	-	-
Accrued Interest Payable	5,478	10,594	-	9,795	-
Due to Other Governments	263	-	3,019	2,496	5,643
Due to Other Funds	-	-	-	-	-
Unearned Utility Payments	148	575	2,378	28,265	-
Compensated Absences - Due Within One Year	321	321	3,553	19,487	3,700
Bonds Payable - Due Within One Year	82,000	289,000	-	165,000	-
Total Current Liabilities	<u>144,757</u>	<u>305,152</u>	<u>230,678</u>	<u>251,418</u>	<u>14,868</u>
Noncurrent Liabilities					
Compensated Absences Payable - Due in More than One Year	107	107	1,184	6,496	1,233
Bonds Payable - Due in More than One Year	671,711	1,612,000	-	2,905,077	-
Net Pension Liability	9,241	9,241	36,357	123,387	33,706
Total Noncurrent Liabilities	<u>681,059</u>	<u>1,621,348</u>	<u>37,541</u>	<u>3,034,960</u>	<u>34,939</u>
Total Liabilities	<u>825,816</u>	<u>1,926,500</u>	<u>268,219</u>	<u>3,286,378</u>	<u>49,807</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related	2,397	2,397	9,432	32,009	8,744
<b>NET POSITION</b>					
Net Investment in Capital Assets	1,556,472	2,890,278	548,108	703,026	44,037
Restricted for Debt Service	-	-	-	212,494	-
Unrestricted	1,332,092	1,719,187	1,199,835	3,765,404	115,996
Total Net Position	<u>\$ 2,888,564</u>	<u>\$ 4,609,465</u>	<u>\$ 1,747,943</u>	<u>\$ 4,680,924</u>	<u>\$ 160,033</u>

See accompanying Notes to Basic Financial Statements.

	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$	85,163	\$ -	\$ 1,167,953	\$ 5,530,194
	36,816	41,862	82,838	665,009
	-	-	-	4,162
	-	-	-	404,475
	-	-	-	88,636
	-	-	-	73,334
	<u>121,979</u>	<u>41,862</u>	<u>1,250,791</u>	<u>6,765,810</u>
	-	-	-	3,022,970
	-	-	70,831	283,325
	-	-	37,664	311,637
	-	-	-	100,000
	-	-	13,077	113,908
	-	-	-	54,788
	62,030	26,031	88,324	650,883
	312,675	-	563,629	7,618,752
	-	-	-	3,606,409
	217,928	43,482	12,293	643,511
	-	50,976	-	223,691
	<u>592,633</u>	<u>120,489</u>	<u>677,323</u>	<u>12,911,942</u>
	<u>592,633</u>	<u>120,489</u>	<u>785,818</u>	<u>16,629,874</u>
	714,612	162,351	2,036,609	23,395,684
	797	4,734	1,889	23,936
	4,256	-	-	4,256
	<u>5,053</u>	<u>4,734</u>	<u>1,889</u>	<u>28,192</u>
	1,121	4,509	16,264	321,093
	3,328	8,872	1,875	28,364
	-	-	-	1,349
	4,964	-	-	30,831
	2,444	-	1,852	15,717
	-	134,019	-	134,019
	18,860	-	22,009	72,235
	3,495	8,492	4,088	43,457
	72,000	-	-	608,000
	<u>106,212</u>	<u>155,892</u>	<u>46,088</u>	<u>1,255,065</u>
	1,165	2,831	1,363	14,486
	397,000	-	-	5,585,788
	10,225	60,747	24,238	307,142
	<u>408,390</u>	<u>63,578</u>	<u>25,601</u>	<u>5,907,416</u>
	514,602	219,470	71,689	7,162,481
	<u>2,653</u>	<u>15,759</u>	<u>6,288</u>	<u>79,679</u>
	127,889	120,489	677,323	6,667,622
	-	-	70,831	283,325
	74,521	(188,633)	1,212,367	9,230,769
\$	<u>202,410</u>	<u>\$ (68,144)</u>	<u>\$ 1,960,521</u>	<u>\$ 16,181,716</u>

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Water	Sewer	Electric	Telephone	Municipal Liquor
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ -	\$ -	\$ 677,782
Cost of Sales	-	-	-	-	(521,426)
Gross Profit	-	-	-	-	156,356
<b>OPERATING REVENUES</b>					
Charges for Services	479,261	680,148	2,289,953	1,052,365	-
<b>OPERATING EXPENSES</b>					
Professional Services	133,788	138,342	301,119	101,713	-
Wages, Salaries, and Compensation	21,403	20,123	73,066	247,567	65,864
Repairs and Maintenance	64,427	19,166	55,963	11,613	517
Insurance	4,302	6,097	4,137	4,132	7,123
Utilities	-	-	3,978	25	-
Depreciation	99,280	166,138	50,477	304,665	2,078
Amortization	1,250	3,125	3,750	1,875	-
Materials and Supplies	18,546	-	82,613	29,750	2,448
Miscellaneous Expenses	10,834	10,815	68,093	170,236	29,939
Purchased Power	-	-	1,398,774	-	-
License Fees	1,498	-	-	-	-
Total Operating Expenses	355,328	363,806	2,041,970	871,576	107,969
<b>OPERATING INCOME (LOSS)</b>	123,933	316,342	247,983	180,789	48,387
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Taxes	-	-	-	-	-
Interest Income	12,158	15,063	17,071	17,389	370
Joint Venture Income	-	-	-	180,966	-
Special Assessments	63,858	59,783	-	-	-
Intergovernmental Grants	-	-	-	1,471	-
Miscellaneous - Nonoperating	159	287	7,806	4,443	1,813
Interest Expense and Fiscal Charges	(14,267)	(30,627)	-	(122,274)	-
Total Nonoperating Revenues (Expenses)	61,908	44,506	24,877	81,995	2,183
Income before Transfers	185,841	360,848	272,860	262,784	50,570
Transfers Out	(50,000)	(55,000)	(207,385)	(315,351)	-
<b>CHANGE IN NET POSITION</b>	135,841	305,848	65,475	(52,567)	50,570
Net Position - Beginning of Year	2,752,723	4,303,617	1,682,468	4,733,491	109,463
<b>NET POSITION - END OF YEAR</b>	\$ 2,888,564	\$ 4,609,465	\$ 1,747,943	\$ 4,680,924	\$ 160,033

See accompanying Notes to Basic Financial Statements.

Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ -	\$ -	\$ -	\$ 677,782
-	-	-	(521,426)
-	-	-	156,356
420,515	224,562	609,996	5,756,800
15,388	15,870	192,995	899,215
21,202	183,152	43,944	676,321
3,595	12,223	18,365	185,869
5,745	2,261	1,576	35,373
-	548	-	4,551
36,052	25,676	34,747	719,113
-	-	-	10,000
2,118	29,542	993	166,010
6,204	51,296	67,931	415,348
-	-	-	1,398,774
296,734	-	-	298,232
<u>387,038</u>	<u>320,568</u>	<u>360,551</u>	<u>4,808,806</u>
33,477	(96,006)	249,445	1,104,350
-	63,420	-	63,420
1,028	1,316	18,615	83,010
-	-	-	180,966
-	-	-	123,641
-	11,250	49,328	62,049
8,025	46,213	-	68,746
(13,689)	-	-	(180,857)
<u>(4,636)</u>	<u>122,199</u>	<u>67,943</u>	<u>400,975</u>
28,841	26,193	317,388	1,505,325
-	-	(150,588)	(778,324)
28,841	26,193	166,800	727,001
<u>173,569</u>	<u>(94,337)</u>	<u>1,793,721</u>	<u>15,454,715</u>
<u>\$ 202,410</u>	<u>\$ (68,144)</u>	<u>\$ 1,960,521</u>	<u>\$ 16,181,716</u>

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Water	Sewer	Electric	Telephone	Municipal Liquor
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 478,298	\$ 679,132	\$ 2,256,551	\$ 1,080,225	\$ 678,479
Payments to Suppliers	(193,176)	(178,438)	(1,860,129)	(311,127)	(586,398)
Payments to Employees	(18,274)	(18,180)	(72,545)	(244,927)	(65,936)
Net Cash Provided (Used) by Operating Activities	266,848	482,514	323,877	524,171	26,145
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers Out	(50,000)	(55,000)	(207,385)	(315,351)	-
Advance from (to) Component Unit	(48,293)	(58,815)	-	-	-
Interfund Borrowings	-	20,000	-	-	-
Taxes	-	-	-	-	-
Other Miscellaneous Receipts	157	287	7,806	4,445	1,813
Intergovernmental Grants	-	-	-	1,471	-
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(98,136)	(93,528)	(199,579)	(309,435)	1,813
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal Paid on Debt	(81,000)	(284,000)	-	(160,000)	-
Interest Paid on Debt	(14,276)	(32,252)	-	(121,213)	-
Special Assessments	25,228	23,588	-	-	-
Acquisition of Capital Assets	(103,028)	(46,149)	(116,083)	(32,902)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(173,076)	(338,813)	(116,083)	(314,115)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Receipts from Joint Venture	-	-	-	185,076	-
Interest and Dividends Received	12,158	15,063	17,071	17,389	370
Net Cash Provided (Used) by Investing Activities	12,158	15,063	17,071	202,465	370
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	7,794	65,236	25,286	103,086	28,328
Cash and Cash Equivalents - Beginning of Year	927,063	1,145,488	1,101,549	1,037,326	48,416
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 934,857</b>	<b>\$ 1,210,724</b>	<b>\$ 1,126,835</b>	<b>\$ 1,140,412</b>	<b>\$ 76,744</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 123,933	\$ 316,342	\$ 247,983	\$ 180,789	\$ 48,387
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	99,280	166,138	50,477	304,665	2,078
(Increase) Decrease in Assets and Deferred Outflows					
Accounts Receivable	(383)	(106)	(22,853)	28,347	697
Inventory	-	-	-	-	(26,614)
Prepaid Services, Net	1,250	3,125	3,750	1,875	-
Deferred Outflows of Resources - Pension	443	617	3,275	11,622	3,508
Increase (Decrease) in Liabilities and Deferred Inflows					
Accounts Payable	40,230	(4,018)	59,036	6,406	1,554
Salaries and Benefits Payable	120	121	181	3,305	223
Due to Other Governments	(11)	-	(4,488)	(64)	115
Due to Other Funds	-	-	-	-	-
Compensated Absences Payable	33	33	(896)	(1,386)	1,784
Net Pension Liability	2,243	1,197	(404)	(4,432)	(3,216)
Deferred Inflows of Resources - Pension	290	(25)	(1,635)	(6,469)	(2,371)
Unearned Utility Payments	(580)	(910)	(10,549)	(487)	-
Total Adjustments	142,915	166,172	75,894	343,382	(22,242)
Net Cash Provided (Used) by Operating Activities	<u>\$ 266,848</u>	<u>\$ 482,514</u>	<u>\$ 323,877</u>	<u>\$ 524,171</u>	<u>\$ 26,145</u>

See accompanying Notes to Basic Financial Statements.

	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$	422,124	\$ 440,814	\$ 601,940	\$ 6,637,563
	(354,429)	(335,093)	(281,355)	(4,100,145)
	(19,360)	(213,495)	(47,971)	(700,688)
	48,335	(107,774)	272,614	1,836,730
	-	-	(150,588)	(778,324)
	-	-	10,296	(96,812)
	-	-	-	20,000
	-	63,420	-	63,420
	8,025	46,213	-	68,746
	-	11,250	49,328	62,049
	8,025	120,883	(90,964)	(660,921)
	(72,000)	-	-	(597,000)
	(13,741)	-	-	(181,482)
	-	-	-	48,816
	-	(14,425)	-	(312,587)
	(85,741)	(14,425)	-	(1,042,253)
	-	-	-	185,076
	1,028	1,316	18,615	83,010
	1,028	1,316	18,615	268,086
	(28,353)	-	200,265	401,642
	113,516	-	1,038,519	5,411,877
\$	85,163	\$ -	\$ 1,238,784	\$ 5,813,519
\$	33,477	\$ (96,006)	\$ 249,445	\$ 1,104,350
	36,052	25,676	34,747	719,113
	1,609	(5,340)	(3,383)	(1,412)
	-	-	-	(26,614)
	-	-	-	10,000
	874	10,958	3,097	34,394
	(24,562)	(1,799)	452	77,299
	936	3,465	336	8,687
	(83)	-	53	(4,478)
	-	38	-	38
	236	-	1,050	854
	170	(33,690)	(5,766)	(43,898)
	(374)	(12,670)	(2,744)	(25,998)
	-	1,594	(4,673)	(15,605)
	14,858	(11,768)	23,169	732,380
\$	48,335	\$ (107,774)	\$ 272,614	\$ 1,836,730

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUND  
DECEMBER 31, 2019**

	Custodial Fund
<b>ASSETS</b>	
Cash and Investments	\$ 163,990
<b>LIABILITIES</b>	
Accounts Payable	1,938
<b>NET POSITION</b>	
Restricted for Fire Department	\$ 162,052

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Custodial Fund
<b>ADDITIONS</b>	
Charges for Services	\$ 77,500
Investment Income	551
Miscellaneous Revenue	26,518
Total Additions	104,569
<b>DEDUCTIONS</b>	
Payments to Other Entities	115,120
Total Deductions	115,120
<b>NET DECREASE IN NET POSITION</b>	(10,551)
Net Position - Beginning of Year	-
Change in Accounting Principle	172,603
Net Position - Beginning of Year, As Restated	172,603
<b>NET POSITION - END OF YEAR</b>	\$ 162,052

See accompanying Notes to Basic Financial Statements.



