

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020

**CITY OF BARNESVILLE, MINNESOTA
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YEAR ENDED DECEMBER 31, 2020**

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INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2020**

ELECTED	NAME	TERM EXPIRES
Mayor	Jason Rick	12/31/2021
City Council	Scott Bauer	12/31/2021
City Council	Don Goedtke	12/31/2021
City Council	Tonya Stokka	12/31/2021
City Council	Dawn Stuvland	12/31/2023
City Council	Alyssa Berman	12/31/2023
City Council	Brad Field	12/31/2023

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, 2020, 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, 2020, 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

Regarding Prior Period Adjustment

As described in Note 9 to the financial statements, beginning net position of the Sewer Fund, Electric Fund, and Business-Type Activities were restated to account for an understatement of capital assets 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 the capital projects fund by project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is 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, the capital projects fund by project financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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, the capital projects fund by project financial statements, and the schedule of expenditures of federal awards 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 14, 2021, 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 14, 2021

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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, 2020. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information. Certain comparative information between the current year (2020) and the prior year (2019) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 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 \$28,104,791 (net position). Of this amount, \$10,930,183 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$3,885,666 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$3,531,979, an increase of \$509,938, or 16.9% in comparison to the prior year. Approximately 18.27% of this amount, or \$645,358, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$863,723, or 39.40% of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

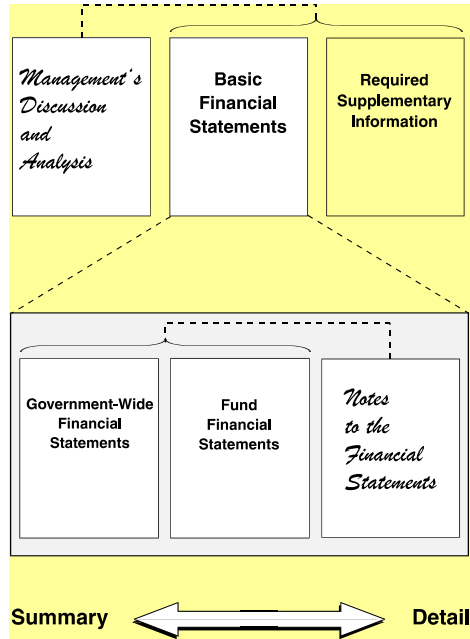
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements				
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: water, sewer, telephone, municipal liquor as examples.	Instances in which the City is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of revenues, expenses, and changes in fund net position and statement of cash flows.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset and Deferred Outflow of Resources/ Liability and Deferred Inflow of Resources Information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used 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, 2020**

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 10 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, 2020**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$28,104,791 on December 31, 2020 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 8,690,776	\$ 5,747,857	\$ 10,721,868	\$ 10,349,723	\$ 19,412,644	\$ 16,097,580
Capital Assets	8,178,449	5,930,058	14,491,503	12,911,942	22,669,952	18,842,000
Total Assets	16,869,225	11,677,915	25,213,371	23,261,665	42,082,596	34,939,580
Deferred Outflows of Resources	295,587	416,712	38,677	28,192	334,264	444,904
Current Liabilities	653,093	500,949	1,241,701	1,121,046	1,894,794	1,621,995
Long-Term Liabilities	5,462,893	3,001,897	6,568,160	5,907,416	12,031,053	8,909,313
Total Liabilities	6,115,986	3,502,846	7,809,861	7,028,462	13,925,847	10,531,308
Deferred Inflows of Resources	361,246	661,332	24,976	79,679	386,222	741,011
Net Position						
Net Investment in Capital Assets	3,694,945	3,472,713	7,489,899	6,667,622	11,184,844	10,140,335
Restricted	5,706,439	3,279,602	283,325	283,325	5,989,764	3,562,927
Unrestricted	1,286,196	1,178,134	9,643,987	9,230,769	10,930,183	10,408,903
Total Net Position	\$ 10,687,580	\$ 7,930,449	\$ 17,417,211	\$ 16,181,716	\$ 28,104,791	\$ 24,112,165

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$12,779,744 for the year ended December 31, 2020. Property taxes and intergovernmental revenues accounted for 38.1% of total revenue for the year, while user charges accounted for 54.0% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 322,759	\$ 297,668	\$ 6,574,851	\$ 6,434,582	\$ 6,897,610	\$ 6,732,250
Operating Grants and Contributions	321,826	460,709	103,549	62,049	425,375	522,758
Capital Grants and Contributions	2,601,849	263,793	142,813	123,641	2,744,662	387,434
<u>General Revenues</u>						
Property Taxes	784,875	760,288	77,727	63,420	862,602	823,708
Tax Increments	203,139	171,054	-	-	203,139	171,054
Unrestricted State Aid	835,351	805,025	-	-	835,351	805,025
Investment Earnings	66,111	66,490	47,091	83,010	113,202	149,500
Other	174,081	95,114	523,722	249,712	697,803	344,826
Total Revenues	5,309,991	2,920,141	7,469,753	7,016,414	12,779,744	9,936,555
EXPENSES						
General Government	854,323	1,102,191	-	-	854,323	1,102,191
Public Safety	835,598	800,295	-	-	835,598	800,295
Public Works	599,390	649,359	-	-	599,390	649,359
Culture and Recreation	616,692	558,239	-	-	616,692	558,239
Economic Development	342,813	323,801	-	-	342,813	323,801
Interest	87,473	67,929	-	-	87,473	67,929
Water	-	-	414,649	369,595	414,649	369,595
Sewer	-	-	394,306	394,433	394,306	394,433
Electric	-	-	2,037,841	2,041,970	2,037,841	2,041,970
Telephone	-	-	1,005,791	993,850	1,005,791	993,850
Municipal Liquor	-	-	671,492	629,395	671,492	629,395
Cable Television	-	-	383,137	400,727	383,137	400,727
Sanitation	-	-	259,117	242,184	259,117	242,184
Storm Sewer	-	-	32,213	32,115	32,213	32,115
Ambulance	-	-	280,855	320,568	280,855	320,568
Broadband Internet	-	-	78,388	86,252	78,388	86,252
Total Expenses	3,336,289	3,501,814	5,557,789	5,511,089	8,894,078	9,012,903
Transfers	783,429	778,324	(783,429)	(778,324)	-	-
CHANGE IN NET POSITION	2,757,131	196,651	1,128,535	727,001	3,885,666	923,652
Net Position - Beginning of Year	7,930,449	7,733,798	16,181,716	15,454,715	24,112,165	23,188,513
Restatement	-	-	106,960	-	106,960	-
Net Position - Beginning of Year, As Restated	7,930,449	7,733,798	16,288,676	15,454,715	24,219,125	23,188,513
NET POSITION - END OF YEAR	\$ 10,687,580	\$ 7,930,449	\$ 17,417,211	\$ 16,181,716	\$ 28,104,791	\$ 24,112,165

Total revenues surpassed expenses, increasing City-wide net position by \$3,885,666 as compared to an increase of \$923,652 in 2019. The increase in net position for 2020 is primarily due to the governmental activities revenues exceeding expenses by \$2,757,131 due to Del Acres Gilbertson Third Addition special assessments recognized as revenue in 2020.