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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 accounting principles generally accepted in the United States of America (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, 2019**

**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, 2019**

**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, 2019**

**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 Custodial 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, 2019**

**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 benefited.

**7. Land Held for Resale**

Land held for 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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

A. Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$97,947 as of December 31, 2019. The City plans to eliminate this deficit through future special assessment revenues and/or transfers. The Ambulance Fund has a deficit fund balance of \$68,144 as of December 31, 2019. 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
General Fund	\$ 2,322,833	\$ 2,137,798	\$ 185,035

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, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

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

At December 31, 2019, 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, 2019, 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	\$ 330,059	19.8 %
United States Treasury	7/31/2020	AA+	251,990	15.1
Federated Government Obligation	1/1/2020	AAA	10,900	0.7
<u>Negotiable Certificates of Deposit</u>				
Amerant Bank	2/10/2020	NR	100,019	6.0
American Express National Bank	4/3/2020	A-	247,133	14.8
Ixonia Bank	8/13/2020	NA	247,454	14.8
Transportation Alliance Bank	10/19/2020	NA	52,311	3.1
Sallie Mae Bank	4/5/2021	BBB-	227,318	13.6
Capital One National Association CD - Mclean	6/14/2021	NR	100,742	6.0
JPMorgan Change Bank NA Columbus	11/15/2022	NR	100,086	6.0
			<u>\$ 1,668,012</u>	

NR = Not Rated

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

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

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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	\$ 7,542,034
Investments	1,668,012
Total Cash and Investments	\$ 9,210,046
Governmental Funds	
Cash and Investments	\$ 3,040,053
Enterprise Funds	
Cash and Investments	5,530,194
Restricted Cash and Investments	283,325
Component Unit	192,484
Custodial Funds	163,990
Total Cash and Investments	\$ 9,210,046

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, 2019**

**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:

	12/31/2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
Negotiable Certificates of Deposit	\$ 1,075,063	\$ 1,075,063	\$ -	\$ -
U.S. Treasury	251,990	251,990	-	-
Federated Government Obligation	10,900	10,900	-	-
Total Investments by Fair Value Level	1,337,953	<u>\$1,337,953</u>	<u>\$ -</u>	<u>\$ -</u>

**Investments Measured at Amortized Cost**

External Investment Pool	56,702
Money Market Funds	273,357
Total Investments	<u>\$ 1,668,012</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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 2019 is as follows:

Balance, January 1, 2019	\$	3,027,080
Cash Distributions		(185,076)
Net Income		<u>180,966</u>
 Balance, December 31, 2019	 \$	 <u><u>3,022,970</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, 2019**

**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, 2019, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 583,716	\$ -	\$ -	\$ 583,716
Capital Assets Being Depreciated				
Buildings	1,662,180	18,000	-	1,680,180
Infrastructure	5,696,886	119,338	-	5,816,224
Improvements	1,949,762	33,802	-	1,983,564
Machinery and Equipment	959,478	43,977	(25,000)	978,455
Vehicles	338,196	157,365	(45,500)	450,061
Total Capital Assets Being Depreciated	<u>10,606,502</u>	<u>372,482</u>	<u>(70,500)</u>	<u>10,908,484</u>
Less: Accumulated Depreciation for				
Buildings	887,631	33,180	-	920,811
Infrastructure	3,165,190	156,768	-	3,321,958
Improvements	317,975	111,250	-	429,225
Machinery and Equipment	477,816	91,955	(25,000)	544,771
Vehicles	314,638	34,531	(3,792)	345,377
Total Accumulated Depreciation	<u>5,163,250</u>	<u>427,684</u>	<u>(28,792)</u>	<u>5,562,142</u>
Total Capital Assets Being Depreciated, Net	<u>5,443,252</u>	<u>(55,202)</u>	<u>(41,708)</u>	<u>5,346,342</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,026,968</u>	<u>\$ (55,202)</u>	<u>\$ (41,708)</u>	<u>\$ 5,930,058</u>



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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, 2019:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 113,908	\$ -	\$ -	\$ 113,908
Construction in Progress	8,838	149,136	(103,186)	54,788
Total Capital Assets Not Being Depreciated	122,746	149,136	(103,186)	168,696
Capital Assets Being Depreciated				
Buildings	1,373,279	43,673	-	1,416,952
Infrastructure	12,634,520	103,186	-	12,737,706
Improvements	5,088,890	-	-	5,088,890
Machinery and Equipment	2,588,104	14,425	-	2,602,529
Vehicles	515,802	105,353	-	621,155
Total Capital Assets Being Depreciated	22,200,595	266,637	-	22,467,232
Less: Accumulated Depreciation for				
Buildings	740,881	25,188	-	766,069
Infrastructure	4,855,689	263,265	-	5,118,954
Improvements	1,245,859	236,622	-	1,482,481
Machinery and Equipment	1,815,464	143,554	-	1,959,018
Vehicles	346,980	50,484	-	397,464
Total Accumulated Depreciation	9,004,873	719,113	-	9,723,986
Total Capital Assets Being Depreciated, Net	13,195,722	(452,476)	-	12,743,246
Business-Type Activities Capital Assets, Net	<u>\$ 13,318,468</u>	<u>\$ (303,340)</u>	<u>\$ (103,186)</u>	<u>\$ 12,911,942</u>

The following is a summary of the component unit capital assets at December 31, 2019:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>COMPONENT UNIT</b>				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 8,838	\$ 104,817	\$ (113,655)	\$ -
Capital Assets Being Depreciated				
Buildings	9,989	-	-	9,989
Infrastructure	-	113,655	-	113,655
Total Capital Assets Being Depreciated	9,989	113,655	-	123,644
Less: Accumulated Depreciation for				
Buildings	2,331	999	-	3,330
Infrastructure	-	498	-	498
Total Accumulated Depreciation	2,331	1,497	-	3,828
Total Capital Assets Being Depreciated	7,658	112,158	-	119,816
Component Unit Capital Assets, Net	<u>\$ 16,496</u>	<u>\$ 216,975</u>	<u>\$ (113,655)</u>	<u>\$ 119,816</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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	\$	25,434
Public Safety		12,717
Public Works		253,888
Culture and Recreation		135,645
Total Depreciation Expense - Governmental Activities	\$	427,684

Business-Type Activities:

Water	\$	99,280
Sewer		166,138
Electric		50,477
Telephone		304,665
Municipal Liquor		2,078
Cable Television		36,052
Sanitation		2,632
Storm Sewer		32,115
Ambulance		25,676
Total Depreciation Expense - Business-Type Activities	\$	719,113

B. Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of December 31, 2019 is as follows:

Transfer Out:	Transfers In:			Total
	General Fund	Parks and Recreation Fund	Telephone Enterprise Fund	
Water Enterprise Fund	\$ 50,000	\$ -	\$ -	\$ 50,000
Sewer Enterprise Fund	55,000	-	-	55,000
Electric Enterprise Fund	207,385	-	-	207,385
Telephone Enterprise Fund	315,351	-	-	315,351
Nonmajor Enterprise Funds	150,588	-	-	150,588
Total	\$ 778,324	\$ -	\$ -	\$ 778,324

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, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

B. Interfund Receivables, Payables and Transfers (Continued)

The composition of interfund balances at December 31, 2019, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 107,041
General Fund	Ambulance Fund	134,019
Total		<u>\$ 241,060</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	2,294
General Fund	Sewer Fund	100,000
Component Unit - EDA	Sewer Fund	133,340
Component Unit - EDA	Water Fund	140,633
Component Unit - EDA	Sanitation Fund	37,664
Total		<u>\$ 418,785</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. In 2019, the council approved the advance of \$250,000 to the EDA for the purchase of additional Del/Gilbertson land. Of this amount, the City advanced \$221,092 to the EDA. The funds came from the Sewer, Water, and Sanitation Fund. The advance will be prepaid as the properties are sold.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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.

The City's outstanding notes from direct borrowings related to proprietary fund debt of \$2,183,000 contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised (a) withhold approval of any disbursement request (b) reject any pending application by the City for financial assistance (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment (d) exercise any other remedy availability under law and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

Capital Lease Obligations

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

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

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

	Authorized and Issued	Outstanding	Due in 2020	
			Principal	Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
General Obligation Bonds, Including Refunding Bonds				
G.O. Improvement and Refunding Bonds Series 2012A, 0.80% to 2.20%, Issued 04/12/12, Final Maturity 02/01/22.	\$ 545,000	\$ 215,000	\$ 70,000	\$ 3,725
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	1,020,000	320,000	75,000	10,753
G.O. Improvement and Refunding Bonds Series 2012A, 0.55% to 3.30%, Issued 04/12/12, Final Maturity 02/01/32.	760,000	520,000	35,000	13,666
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	245,000	20,000	7,868
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	1,150,000	55,000	26,133
Total General Obligation Bonds, Including Refunding Bonds	3,930,000	2,450,000	255,000	62,145
Less: Unamortized Discount	-	(2,967)	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	3,930,000	2,447,033	255,000	62,145
Capital Leases	57,564	19,406	4,825	861
Total Long-Term Debt - Governmental Activities	3,987,564	2,466,439	259,825	63,006

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

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

	Authorized and Issued	Outstanding	Due in 2020	
			Principal	Interest
<b>BUSINESS-TYPE ACTIVITIES</b>				
<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	\$ 3,090,000	\$ 165,000	\$ 117,538
Less: Unamortized Discount	-	(19,923)	-	-
Total Revenue Bonds - Net	3,870,000	3,070,077	165,000	117,538
<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	415,000	55,000	9,121
G.O. Improvement and Refunding Bonds Series 2012A; 0.80% to 2.20%, Issued 04/12/12; Final Maturity 2/01/22.	150,000	60,000	20,000	1,035
Total General Obligation Bonds	890,000	475,000	75,000	10,156
Less: Unamortized Discount	-	(3,289)	-	-
Total General Obligation Bonds - Net	890,000	471,711	75,000	10,156
<u>Direct Borrowing - Revenue Notes</u>				
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	1,515,000	243,000	23,634
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	668,000	53,000	7,169
Total Direct Borrowing - Net	5,186,925	2,183,000	296,000	30,803
<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	469,000	72,000	11,912
Total Long-Term Debt - Business-Type Activities	10,621,925	6,193,788	608,000	170,409
Total Government-Wide Long-Term Liabilities	<u>\$ 14,609,489</u>	<u>\$ 8,660,227</u>	<u>\$ 867,825</u>	<u>\$ 233,415</u>

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

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

	December 31, 2018	Additions	Retirements	December 31, 2019	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Debt, Including					
Refunding Bonds	\$ 2,700,000	\$ -	\$ 250,000	\$ 2,450,000	\$ 255,000
Less: Unamortized Discounts	(3,391)	-	(424)	(2,967)	-
Capital Lease Obligations	23,996	-	4,590	19,406	4,825
Compensated Absences Payable	133,910	110,619	94,189	150,340	112,755
Total Governmental Activities	<u>\$ 2,854,515</u>	<u>\$ 110,619</u>	<u>\$ 348,355</u>	<u>\$ 2,616,779</u>	<u>\$ 372,580</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds	\$ 3,250,000	\$ -	\$ 160,000	\$ 3,090,000	\$ 165,000
Direct Borrowing - Revenue Notes	2,473,000	-	290,000	2,183,000	296,000
Equipment Certificates	541,000	-	72,000	469,000	72,000
General Obligation Bonds	550,000	-	75,000	475,000	75,000
Less: Unamortized Discounts	(25,010)	-	(1,798)	(23,212)	-
Compensated Absences Payable	55,495	44,803	42,355	57,943	43,457
Total Business-Type Activities	<u>\$ 6,844,485</u>	<u>\$ 44,803</u>	<u>\$ 637,557</u>	<u>\$ 6,251,731</u>	<u>\$ 651,457</u>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>					
Revenue Bonds	\$ 270	\$ -	\$ 270	\$ -	\$ -
Notes Payable	-	133,000	49,818	83,182	-
Special Assessments Payable	1,082,270	122,133	678,920	525,483	-
Compensated Absences Payable	12,944	7,034	6,139	13,839	10,379
Total Discretely Presented Component Unit	<u>\$ 1,095,484</u>	<u>\$ 262,167</u>	<u>\$ 735,147</u>	<u>\$ 622,504</u>	<u>\$ 10,379</u>

**4. Minimum Debt Payments**

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

Year	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2020	\$ 255,000	\$ 62,145	\$ 317,145
2021	265,000	55,995	320,995
2022	265,000	49,309	314,309
2023	200,000	42,987	242,987
2024	120,000	38,789	158,789
2025 - 2029	640,000	146,618	786,618
2030 - 2034	475,000	64,632	539,632
2035 - 2037	230,000	10,500	240,500
Total	<u>\$ 2,450,000</u>	<u>\$ 470,975</u>	<u>\$ 2,920,975</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