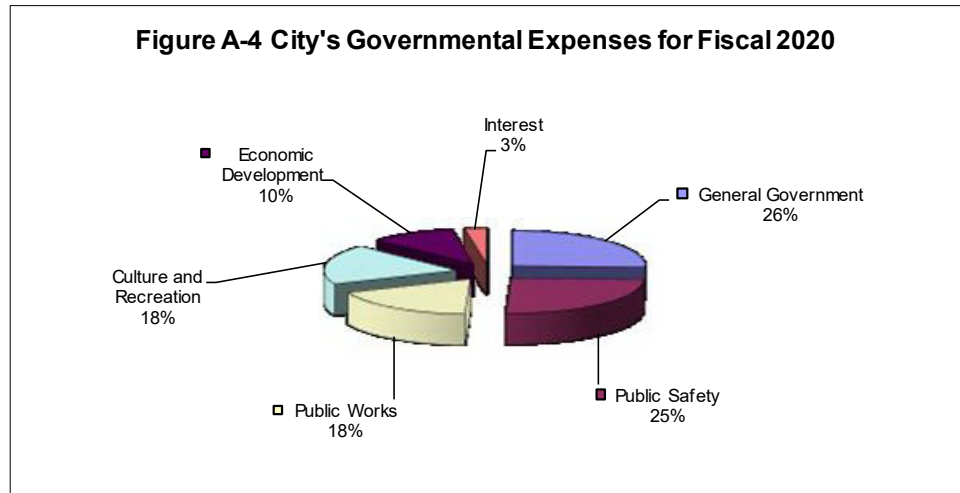
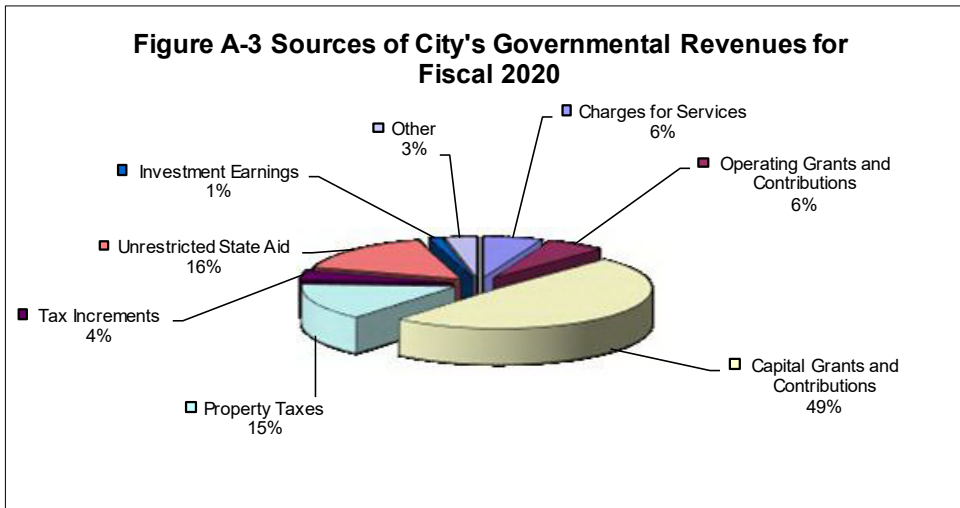
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 \$3,336,289.

- Some of the cost was paid by the users of the City's programs (\$322,759).
- Federal and state government payments (\$321,826) subsidized certain programs.
- Ad valorem property taxes (\$784,875) and unrestricted state grants (\$835,351) also helped fund the net costs of governmental services.
- Transfers from the City's business-type operations also subsidize governmental operations (\$783,429).



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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	
	2020	2019	2020	2019
GOVERNMENTAL ACTIVITIES				
General Government	\$ 854,323	\$ 1,102,191	\$ (706,175)	\$ (654,916)
Public Safety	835,598	800,295	(590,333)	(644,400)
Public Works	599,390	649,359	1,947,537	(438,338)
Culture and Recreation	616,692	558,239	(310,598)	(350,260)
Economic Development	342,813	323,801	(342,813)	(323,801)
Interest	87,473	67,929	(87,473)	(67,929)
Total	<u>\$ 3,336,289</u>	<u>\$ 3,501,814</u>	<u>\$ (89,855)</u>	<u>\$ (2,479,644)</u>
BUSINESS-TYPE ACTIVITIES				
Water	\$ 414,649	\$ 369,595	\$ 83,736	\$ 173,524
Sewer	394,306	394,433	300,900	345,498
Electric	2,037,841	2,041,970	341,807	247,983
Telephone	1,005,791	993,850	88,201	59,986
Municipal Liquor	671,492	629,395	78,450	48,387
Cable Television	383,137	400,727	(2,210)	19,788
Sanitation	259,117	242,184	32,938	41,307
Storm Sewer	32,213	32,115	10,462	8,689
Ambulance	280,855	320,568	12,812	(84,756)
Broadband Internet	78,388	86,252	316,328	248,777
Total	<u>\$ 5,557,789</u>	<u>\$ 5,511,089</u>	<u>\$ 1,263,424</u>	<u>\$ 1,109,183</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 \$3,531,979.

Revenues for the City's governmental funds were \$2,972,336, while total expenditures were \$5,796,094. Expenditures in excess of revenues were covered by a budgeted transfer from the enterprise funds, and the issuance of general obligation improvement bonds.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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, 2020	December 31, 2019	Increase (Decrease)
Taxes	\$ 379,047	\$ 344,396	\$ 34,651
Special Assessments	1,669	10,792	(9,123)
Licenses and Permits	60,630	51,549	9,081
Intergovernmental	1,152,491	950,630	201,861
Charges for Services	15,542	16,423	(881)
Fines and Forfeits	7,620	20,381	(12,761)
Interest	31,583	36,068	(4,485)
Miscellaneous and Other	49,922	57,869	(7,947)
Total General Fund Revenues	\$ 1,698,504	\$ 1,488,108	\$ 210,396

Total General Fund revenue increased by \$210,396, or 14.1%, from the previous year. The primary reason for the increase is an increase in intergovernmental revenues due to receiving Coronavirus Relief Funds funding in 2020.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change
	December 31, 2020	December 31, 2019	Increase (Decrease)
General Government	\$ 810,484	\$ 729,614	\$ 80,870
Public Safety	824,667	777,338	47,329
Public Works	313,012	311,052	1,960
Economic Development	195,387	196,763	(1,376)
Capital Outlay	42,487	302,380	(259,893)
Debt Service	5,921	5,686	235
Total Expenditures	\$ 2,191,958	\$ 2,322,833	\$ (130,875)

The General Fund's expenditures decreased \$130,875 from 2019. The decrease is due largely to the purchase of various assets in prior year.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 \$277,293 more than budget. This is primarily due to an increase in intergovernmental revenues related to the receipt of Coronavirus Relief Funding.
- The actual expenditures were \$158,756 less than budget. This is primarily due to public works capital outlay expenditures coming in under budget by \$209,293.

Parks and Recreation Fund

The Parks and Recreation Fund had a decrease in fund balance of \$59,568. Revenues exceeded budget during 2020 by \$208,796 as a result of reimbursements that were not budgeted. Expenditures were over budget by \$274,466 during 2020 primarily due to expenditures for the bike trail that were not budgeted.

Debt Service Fund

The Debt Service Fund's fund balance decreased \$58,049 as a result of debt payments in excess of special assessment and taxes revenues collected.

Capital Projects Fund

The Capital Project Fund's fund balance increased \$278,886 as a result of issuing debt in 2020 for Del Acres Gilbertson third addition. Fund balance totaling \$285,906 is restricted for capital projects based on the debt agreements.

Other Governmental Funds

The Other Governmental Fund's fund balance increased \$58,694 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 \$89,341 and \$410,347, respectively, for the year ended December 31, 2020, as compared to \$185,841 and \$360,848, respectively, for 2019, due to increased repairs and maintenance in the Water fund and an increase in nonoperating revenues in the Sewer Fund.

Liquor and Cable Television Funds

The operations of the Municipal Liquor and Cable Television Funds reported net income (before transfers to other funds) of \$80,961 and \$7,284, respectively, for the year ended December 31, 2020, as compared to \$50,570 and \$28,841, respectively, for 2019. Liquor fund sales increased due to stay at home orders and restaurant and bar closures.

Electric Fund

The Electric Fund reported net income (before transfers to other funds) of \$258,368 for the year ended December 31, 2020 compared to \$272,860 in 2019. No significant changes in operations.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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

Business-Type Funds (Continued)

Telephone Fund

The Telephone Fund reported sales of compared to \$1,052,365 in 2019. Net income (before transfers to other funds) of \$436,289 as compared to \$272,860 in the prior year primarily due to an increase in amounts earned on the investment in joint venture.

Ambulance Fund

The Ambulance Fund reported net income (before transfers to other funds) of \$115,704 for the year ended December 31, 2020, as compared to \$26,193 for 2019. The increase over prior year is due to grants received from the State Department of Health and two townships.

CAPITAL ASSETS

By the end of 2020, the City had invested \$22,669,952 (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	
	2020	2019	2020	2019 (Restated)	2020	2019 (Restated)
	Land	\$ 583,716	\$ 583,716	\$ 185,212	\$ 113,908	\$ 768,928
Construction-in-Progress	2,584,361	-	1,896,824	90,942	4,481,185	90,942
Buildings	1,680,180	1,680,180	1,416,952	1,416,952	3,097,132	3,097,132
Infrastructure	5,816,224	5,816,224	12,934,824	12,814,073	18,751,048	18,630,297
Improvements	2,018,009	1,983,564	5,117,755	5,088,890	7,135,764	7,072,454
Machinery and Equipment	1,022,344	978,455	2,792,915	2,602,529	3,815,259	3,580,984
Vehicles	450,061	450,061	621,155	621,155	1,071,216	1,071,216
Less: Accumulated Depreciation	(5,976,446)	(5,562,142)	(10,474,134)	(9,729,547)	(16,450,580)	(15,291,689)
Total	<u>\$ 8,178,449</u>	<u>\$ 5,930,058</u>	<u>\$ 14,491,503</u>	<u>\$ 13,018,902</u>	<u>\$ 22,669,952</u>	<u>\$ 18,948,960</u>

Total depreciation expense for the year was \$1,171,907 (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, 2020**

LONG-TERM LIABILITIES

At year-end, the City had \$11,575,517 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt increased \$2,915,290 due primarily to issuing general obligation improvement bonds for \$2,440,000, revenue notes totaling \$1,310,228, offset by scheduled principal payments.

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

	2020	2019
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 4,635,000	\$ 2,450,000
Capital Leases Payable	14,581	19,406
Less: Bond Discounts	(2,543)	(2,967)
Total Governmental Activities	4,647,038	2,466,439
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	2,925,000	3,090,000
Direct Borrowing - Revenue Notes	3,197,228	2,183,000
General Obligation Bonds	400,000	475,000
Equipment Certificates	397,000	469,000
Note Payable	30,665	-
Less: Bond Discounts	(21,414)	(23,212)
Total Business-Type Activities	6,928,479	6,193,788
Total City-Wide Long-Term Liabilities	\$ 11,575,517	\$ 8,660,227