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

Year	Business-Type Activities					
	Direct Borrowing - Revenue Notes			G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 296,000	\$ 30,803	\$ 326,803	\$ 75,000	\$ 10,156	\$ 85,156
2021	300,000	26,444	326,444	75,000	8,694	83,694
2022	304,000	22,022	326,022	80,000	7,045	87,045
2023	308,000	17,538	325,538	60,000	5,475	65,475
2024	313,000	12,995	325,995	60,000	4,050	64,050
2025 - 2029	545,000	19,554	564,554	125,000	3,412	128,412
2030 - 2031	117,000	1,889	118,889	-	-	-
Total	<u>\$ 2,183,000</u>	<u>\$ 131,245</u>	<u>\$ 2,314,245</u>	<u>\$ 475,000</u>	<u>\$ 38,832</u>	<u>\$ 513,832</u>

Year	G.O. Revenue Bonds			G.O. Equipment Certificates		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 165,000	\$ 117,538	\$ 282,538	\$ 72,000	\$ 11,912	\$ 83,912
2021	165,000	113,825	278,825	76,000	10,084	86,084
2022	170,000	109,700	279,700	76,000	8,153	84,153
2023	175,000	105,450	280,450	79,000	6,223	85,223
2024	180,000	100,200	280,200	84,000	4,216	88,216
2025 - 2029	1,005,000	402,615	1,407,615	82,000	2,082	84,082
2030 - 2034	1,230,000	173,370	1,403,370	-	-	-
Total	<u>\$ 3,090,000</u>	<u>\$ 1,122,698</u>	<u>\$ 4,212,698</u>	<u>\$ 469,000</u>	<u>\$ 42,670</u>	<u>\$ 511,670</u>

Year	Total Business-Type Activities		
	Principal	Interest	Total
2020	\$ 608,000	\$ 170,409	\$ 778,409
2021	616,000	159,047	775,047
2022	630,000	146,920	776,920
2023	622,000	134,686	756,686
2024	637,000	121,461	758,461
2025 - 2029	1,757,000	427,663	2,184,663
2030 - 2034	1,347,000	175,259	1,522,259
Total	<u>\$ 6,217,000</u>	<u>\$ 1,335,445</u>	<u>\$ 7,552,445</u>



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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, 2019, the City has assets under this capital lease of \$25,213 with related accumulated depreciation of \$5,043.

The future minimum lease payments are as follows:

<b>Capital Leases</b>	
Year	Minimum Payments
2020	\$ 5,686
2021	5,686
2022	5,686
2023	4,264
Total Minimum Lease Payments	21,322
Less: Amounts Representing Interest	(1,916)
Present Value of Minimum Lease Payments	\$ 19,406

**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, 2019.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**1. General Employees Plan Benefits (Continued)**

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1.0%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 2019. 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, 2019, were \$75,146. 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, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

C. Contributions (Continued)

**2. Police and Fire Fund Contributions**

Plan member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$63,493. 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, 2019, the City reported a liability of \$757,442 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 2019. 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 \$23,499. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was .0137%, which was a decrease of .0008% from its proportionate share measured as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$	757,442
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		23,499
Total Proportionate Share of the Net Pension Liability Associated with the City	\$	780,941

For the year ended December 31, 2019, the City recognized pension expense of \$57,325 for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional \$1,760 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, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**1. General Employees Fund Pension Costs (Continued)**

At December 31, 2019, 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	\$ 20,992	\$ -
Changes in Actuarial Assumptions	-	59,535
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	76,776
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	60,180
City Contributions Subsequent to the Measurement Date	38,036	-
Total	<u>\$ 59,028</u>	<u>\$ 196,491</u>

\$38,036 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, 2020. 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
2020	\$ (64,980)
2021	(84,131)
2022	(27,609)
2023	1,221

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. Police and Fire Fund Pension Costs**

At December 31, 2019, the City reported a liability of \$373,675 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City proportion was .0351%, which was an increase of 0.0016% from its proportionate share measured as of June 30, 2018. The City also recognized \$4,738 for the year ended December 31, 2019 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 until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$55,655 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, 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	\$ 15,866	\$ 56,877
Changes in Actuarial Assumptions	310,091	419,523
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	77,828
Changes in Proportion and Differences		
Between City Contributions and		
Proportionate Share of Contributions	29,393	7,483
City Contributions Subsequent to the		
Measurement Date	31,435	-
Total	<u>\$ 386,785</u>	<u>\$ 561,711</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. Police and Fire Fund Pension Costs (Continued)**

\$31,435 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, 2020. 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
2020	\$ (23,095)
2021	(50,872)
2022	(142,612)
2023	5,863
2024	4,355

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2019 was \$114,740.

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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 after retirement 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, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changes prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changes prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.1 %
Private Markets	25.0	5.9
Fixed Income	20.0	0.8
International Equity	17.5	5.9
Cash Equivalents	2.0	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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, 2019**

**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 6.50%	Current Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
City's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,245,194	\$ 757,442	\$ 354,706

Description	1% Decrease in Discount Rate 6.50%	Current Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 816,784	\$ 373,675	\$ 7

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](http://www.mnpera.org).

**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.

**CITY OF BARNESVILLE, MINNESOTA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 5 DEFINED CONTRIBUTION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)**

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 2019 contribution to the plan was as follows:

State Aid flowed through City to District	\$	69,233
Voluntary (Nonrequired) Contribution from City		-
Total Contribution	<u>\$</u>	<u>69,233</u>

**NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

**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 10-year agreement. The prepaid balance as of December 31, 2019 totals \$73,334.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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 on December 31, 2022 another district will stop collections on December 31, 2024, while the last two districts will stop collections on 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, 2019, the City paid excess tax increment in the amount of \$153,347.

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, 2019, the City abated property taxes totaling \$26,164. No other commitments were made by the City as part of these agreements.

**NOTE 9 CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD RESTATEMENT**

During the year ended December 31, 2019, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities. Beginning fiduciary net position was restated by \$172,603 to account for the change in accounting principle.

Beginning net position of the discretely presented component unit was restated by \$70,053 to properly state net position for special assessments payable that was overstated in previously issued financial statements.

	Component Unit	Custodial Fund
Net Position - Beginning of Year	\$ 166,807	\$ -
Restatement - Correction of an Error	70,053	-
Change in Accounting Principle	-	172,603
Net Position - Beginning of Year, as Restated	\$ 236,860	\$ 172,603

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 10 SUBSEQUENT EVENT**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020 through April 23, 2020 both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year-end and are still developing.

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



**CITY OF BARNESVILLE, MINNESOTA  
SCHEDULE OF CITY PENSION CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>PERA - General Employees Plan</b>					
City's Proportion of the Net Pension Liability	0.0137%	0.0145%	0.0152%	0.0153%	0.0162%
City's Proportionate Share of the Net Pension Liability	\$ 757,442	\$ 804,401	\$ 970,358	\$ 1,242,284	\$ 839,568
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 23,499	\$ 26,429	\$ 12,170	\$ 16,225	\$ -
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 780,941	\$ 830,830	\$ 982,528	\$ 1,258,509	\$ 839,568
City's Covered Payroll	\$ 967,993	\$ 972,532	\$ 976,694	\$ 951,245	\$ 950,430
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.25%	82.71%	99.35%	130.60%	88.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	75.90%	68.91%	78.20%
<b>PERA - Police and Fire Plan</b>					
City's Proportion of the Net Pension Liability	0.0351%	0.0335%	0.0330%	0.0330%	0.0350%
City's Proportionate Share of the Net Pension Liability	\$ 373,675	\$ 357,075	\$ 445,539	\$ 1,324,347	\$ 397,682
City's Covered Payroll	\$ 370,318	\$ 352,668	\$ 338,298	\$ 322,142	\$ 320,101
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	100.91%	101.25%	131.70%	411.11%	124.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.30%	88.80%	85.43%	63.88%	82.30%

Note: Information is required to be presented for 10 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PERA - General Employees Plan</b>						
Contractually Required Contribution	\$ 75,146	\$ 72,474	\$ 70,677	\$ 72,123	\$ 73,020	\$ 68,395
Contributions in Relation to the Contractually Required Contribution	(75,146)	(72,474)	(70,677)	(72,123)	(73,020)	(68,395)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,001,947	\$ 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%	7.50%	7.25%
<b>PERA - Police and Fire Plan</b>						
Contractually Required Contribution	\$ 63,493	\$ 58,511	\$ 54,145	\$ 52,873	\$ 54,333	\$ 47,791
Contributions in Relation to the Contractually Required Contribution	(63,493)	(58,511)	(54,145)	(52,873)	(54,333)	(47,791)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 374,591	\$ 361,179	\$ 334,231	\$ 326,375	\$ 335,388	\$ 301,363
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	15.86%

Note: Information is required to be presented for 10 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, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 339,500	\$ 344,396	\$ 4,896
Special Assessments	5,000	10,792	5,792
Licenses and Permits	22,450	51,549	29,099
Intergovernmental	849,248	950,630	101,382
Charges for Services	1,724	16,423	14,699
Fines and Forfeits	6,700	20,381	13,681
Interest Income	12,500	36,068	23,568
Miscellaneous	39,755	57,869	18,114
Total Revenues	<u>1,276,877</u>	<u>1,488,108</u>	<u>211,231</u>
<b>EXPENDITURES</b>			
Current			
General Government	713,867	729,614	15,747
Public Safety	685,224	777,338	92,114
Public Works	287,083	311,052	23,969
Airport	25	-	(25)
Economic Development	208,599	196,763	(11,836)
Capital Outlay			
General Government	-	25,844	25,844
Public Safety	32,000	32,829	829
Public Works	211,000	243,707	32,707
Debt service			
Principal	-	4,590	4,590
Interest and Other Charges	-	1,096	1,096
Total Expenditures	<u>2,137,798</u>	<u>2,322,833</u>	<u>185,035</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(860,921)	(834,725)	26,196
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	778,324	778,324	-
Transfers Out	(20,000)	-	20,000
Proceeds From Sale of Capital Assets	-	51,000	51,000
Total Other Financing Sources and (Uses)	<u>758,324</u>	<u>829,324</u>	<u>71,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (102,597)</u>	<u>(5,401)</u>	<u>\$ 97,196</u>
Fund Balance - Beginning of Year		1,784,931	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 1,779,530</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, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 345,533	\$ 345,533	\$ -
Licenses and Permits	700	1,200	500
Charges for Services	198,602	206,769	8,167
Gifts and Contributions	-	10	10
Interest on Investments	900	6,168	5,268
Miscellaneous	-	5,731	5,731
Total Revenues	<u>545,735</u>	<u>565,411</u>	<u>19,676</u>
<b>EXPENDITURES</b>			
Current			
Parks and Recreation	470,735	408,676	(62,059)
Capital Outlay			
Parks and Recreation	<u>75,000</u>	<u>90,490</u>	<u>15,490</u>
Total Expenditures	<u>545,735</u>	<u>499,166</u>	<u>(46,569)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>66,245</u>	<u>\$ 66,245</u>
Fund Balance - Beginning of Year		<u>463,052</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u><u>\$ 529,297</u></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, 2019**

**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 accounting principles generally accepted in the United States of America (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:

A. General Employees Fund  
2019

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2019**

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

A. General Employees Fund (Continued)

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA load are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2019**

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

A. General Employees Fund (Continued)

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

B. Police and Fire Fund

2019

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2016 to MP-2017.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2019**

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

B. Police and Fire Fund (Continued)

2018 (Continued)

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2% to 16.95% of pay, effective January 1, 2019 and 17.7% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30% for vested and non-vested, deferred members. The CSA has been changed to 33% for vested members and 2.0% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2019**

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

B. Police and Fire Fund (Continued)  
2017 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90% funding threshold was changed from inflation up to 2.5%, to a fixed rate of 2.5%.

This Page Has Been Intentionally Left Blank.



## **SUPPLEMENTARY INFORMATION**



**CITY OF BARNESVILLE, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

<b>ASSETS</b>	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 2,819	\$ 53,028	\$ 79,941	\$ 135,788
Taxes Receivable	-	-	27	27
Notes Receivable	-	42,691	-	42,691
Total Assets	<u>\$ 2,819</u>	<u>\$ 95,719</u>	<u>\$ 79,968</u>	<u>\$ 178,506</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 360	\$ -	\$ -	\$ 360
Deferred Inflows of Resources				
Unavailable Loans Receivable	-	42,691	-	42,691
Fund Balances				
Restricted for DARE Program	2,459	-	-	2,459
Restricted for Economic Development	-	-	79,968	79,968
Restricted for Small Cities Grant	-	53,028	-	53,028
Total Fund Balances	<u>2,459</u>	<u>53,028</u>	<u>79,968</u>	<u>135,455</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,819</u>	<u>\$ 95,719</u>	<u>\$ 79,968</u>	<u>\$ 178,506</u>