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

FACTORS BEARING ON THE CITY'S FUTURE

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 3,648,862	\$ 5,702,012	\$ 9,350,874	\$ 209,450
Taxes Receivable				
Current	30,799	-	30,799	-
Special Assessments Receivable				
Delinquent	2,352	4,181	6,533	-
Noncurrent	4,909,886	369,874	5,279,760	-
Accounts Receivable - Net	65,561	689,532	755,093	-
Accrued Interest Receivable	15,423	-	15,423	-
Notes Receivable	34,816	-	34,816	29,517
Due from Other Governments	286	-	286	-
Internal Balances	(19,798)	19,798	-	-
Inventories	1,200	104,886	106,086	-
Prepaid Services	-	92,910	92,910	-
Land Held for Resale	-	-	-	3,174,351
Advances to Component Unit	1,389	252,837	254,226	-
Advances to Primary Government	-	-	-	4,854
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	3,202,513	3,202,513	-
Capital Assets not Being Depreciated				
Land	583,716	185,212	768,928	-
Construction-in-Progress	2,584,361	1,896,824	4,481,185	-
Capital Assets Being Depreciated				
Buildings	726,142	623,403	1,349,545	5,660
Infrastructure	2,337,712	7,540,683	9,878,395	107,175
Improvements	1,477,076	3,399,827	4,876,903	-
Machinery and Equipment	390,716	677,655	1,068,371	-
Vehicles	78,726	167,899	246,625	-
Total Assets	<u>16,869,225</u>	<u>25,213,371</u>	<u>42,082,596</u>	<u>3,531,007</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	295,587	35,131	330,718	8,776
Amount on Refunding	-	3,546	3,546	-
Total Deferred Outflows of Resources	<u>295,587</u>	<u>38,677</u>	<u>334,264</u>	<u>8,776</u>
LIABILITIES				
Accounts Payable	31,620	283,624	315,244	10,180
Contracts Payable	104,395	76,671	181,066	-
Salaries and Benefits Payable	54,890	32,644	87,534	6,539
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	52,491	31,502	83,993	-
Due to Other Governments	-	21,223	21,223	-
Advances from Primary Government	-	-	-	254,226
Advances from Component Unit	4,854	-	4,854	-
Unearned Utility Payments	-	64,783	64,783	-
Bonds Payable - Due Within One Year	265,000	666,315	931,315	-
Capital Leases Payable - Due Within One Year	5,072	-	5,072	-
Notes Payable - Due Within One Year	-	15,332	15,332	-
Compensated Absences Payable - Due Within One Year	134,771	48,258	183,029	10,248
Special Assessments Payable - Due in More Than One Year	-	-	-	2,755,130
Bonds Payable - Due in More Than One Year	4,475,098	6,231,499	10,706,597	-
Capital Leases Payable - Due in More Than One Year	9,509	-	9,509	-
Notes Payable - Due in More Than One Year	-	15,333	15,333	92,848
Compensated Absences Payable - Due in More Than One Year	44,924	16,085	61,009	3,416
Net Pension Liability	933,362	305,243	1,238,605	76,257
Total Liabilities	<u>6,115,986</u>	<u>7,809,861</u>	<u>13,925,847</u>	<u>3,208,844</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	361,246	24,976	386,222	6,237
NET POSITION				
Net Investment in Capital Assets	3,694,945	7,489,899	11,184,844	49,987
Restricted for				
Debt Service	5,376,101	283,325	5,659,426	-
Public Safety	1,508	-	1,508	-
Capital Projects	101,375	-	101,375	-
Economic Development	227,455	-	227,455	-
Unrestricted	1,286,196	9,643,987	10,930,183	274,715
Total Net Position	<u>\$ 10,687,580</u>	<u>\$ 17,417,211</u>	<u>\$ 28,104,791</u>	<u>\$ 324,702</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 854,323	\$ 68,458	\$ 79,690	\$ -
Public Safety	835,598	-	163,910	81,355
Public Works	599,390	15,334	11,099	2,520,494
Culture and Recreation	616,692	238,967	67,127	-
Economic Development	342,813	-	-	-
Interest	87,473	-	-	-
Total Governmental Activities	3,336,289	322,759	321,826	2,601,849
Business-Type Activities				
Water	414,649	497,962	-	423
Sewer	394,306	694,646	-	560
Electric	2,037,841	2,266,682	-	112,966
Telephone	1,005,791	1,063,758	1,370	28,864
Municipal Liquor	671,492	749,942	-	-
Cable Television	383,137	380,927	-	-
Sanitation	259,117	246,111	45,944	-
Storm Sewer	32,213	42,675	-	-
Ambulance	280,855	237,432	56,235	-
Broadband Internet	78,388	394,716	-	-
Total Business-Type Activities	5,557,789	6,574,851	103,549	142,813
Total Primary Government	\$ 8,894,078	\$ 6,897,610	\$ 425,375	\$ 2,744,662
Component Unit				
EDA	\$ 255,860	\$ 42,184	\$ 11,547	\$ -

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

CHANGE IN NET POSITION

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

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (706,175)	\$ -	\$ (706,175)	\$ -
(590,333)	-	(590,333)	-
1,947,537	-	1,947,537	-
(310,598)	-	(310,598)	-
(342,813)	-	(342,813)	-
(87,473)	-	(87,473)	-
(89,855)	-	(89,855)	-
-	83,736	83,736	-
-	300,900	300,900	-
-	341,807	341,807	-
-	88,201	88,201	-
-	78,450	78,450	-
-	(2,210)	(2,210)	-
-	32,938	32,938	-
-	10,462	10,462	-
-	12,812	12,812	-
-	316,328	316,328	-
-	1,263,424	1,263,424	-
(89,855)	1,263,424	1,173,569	-
-	-	-	(202,129)
784,875	77,727	862,602	-
203,139	-	203,139	-
835,351	-	835,351	164,847
66,111	47,091	113,202	75
174,081	523,722	697,803	85,409
783,429	(783,429)	-	-
2,846,986	(134,889)	2,712,097	250,331
2,757,131	1,128,535	3,885,666	48,202
7,930,449	16,181,716	24,112,165	276,500
-	106,960	106,960	-
7,930,449	16,288,676	24,219,125	276,500
\$ 10,687,580	\$ 17,417,211	\$ 28,104,791	\$ 324,702

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 2,085,676	\$ 482,401	\$ 616,062	\$ 270,603	\$ 194,120	\$ 3,648,862
Taxes Receivable						
Current	28,172	-	2,600	-	27	30,799
Special Assessments Receivable						
Delinquent	-	-	2,352	-	-	2,352
Noncurrent	43,365	-	4,779,877	86,644	-	4,909,886
Accounts Receivable	58,242	7,319	-	-	-	65,561
Due from Other Governments	-	286	-	-	-	286
Accrued Interest Receivable	15,423	-	-	-	-	15,423
Notes Receivable	-	-	-	-	34,816	34,816
Inventory	-	1,200	-	-	-	1,200
Advance to Component Unit	1,389	-	-	-	-	1,389
Due from Other Funds	60,202	-	-	-	-	60,202
Total Assets	2,292,469	491,206	5,400,891	357,247	228,963	8,770,776
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	29,243	2,377	-	-	-	31,620
Contracts Payable	-	14,731	-	89,664	-	104,395
Salaries and Benefits Payable	50,521	4,369	-	-	-	54,890
Advance from Other Funds	80,000	-	-	-	-	80,000
Advance from Component Unit	4,854	-	-	-	-	4,854
Total Liabilities	164,618	21,477	-	89,664	-	275,759
Deferred Inflows of Resources						
Unavailable Taxes	14,981	-	1,452	-	-	16,433
Unavailable Special Assessments	43,365	-	4,781,782	86,644	-	4,911,791
Unavailable Loans Receivable	-	-	-	-	34,814	34,814
Total Deferred Inflows of Resources	58,346	-	4,783,234	86,644	34,814	4,963,038
Fund Balances (Deficit)						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Advances	1,389	-	-	-	-	1,389
Restricted for Capital Projects	-	-	-	285,906	-	285,906
Restricted for Economic Development	-	-	-	-	106,113	106,113
Restricted for Debt Repayment	-	-	645,358	-	-	645,358
Restricted for Small Cities Grant	-	-	-	-	86,528	86,528
Restricted for DARE Program	-	-	-	-	1,508	1,508
Committed for Capital Outlay	119,000	19,368	-	-	-	138,368
Committed for Community Projects	1,081,858	-	-	-	-	1,081,858
Committed for Park Operations	-	449,161	-	-	-	449,161
Assigned for Joint Powers	3,535	-	-	-	-	3,535
Unassigned	863,723	-	(27,701)	(104,967)	-	731,055
Total Fund Balances (Deficit)	2,069,505	469,729	617,657	180,939	194,149	3,531,979
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 2,292,469	\$ 491,206	\$ 5,400,891	\$ 357,247	\$ 228,963	\$ 8,770,776

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, 2020**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS \$ 3,531,979

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. 8,178,449

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. 4,963,038

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	\$ (933,362)	
Deferred Inflows of Resources - Pension Related	(361,246)	
Deferred Outflows of Resources - Pension Related	<u>295,587</u>	(999,021)

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	(4,740,098)	
Capital Lease Obligations	(14,581)	
Accrued Compensated Absences	(179,695)	
Accrued Interest Payable on General Obligation Bonds	<u>(52,491)</u>	<u>(4,986,865)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,687,580

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 379,047	\$ 338,925	\$ 66,811	\$ -	\$ -	\$ 784,783
Tax Increments	-	-	-	-	203,139	203,139
Special Assessments	1,669	-	189,203	2,074	-	192,946
Licenses and Permits	60,630	665	-	-	-	61,295
Intergovernmental	1,152,491	-	-	-	-	1,152,491
Charges for Services	15,542	238,302	-	-	-	253,844
Fines and Forfeits	7,620	-	-	-	-	7,620
Gifts and Contributions	-	67,127	-	-	-	67,127
Interest Income	31,583	4,222	4,126	1,558	526	42,015
Miscellaneous	49,922	124,159	-	-	32,995	207,076
Total Revenues	1,698,504	773,400	260,140	3,632	236,660	2,972,336
EXPENDITURES						
Current						
General Government	810,484	-	-	-	-	810,484
Public Safety	824,667	-	-	-	966	825,633
Public Works	313,012	-	-	-	-	313,012
Parks and Recreation	-	453,533	-	-	-	453,533
Economic Development	195,387	-	-	-	177,000	372,387
Capital Outlay						
General Government	18,990	-	-	-	-	18,990
Public Safety	2,400	-	-	-	-	2,400
Public Works	21,097	-	-	2,207,134	-	2,228,231
Parks and Recreation	-	379,435	-	-	-	379,435
Debt Service						
Principal	4,825	-	255,000	-	-	259,825
Interest and Other Charges	1,096	-	63,189	-	-	64,285
Bond Issue Costs	-	-	-	67,879	-	67,879
Total Expenditures	2,191,958	832,968	318,189	2,275,013	177,966	5,796,094
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(493,454)	(59,568)	(58,049)	(2,271,381)	58,694	(2,823,758)
OTHER FINANCING SOURCES						
Transfers In	783,429	-	-	-	-	783,429
Bond Proceeds	-	-	-	2,440,000	-	2,440,000
Premium on Bonds Issued	-	-	-	110,267	-	110,267
Total Other Financing Sources	783,429	-	-	2,550,267	-	3,333,696
NET CHANGE IN FUND BALANCES	289,975	(59,568)	(58,049)	278,886	58,694	509,938
Fund Balance (Deficit) - Beginning of Year	1,779,530	529,297	675,706	(97,947)	135,455	3,022,041
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 2,069,505</u>	<u>\$ 469,729</u>	<u>\$ 617,657</u>	<u>\$ 180,939</u>	<u>\$ 194,149</u>	<u>\$ 3,531,979</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 509,938

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	\$ 2,680,310	
Current Year Depreciation	(427,320)	
Net Book Value of Asset Disposals	<u>(4,599)</u>	2,248,391

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		2,338,490
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Bond and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The proceeds, net of issuance costs, for debt issuance are:

Gross Bond Proceeds	(2,440,000)	
Bond Premium	<u>(110,267)</u>	(2,550,267)

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.		3,297
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments:		
General Obligation Bonds	255,000	
Capital Lease	<u>4,825</u>	259,825

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	(25,390)	
Amortization of Premiums	2,626	
Amortization of Discounts	(424)	
Change in Compensated Absences	<u>(29,355)</u>	<u>(52,543)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,757,131

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Water	Sewer	Electric	Telephone	Municipal Liquor
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 965,042	\$ 1,119,881	\$ 1,102,152	\$ 1,030,816	\$ 62,587
Accounts Receivable - Net	60,944	85,682	305,379	30,359	5,560
Special Assessments Receivable					
Delinquent	2,221	1,960	-	-	-
Noncurrent	190,764	179,110	-	-	-
Inventories	-	-	-	-	104,886
Prepaid Services	7,917	19,792	23,750	41,451	-
Total Current Assets	<u>1,226,888</u>	<u>1,406,425</u>	<u>1,431,281</u>	<u>1,102,626</u>	<u>173,033</u>
Noncurrent Assets					
Investment in Joint Venture	-	-	-	3,202,513	-
Restricted Cash	-	-	-	283,325	-
Advance to Component Unit	115,349	112,760	-	-	-
Advances to Other Funds	-	80,000	-	-	-
Capital Assets					
Land	-	100,831	-	-	71,304
Construction in Progress	-	1,793,497	89,087	-	14,240
Buildings (Net)	308,515	2,025	73,065	30,487	38,851
Infrastructure (Net)	1,830,482	4,461,102	410,578	-	-
Improvements (Net)	-	-	-	3,399,827	-
Machinery and Equipment (Net)	133,713	20,996	172,891	66,254	3,109
Vehicles (Net)	-	45,715	68,479	15,473	-
Total Capital Assets	<u>2,272,710</u>	<u>6,424,166</u>	<u>814,100</u>	<u>3,512,041</u>	<u>127,504</u>
Total Noncurrent Assets	<u>2,388,059</u>	<u>6,616,926</u>	<u>814,100</u>	<u>6,997,879</u>	<u>127,504</u>
Total Assets	<u>3,614,947</u>	<u>8,023,351</u>	<u>2,245,381</u>	<u>8,100,505</u>	<u>300,537</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	1,076	1,076	4,039	15,962	4,045
Amount on Refunding	-	-	-	-	-
Total Deferred Outflows of Resources	<u>1,076</u>	<u>1,076</u>	<u>4,039</u>	<u>15,962</u>	<u>4,045</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	-	1,434	194,928	25,110	11,200
Contracts Payable	-	76,671	-	-	-
Salaries and Benefits Payable	404	211	2,076	11,820	1,766
Deposits Payable	-	-	1,349	-	-
Accrued Interest Payable	4,938	12,567	-	9,795	-
Due to Other Governments	243	-	7,804	2,042	7,062
Due to Other Funds	-	-	-	-	-
Unearned Utility Payments	-	-	1,863	18,988	-
Compensated Absences - Due Within One Year	179	179	4,795	21,363	4,153
Long-Term Debt - Due Within One Year	82,000	343,315	-	165,000	-
Total Current Liabilities	<u>87,764</u>	<u>434,377</u>	<u>212,815</u>	<u>254,118</u>	<u>24,181</u>
Noncurrent Liabilities					
Compensated Absences Payable -					
Due in More than One Year	60	59	1,598	7,121	1,385
Long-Term Debt - Due in More than One Year	590,181	2,578,913	-	2,741,405	-
Net Pension Liability	9,348	9,347	35,096	138,697	35,146
Total Noncurrent Liabilities	<u>599,589</u>	<u>2,588,319</u>	<u>36,694</u>	<u>2,887,223</u>	<u>36,531</u>
Total Liabilities	<u>687,353</u>	<u>3,022,696</u>	<u>249,509</u>	<u>3,141,341</u>	<u>60,712</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related	765	765	2,871	11,349	2,876
NET POSITION					
Net Investment in Capital Assets	1,600,529	3,425,267	814,100	605,636	127,504
Restricted for Debt Service	-	-	-	283,325	-
Unrestricted	1,327,376	1,575,699	1,182,940	4,074,816	113,490
Total Net Position	<u>\$ 2,927,905</u>	<u>\$ 5,000,966</u>	<u>\$ 1,997,040</u>	<u>\$ 4,963,777</u>	<u>\$ 240,994</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2020**

Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 76,222	\$ -	\$ 1,345,312	\$ 5,702,012
33,392	71,570	96,646	689,532
-	-	-	4,181
-	-	-	369,874
-	-	-	104,886
-	-	-	92,910
<u>109,614</u>	<u>71,570</u>	<u>1,441,958</u>	<u>6,963,395</u>
-	-	-	3,202,513
-	-	-	283,325
-	-	24,728	252,837
-	-	-	80,000
-	-	13,077	185,212
-	-	-	1,896,824
60,080	24,688	85,692	623,403
306,495	-	532,026	7,540,683
-	-	-	3,399,827
194,534	74,377	11,781	677,655
-	38,232	-	167,899
<u>561,109</u>	<u>137,297</u>	<u>642,576</u>	<u>14,491,503</u>
<u>561,109</u>	<u>137,297</u>	<u>667,304</u>	<u>18,310,178</u>
670,723	208,867	2,109,262	25,273,573
1,103	4,530	3,300	35,131
3,546	-	-	3,546
<u>4,649</u>	<u>4,530</u>	<u>3,300</u>	<u>38,677</u>
24,942	8,584	17,426	283,624
-	-	-	76,671
3,504	10,580	2,283	32,644
-	-	-	1,349
4,202	-	-	31,502
2,180	-	1,892	21,223
-	60,202	-	60,202
18,644	-	25,288	64,783
3,632	9,918	4,039	48,258
76,000	15,332	-	681,647
<u>133,104</u>	<u>104,616</u>	<u>50,928</u>	<u>1,301,903</u>
1,210	3,305	1,347	16,085
321,000	15,333	-	6,246,832
9,580	39,362	28,667	305,243
<u>331,790</u>	<u>58,000</u>	<u>30,014</u>	<u>6,568,160</u>
464,894	162,616	80,942	7,870,063
<u>784</u>	<u>3,221</u>	<u>2,345</u>	<u>24,976</u>
167,655	106,632	642,576	7,489,899
-	-	-	283,325
42,039	(59,072)	1,386,699	9,643,987
<u>\$ 209,694</u>	<u>\$ 47,560</u>	<u>\$ 2,029,275</u>	<u>\$ 17,417,211</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Water	Sewer	Electric	Telephone	Municipal Liquor
OPERATING REVENUES					
Sales	\$ -	\$ -	\$ -	\$ -	\$ 749,942
Cost of Goods Sold	-	-	-	-	(574,086)
Charges for Services	497,962	694,646	2,266,682	1,063,758	-
Total Operating Revenues	<u>497,962</u>	<u>694,646</u>	<u>2,266,682</u>	<u>1,063,758</u>	<u>175,856</u>
OPERATING EXPENSES					
Professional Services	143,091	133,858	381,142	92,223	-
Wages, Salaries, and Compensation	13,828	13,826	55,058	247,752	59,050
Repairs and Maintenance	114,004	20,673	41,263	34,996	2,462
Insurance	4,812	6,812	5,090	5,138	7,721
Utilities	-	-	4,295	-	-
Depreciation	112,944	168,393	66,471	296,801	2,078
Amortization	1,250	3,125	3,750	1,875	-
Materials and Supplies	102	-	139,544	33,529	2,475
Miscellaneous Expenses	11,182	17,717	68,020	174,136	23,620
Purchased Power	-	-	1,273,208	-	-
License Fees	474	-	-	-	-
Total Operating Expenses	<u>401,687</u>	<u>364,404</u>	<u>2,037,841</u>	<u>886,450</u>	<u>97,406</u>
OPERATING INCOME (LOSS)	96,275	330,242	228,841	177,308	78,450
NONOPERATING REVENUES (EXPENSES)					
Taxes	-	-	-	-	-
Interest Income (Loss)	7,132	8,584	9,053	10,895	490
Joint Venture Income	-	-	-	364,619	-
Special Assessments	423	560	-	-	-
Intergovernmental Grants	-	-	-	1,370	-
Miscellaneous - Nonoperating	(1,527)	100,863	20,474	1,438	2,021
Interest Expense and Fiscal Charges	(12,962)	(29,902)	-	(119,341)	-
Total Nonoperating Revenues (Expenses)	<u>(6,934)</u>	<u>80,105</u>	<u>29,527</u>	<u>258,981</u>	<u>2,511</u>
Income before Transfers and Capital Contributions	89,341	410,347	258,368	436,289	80,961
Capital Contributions	-	-	112,966	28,864	-
Transfers In	-	-	16,105	140,818	-
Transfers Out	(50,000)	(55,000)	(209,148)	(323,118)	-
CHANGE IN NET POSITION	39,341	355,347	178,291	282,853	80,961
Net Position - Beginning of Year	2,888,564	4,609,465	1,747,943	4,680,924	160,033
Restatement	-	36,154	70,806	-	-
Net Position - Beginning of Year, As Restated	<u>2,888,564</u>	<u>4,645,619</u>	<u>1,818,749</u>	<u>4,680,924</u>	<u>160,033</u>
NET POSITION - END OF YEAR	<u>\$ 2,927,905</u>	<u>\$ 5,000,966</u>	<u>\$ 1,997,040</u>	<u>\$ 4,963,777</u>	<u>\$ 240,994</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ -	\$ -	\$ -	\$ 749,942
-	-	-	(574,086)
<u>380,927</u>	<u>237,432</u>	<u>683,502</u>	<u>5,824,909</u>
380,927	237,432	683,502	6,000,765
15,362	16,038	201,846	983,560
18,157	143,460	53,060	604,191
4,659	23,866	541	242,464
6,490	2,572	1,810	40,445
-	-	-	4,295
31,523	31,630	34,747	744,587
-	-	-	10,000
4,385	22,992	17,526	220,553
6,493	40,297	60,188	401,653
-	-	-	1,273,208
<u>284,207</u>	<u>-</u>	<u>-</u>	<u>284,681</u>
371,276	280,855	369,718	4,809,637
9,651	(43,423)	313,784	1,191,128
-	77,727	-	77,727
622	(1,802)	12,117	47,091
-	-	-	364,619
-	-	-	983
-	56,235	45,944	103,549
8,872	26,967	(5)	159,103
<u>(11,861)</u>	<u>-</u>	<u>-</u>	<u>(174,066)</u>
(2,367)	159,127	58,056	579,006
7,284	115,704	371,840	1,770,134
-	-	-	141,830
-	-	-	156,923
<u>-</u>	<u>-</u>	<u>(303,086)</u>	<u>(940,352)</u>
7,284	115,704	68,754	1,128,535
202,410	(68,144)	1,960,521	16,181,716
-	-	-	106,960
<u>202,410</u>	<u>(68,144)</u>	<u>1,960,521</u>	<u>16,288,676</u>
<u>\$ 209,694</u>	<u>\$ 47,560</u>	<u>\$ 2,029,275</u>	<u>\$ 17,417,211</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Water	Sewer	Electric	Telephone	Municipal Liquor
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 492,682	\$ 689,752	\$ 2,281,106	\$ 1,063,582	\$ 750,922
Payments to Suppliers	(329,769)	(182,017)	(1,931,497)	(361,130)	(617,883)
Payments to Employees	(15,957)	(15,958)	(62,085)	(255,314)	(64,162)
Net Cash Provided (Used) by Operating Activities	146,956	491,777	287,524	447,138	68,877
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
FINANCING ACTIVITIES					
Transfers Out	(50,000)	(55,000)	(209,148)	(323,118)	-
Transfers In	-	-	16,105	140,818	-
Advance from (to) Component Unit	25,284	20,580	-	-	-
Interfund Borrowings	-	20,000	-	-	-
Taxes	-	-	-	-	-
Other Miscellaneous Receipts (Payments)	(1,526)	100,864	20,475	1,438	2,020
Intergovernmental Grants	-	-	-	1,370	-
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(26,242)	86,444	(172,568)	(179,492)	2,020
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal Paid on Debt	(82,000)	(289,000)	-	(160,000)	-
Interest Paid on Debt	(13,032)	(27,929)	-	(123,013)	-
Bond Proceeds	-	1,310,228	-	-	-
Notes Payable Proceeds	-	-	-	-	-
Special Assessments	18,055	17,510	-	-	-
Acquisition of Capital Assets	(20,684)	(1,688,457)	(148,692)	(6,875)	(85,544)
Net Cash Used by Capital and Related Financing Activities	(97,661)	(677,648)	(148,692)	(289,888)	(85,544)
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts from Joint Venture	-	-	-	185,076	-
Interest and Dividends Received	7,132	8,584	9,053	10,895	490
Net Cash Provided (Used) by Investing Activities	7,132	8,584	9,053	195,971	490
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	30,185	(90,843)	(24,683)	173,729	(14,157)
Cash and Cash Equivalents - Beginning of Year	934,857	1,210,724	1,126,835	1,140,412	76,744
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 965,042	\$ 1,119,881	\$ 1,102,152	\$ 1,314,141	\$ 62,587
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 96,275	\$ 330,242	\$ 228,841	\$ 177,308	\$ 78,450
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	112,944	168,393	66,471	296,801	2,078
(Increase) Decrease in Assets and Deferred Outflows					
Accounts Receivable	(5,132)	(4,319)	14,939	9,101	980
Inventory	-	-	-	-	(16,250)
Prepaid Services, Net	1,250	3,125	3,750	(27,701)	-
Deferred Outflows of Resources - Pension	(356)	(356)	(1,206)	(6,346)	(1,418)
Increase (Decrease) in Liabilities and Deferred Inflows					
Accounts Payable	(56,084)	(2,957)	(23,720)	8,922	7,312
Salaries and Benefits Payable	(59)	(60)	345	1,633	129
Due to Other Governments	(20)	-	4,785	(454)	1,419
Due to Other Funds	-	-	-	-	-
Compensated Absences Payable	(189)	(190)	1,656	2,501	605
Net Pension Liability	107	106	(1,261)	15,310	1,440
Deferred Inflows of Resources - Pension	(1,632)	(1,632)	(6,561)	(20,660)	(5,868)
Unearned Utility Payments	(148)	(575)	(515)	(9,277)	-
Total Adjustments	50,681	161,535	58,683	269,830	(9,573)
Net Cash Provided (Used) by Operating Activities	\$ 146,956	\$ 491,777	\$ 287,524	\$ 447,138	\$ 68,877