**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
<b>REVENUES</b>				
Tax Increments	\$ -	\$ -	\$ 171,054	\$ 171,054
Intergovernmental	-	381,745	-	381,745
Gifts and Contributions	2,030	-	-	2,030
Interest Income	30	616	6	652
Miscellaneous	-	25,873	-	25,873
Total Revenues	2,060	408,234	171,060	581,354
<b>EXPENDITURES</b>				
Current				
General Government	-	409,486	-	409,486
Public Safety	2,705	-	-	2,705
Economic Development	-	-	153,347	153,347
Total Expenditures	2,705	409,486	153,347	565,538
<b>NET CHANGE IN FUND BALANCES</b>	(645)	(1,252)	17,713	15,816
Fund Balances - Beginning of Year	3,104	54,280	62,255	119,639
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 2,459</b>	<b>\$ 53,028</b>	<b>\$ 79,968</b>	<b>\$ 135,455</b>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
DECEMBER 31, 2019**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 189,864	\$ 431,554	\$ 546,535	\$ 1,167,953
Accounts Receivable - Net	40,209	4,818	37,811	82,838
Total Current Assets	230,073	436,372	584,346	1,250,791
Noncurrent Assets				
Restricted Cash	-	-	70,831	70,831
Advance to Component Unit	37,664	-	-	37,664
Capital Assets				
Land	-	13,077	-	13,077
Buildings (Net)	88,324	-	-	88,324
Infrastructure (Net)	-	563,629	-	563,629
Machinery and Equipment (Net)	-	12,293	-	12,293
Net Capital Assets	88,324	588,999	-	677,323
Total Noncurrent	125,988	588,999	70,831	785,818
Total Assets	356,061	1,025,371	655,177	2,036,609
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	791	-	1,098	1,889
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	16,153	-	111	16,264
Salaries and Benefits Payable	1,295	-	580	1,875
Due to Other Governments	1,852	-	-	1,852
Unearned Revenue	-	-	22,009	22,009
Compensated Absences - Due Within One Year	2,642	-	1,446	4,088
Total Current Liabilities	21,942	-	24,146	46,088
Noncurrent Liabilities				
Compensated Absences - Due in More than One Year	881	-	482	1,363
Net Pension Liability	10,150	-	14,088	24,238
Total Noncurrent Liabilities	11,031	-	14,570	25,601
Total Liabilities	32,973	-	38,716	71,689
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	2,633	-	3,655	6,288
<b>NET POSITION</b>				
Net Investment in Capital Assets	88,324	588,999	-	677,323
Restricted for Debt Service	-	-	70,831	70,831
Unrestricted	232,922	436,372	543,073	1,212,367
Total Net Position	\$ 321,246	\$ 1,025,371	\$ 613,904	\$ 1,960,521

**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 234,163	\$ 40,804	\$ 335,029	\$ 609,996
<b>OPERATING EXPENSES</b>				
Professional Services	192,995	-	-	192,995
Wages, Salaries, and Compensation	15,195	-	28,749	43,944
Repairs and Maintenance	4,573	-	13,792	18,365
Insurance	1,576	-	-	1,576
Depreciation	2,632	32,115	-	34,747
Materials and Supplies	993	-	-	993
Miscellaneous Expenses	24,220	-	43,711	67,931
Total Operating Expenses	<u>242,184</u>	<u>32,115</u>	<u>86,252</u>	<u>360,551</u>
<b>OPERATING INCOME (LOSS)</b>	(8,021)	8,689	248,777	249,445
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	1,777	7,275	9,563	18,615
Intergovernmental Grants	49,328	-	-	49,328
Total Nonoperating Revenues (Expenses)	<u>51,105</u>	<u>7,275</u>	<u>9,563</u>	<u>67,943</u>
Income before Transfers and Contributions	43,084	15,964	258,340	317,388
Transfers Out	<u>(18,000)</u>	<u>(7,500)</u>	<u>(125,088)</u>	<u>(150,588)</u>
<b>CHANGE IN NET POSITION</b>	25,084	8,464	133,252	166,800
Net Position - Beginning of Year	<u>296,162</u>	<u>1,016,907</u>	<u>480,652</u>	<u>1,793,721</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 321,246</u>	<u>\$ 1,025,371</u>	<u>\$ 613,904</u>	<u>\$ 1,960,521</u>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 232,377	\$ 40,667	\$ 328,896	\$ 601,940
Payments to Suppliers	(223,946)	-	(57,409)	(281,355)
Payments to Employees	(19,810)	-	(28,161)	(47,971)
Net Cash Provided (Used) by Operating Activities	(11,379)	40,667	243,326	272,614
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
<b>FINANCING ACTIVITIES</b>				
Transfers to Other Funds	(18,000)	(7,500)	(125,088)	(150,588)
Advance from Component Unit	10,296	-	-	10,296
Grant Receipts	49,328	-	-	49,328
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	41,624	(7,500)	(125,088)	(90,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Dividends Received	1,777	7,275	9,563	18,615
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	32,022	40,442	127,801	200,265
Cash and Cash Equivalents - Beginning of Year	157,842	391,112	489,565	1,038,519
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 189,864</u>	<u>\$ 431,554</u>	<u>\$ 617,366</u>	<u>\$ 1,238,784</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (8,021)	\$ 8,689	\$ 248,777	\$ 249,445
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	2,632	32,115	-	34,747
(Increase) Decrease in Assets and Deferred Outflows				
Accounts Receivable	(1,786)	(137)	(1,460)	(3,383)
Deferred Outflows of Resources	1,829	-	1,268	3,097
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	358	-	94	452
Salaries and Benefits Payable	259	-	77	336
Due to Other Governments	53	-	-	53
Compensated Absences Payable	1,026	-	24	1,050
Net Pension Liability	(5,616)	-	(150)	(5,766)
Unearned Revenue	-	-	(4,673)	(4,673)
Deferred Inflows of Resources	(2,113)	-	(631)	(2,744)
Total Adjustments	(3,358)	31,978	(5,451)	23,169
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,379)</u>	<u>\$ 40,667</u>	<u>\$ 243,326</u>	<u>\$ 272,614</u>

This Page Has Been Intentionally Left Blank.



## **OTHER COMBINING SCHEDULES**

**CITY OF BARNESVILLE, MINNESOTA  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND – BY BOND ISSUE  
 DECEMBER 31, 2019**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
<b>ASSETS</b>				
Cash and Investments	\$ 107,754	\$ 90,967	\$ 161,976	\$ 185,955
Taxes Receivable				
Current	-	-	-	85
Special Assessments Receivable				
Delinquent	-	-	-	906
Noncurrent	60,054	1,817	56,774	557,379
Total Assets	\$ 167,808	\$ 92,784	\$ 218,750	\$ 744,325
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Deferred Inflows of Resources				
Unavailable Taxes	\$ -	\$ -	\$ -	\$ -
Unavailable Special Assessments	60,054	1,817	56,774	558,285
Total Deferred Inflows of Resources	60,054	1,817	56,774	558,285
Fund Balances				
Restricted	107,754	90,967	161,976	186,040
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	107,754	90,967	161,976	186,040
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 167,808	\$ 92,784	\$ 218,750	\$ 744,325