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$	384,135	\$ 420,804	\$ 672,973	\$ 6,755,956
	(298,039)	(314,770)	(280,709)	(4,315,814)
	(20,619)	(173,571)	(53,642)	(661,308)
	65,477	(67,537)	338,622	1,778,834
	-	-	(303,086)	(940,352)
	-	-	-	156,923
	-	-	12,936	58,800
	-	(73,817)	-	(53,817)
	-	77,727	-	77,727
	8,873	26,967	(5)	159,106
	-	56,235	45,944	103,549
	8,873	87,112	(244,211)	(438,064)
	(72,000)	(15,302)	-	(618,302)
	(11,913)	-	-	(175,887)
	-	-	-	1,310,228
	-	45,967	-	45,967
	-	-	-	35,565
	-	(48,438)	-	(1,998,690)
	(83,913)	(17,773)	-	(1,401,119)
	-	-	-	185,076
	622	(1,802)	12,117	47,091
	622	(1,802)	12,117	232,167
	(8,941)	-	106,528	171,818
	85,163	-	1,238,784	5,813,519
\$	76,222	\$ -	\$ 1,345,312	\$ 5,985,337
\$	9,651	\$ (43,423)	\$ 313,784	\$ 1,191,128
	31,523	31,630	34,747	744,587
	3,424	(29,708)	(13,808)	(24,523)
	-	-	-	(16,250)
	-	-	-	(19,576)
	(306)	204	(1,411)	(11,195)
	23,821	4,075	1,162	(37,469)
	176	1,708	408	4,280
	(264)	-	40	5,506
	-	-	-	-
	182	-	(65)	4,500
	(645)	(21,385)	4,429	(1,899)
	(1,869)	(12,538)	(3,943)	(54,703)
	(216)	1,900	3,279	(5,552)
	55,826	(24,114)	24,838	587,706
\$	65,477	\$ (67,537)	\$ 338,622	\$ 1,778,834

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2020**

	Custodial Fund
ASSETS	
Cash and Investments	\$ 130,487
LIABILITIES	
Accounts Payable	941
NET POSITION	
Restricted for Fire Department	\$ 129,546

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Custodial Fund
ADDITIONS	
Charges for Services	\$ 74,692
Investment Income	393
Miscellaneous Revenue	58,668
Contributions and Donations	9,797
Total Additions	143,550
DEDUCTIONS	
Payments to Other Entities	176,056
NET DECREASE IN NET POSITION	(32,506)
Net Position - Beginning of Year	162,052
NET POSITION - END OF YEAR	\$ 129,546

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. The EDA does 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 does 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, 2020

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, 2020**

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, 2020**

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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Short-Term Interfund Receivables/Payables

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

3. Accounts Receivable

All accounts receivable are shown net of allowance for uncollectible accounts when applicable. Write-offs are done on a case-by-case basis.