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
\$ 37,032	\$ 103,944	\$ 4,431	\$ (18,035)	\$ 674,024
492	2,041	123	-	2,741
-	2,341	-	-	3,247
<u>124,187</u>	<u>168,514</u>	<u>283,569</u>	<u>1,178,216</u>	<u>2,430,510</u>
<u>\$ 161,711</u>	<u>\$ 276,840</u>	<u>\$ 288,123</u>	<u>\$ 1,160,181</u>	<u>\$ 3,110,522</u>
\$ -	\$ 1,533	\$ -	\$ -	\$ 1,533
<u>124,187</u>	<u>170,381</u>	<u>283,569</u>	<u>1,178,216</u>	<u>2,433,283</u>
<u>124,187</u>	<u>171,914</u>	<u>283,569</u>	<u>1,178,216</u>	<u>2,434,816</u>
37,524	104,926	4,554	-	693,741
-	-	-	(18,035)	(18,035)
<u>37,524</u>	<u>104,926</u>	<u>4,554</u>	<u>(18,035)</u>	<u>675,706</u>
<u>\$ 161,711</u>	<u>\$ 276,840</u>	<u>\$ 288,123</u>	<u>\$ 1,160,181</u>	<u>\$ 3,110,522</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, 2019**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	36,949	4,698	18,967	108,059
Interest Income	1,320	1,068	1,826	1,447
Miscellaneous	-	-	-	-
Total Revenues	38,269	5,766	20,793	109,506
<b>EXPENDITURES</b>				
Debt Service				
Principal	-	-	-	65,000
Interest and Other Charges	-	-	-	4,893
Total Expenditures	-	-	-	69,893
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	38,269	5,766	20,793	39,613
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(35,000)	(15,000)	(20,000)	-
Total Other Financing Sources (Uses)	(35,000)	(15,000)	(20,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	3,269	(9,234)	793	39,613
Fund Balances - Beginning of Year	104,485	100,201	161,183	146,427
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 107,754</u>	<u>\$ 90,967</u>	<u>\$ 161,976</u>	<u>\$ 186,040</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
\$ 30,078	\$ 30,236	\$ 11,139	\$ -	\$ -	\$ 71,453
55,701	19,271	8,021	16,428	-	268,094
2	862	-	-	-	6,525
-	-	-	17,120	-	17,120
85,781	50,369	19,160	33,548	-	363,192
75,000	35,000	20,000	55,000	-	250,000
13,303	14,270	8,778	27,240	-	68,484
88,303	49,270	28,778	82,240	-	318,484
(2,522)	1,099	(9,618)	(48,692)	-	44,708
25,000	-	10,000	35,000	(70,000)	-
-	-	-	-	70,000	-
25,000	-	10,000	35,000	-	-
22,478	1,099	382	(13,692)	-	44,708
15,046	103,827	4,172	(4,343)	-	630,998
\$ 37,524	\$ 104,926	\$ 4,554	\$ (18,035)	\$ -	\$ 675,706

**CITY OF BARNESVILLE, MINNESOTA  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND – BY PROJECT  
 DECEMBER 31, 2019**

	Commercial Park Extension	Del Acres Gilbertson Second Addition	Total Capital Projects Fund
<b>ASSETS</b>			
Cash and Investments	\$ -	\$ 9,094	\$ 9,094
Special Assessments - Noncurrent	87,428	-	87,428
Total Assets	\$ 87,428	\$ 9,094	\$ 96,522
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS</b>			
Liabilities			
Due to Other Funds	\$ 107,041	\$ -	\$ 107,041
Deferred Inflows of Resources			
Unavailable Special Assessments	87,428	-	87,428
Fund Balances (Deficits)			
Restricted	-	9,094	9,094
Unassigned	(107,041)	-	(107,041)
Total Fund Balances (Deficits)	(107,041)	9,094	(97,947)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 87,428	\$ 9,094	\$ 96,522

**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**CAPITAL PROJECTS FUND – BY PROJECT**  
**YEAR ENDED DECEMBER 31, 2019**

	Commercial Park Extension	Del Acres Gilbertson Second Addition	Total Capital Projects Fund
<b>REVENUES</b>			
Special Assessments	\$ 3,270	\$ -	\$ 3,270
Interest Income	-	103	103
Total Revenues	<u>3,270</u>	<u>103</u>	<u>3,373</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,270	103	3,373
Fund Balances (Deficit) - Beginning of Year	<u>(110,311)</u>	<u>8,991</u>	<u>(101,320)</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ (107,041)</u>	<u>\$ 9,094</u>	<u>\$ (97,947)</u>

This Page Has Been Intentionally Left Blank.



## **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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 23, 2020.

**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 2019-001 through 2019-003 that we consider to be material weaknesses.

Honorable Mayor and Members of the City Council  
City of Barnesville

### **Compliance and Other Matters**

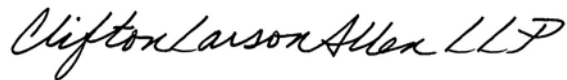
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

### **The City's Response to Findings**

The City's response to the findings 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.

### **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  
April 23, 2020

This Page Has Been Intentionally Left Blank.



## 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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 23, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the schedule of findings and recommendations as item 2019-004. 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  
April 23, 2020

This Page Has Been Intentionally Left Blank.

**CITY OF BARNESVILLE, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019**

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:**

2019-001

**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.

**Repeat Finding:** The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2018-001.

**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.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding. 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, 2019**

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:**

2019-002

**MATERIAL AUDIT ADJUSTMENTS/PRIOR PERIOD ADJUSTMENT**

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

**Condition:** As part of the audit, we proposed material adjustments for closing the City's books at year-end, recording of accruals, reclassifications to the proper accounts, and note disclosure preparation. In addition, a restatement in the amount of \$70,053 was reported by the discretely presented component unit for an overstatement of payables in prior year.

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

**Repeat Finding:** The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2018-002.

**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.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding. 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, 2019**

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:**

2019-003      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 accounting principles generally accepted in the United States of America (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.

**Repeat Finding:** The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2018-003.

**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.

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding. 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, 2019**

**MINNESOTA LEGAL COMPLIANCE:**

2019-004

**PROMPT SUBCONTRACTOR PAYMENT**

**Criteria:** Minnesota Statutes §471.425, sub 4a requires each contract between the City and a prime contractor require the prime contractor pay any subcontractor within ten days of receipt of payment from the City or pay interest at the rate of 1.5% per month or part of a month on any undisputed amount not paid on time to the subcontractor.

**Condition:** The City did not include this verbiage in the contract with the prime contractor.

**Cause:** The City was unaware of the legislation.

**Repeat Finding:** Not appliance.

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

**Recommendation:** We recommend City include this verbiage in all contracts going forward.

**Views of Responsible Officials and Planned Corrective Action:** There is no disagreement with the finding. Management agrees and has notified the City engineer to include this language in all contracts.