4. Special Assessments

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

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

5. Inventory

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

6. Prepaid Services

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

7. Land Held for Resale

Land held 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, 2020**

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) are 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 and Improvements	15-75
Machinery, Equipment and Vehicles	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, contributions from the employer after the measurement date but before the end of the employer’s reporting period and amounts on refunding bonds.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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 government wide and proprietary fund statements, 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 limitations 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, 2020**

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 10 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, 2020**

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, 2020**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following funds:

	Expenditures	Budget	Excess
Park and Recreation Fund	\$ 832,968	\$ 558,502	\$ 274,466

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; issues of the U.S. government agency; general obligations of local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial *institution* not owned or controlled by the depository.

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

At December 31, 2020, the deposits were fully insured and collateralized as required by Minnesota Statutes §118A.03.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments

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

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

As of December 31, 2020, 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	\$ 51,509	3.3 %
<u>Negotiable Certificates of Deposit</u>				
Sallie Mae Bank	4/5/2021	NR	226,456	14.5
Capital One National Association CD - Mclean	6/14/2021	NR	100,990	6.4
Wells Fargo National Bank West	7/19/2021	NR	51,482	3.3
Wells Fargo Bank N.A	2/17/2021	A	230,510	14.7
Wells Fargo National Bank West	2/22/2022	NR	102,891	6.6
<u>Government/Agency Obligations</u>				
Federated Government Obligation	1/1/2021	AAA	19,046	1.2
Clayton Boro Sch Dist Red	9/1/2023	NR	108,163	6.9
Robla Calif School Dist	8/1/2023	A	32,001	2.0
Kern Cnty Calif Pension Oblig	8/15/2023	NR	90,136	5.8
Porter Cnty In Jail Bldg Corp	1/10/2024	AA	110,056	7.0
West Cortra Costa Calif Uni Sch	8/1/2024	AA	204,369	13.0
SBAP 2012-20G	7/1/2032	AAA	239,384	15.3
			<u>\$ 1,566,993</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, 2020**

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 investment policy 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	\$ 8,407,143
Investments	1,566,993
Total Cash and Investments	\$ 9,974,136
Governmental Funds	
Cash and Investments	\$ 3,648,862
Enterprise Funds	
Cash and Investments	5,702,012
Restricted Cash and Investments	283,325
Component Unit	209,450
Custodial Funds	130,487
Total Cash and Investments	\$ 9,974,136

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, 2020**

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 would use in pricing the asset.

Investments are measured as follows:

	12/31/2020	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Negotiable Certificates of Deposit	\$ 712,329	\$ -	\$ 712,329	\$ -
Government/Agency Obligations	803,155	-	803,155	-
Total Investments by Fair Value Level	<u>1,515,484</u>	<u>\$ -</u>	<u>\$ 1,515,484</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Money Market Funds	51,509			
Total Investments	<u>\$ 1,566,993</u>			

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 Company, Otter Com, LLC, Red River Technologies, Inc., Loretel Systems and East Ottetail 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 2020 is as follows:

Balance, January 1, 2020	\$	3,022,970
Cash Distributions		(185,077)
Net Income		<u>364,620</u>
 Balance, December 31, 2020	 \$	 <u><u>3,202,513</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, 2020**

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, 2020, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 583,716	\$ -	\$ -	\$ 583,716
Construction in Progress	-	2,584,361	-	2,584,361
Total Capital Assets Not Being Depreciated	583,716	2,584,361	-	3,168,077
Capital Assets Being Depreciated				
Buildings	1,680,180	-	-	1,680,180
Infrastructure	5,816,224	-	-	5,816,224
Improvements	1,983,564	34,445	-	2,018,009
Machinery and Equipment	978,455	61,504	(17,615)	1,022,344
Vehicles	450,061	-	-	450,061
Total Capital Assets Being Depreciated	10,908,484	95,949	(17,615)	10,986,818
Less: Accumulated Depreciation for				
Buildings	920,811	33,227	-	954,038
Infrastructure	3,321,958	156,554	-	3,478,512
Improvements	429,225	111,708	-	540,933
Machinery and Equipment	544,771	99,873	(13,016)	631,628
Vehicles	345,377	25,958	-	371,335
Total Accumulated Depreciation	5,562,142	427,320	(13,016)	5,976,446
Total Capital Assets Being Depreciated, Net	5,346,342	(331,371)	(4,599)	5,010,372
Governmental Activities Capital Assets, Net	<u>\$ 5,930,058</u>	<u>\$ 2,252,990</u>	<u>\$ (4,599)</u>	<u>\$ 8,178,449</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020:

BUSINESS-TYPE ACTIVITIES	Beginning Balance (as Restated)	Additions	Disposals	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 113,908	\$ 71,304	\$ -	\$ 185,212
Construction in Progress	90,942	1,860,670	(54,788)	1,896,824
Total Capital Assets Not Being Depreciated	<u>204,850</u>	<u>1,931,974</u>	<u>(54,788)</u>	<u>2,082,036</u>
Capital Assets Being Depreciated				
Buildings	1,416,952	-	-	1,416,952
Infrastructure	12,814,073	120,751	-	12,934,824
Improvements	5,088,890	28,865	-	5,117,755
Machinery and Equipment	2,602,529	190,386	-	2,792,915
Vehicles	621,155	-	-	621,155
Total Capital Assets Being Depreciated	<u>22,543,599</u>	<u>340,002</u>	<u>-</u>	<u>22,883,601</u>
Less: Accumulated Depreciation for				
Buildings	766,069	27,480	-	793,549
Infrastructure	5,124,515	269,626	-	5,394,141
Improvements	1,482,481	235,447	-	1,717,928
Machinery and Equipment	1,959,018	156,242	-	2,115,260
Vehicles	397,464	55,792	-	453,256
Total Accumulated Depreciation	<u>9,729,547</u>	<u>744,587</u>	<u>-</u>	<u>10,474,134</u>
Total Capital Assets Being Depreciated, Net	<u>12,814,052</u>	<u>(404,585)</u>	<u>-</u>	<u>12,409,467</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,018,902</u>	<u>\$ 1,527,389</u>	<u>\$ (54,788)</u>	<u>\$ 14,491,503</u>

The following is a summary of the component unit capital assets at December 31, 2020:

COMPONENT UNIT	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets Being Depreciated				
Buildings	\$ 9,989	\$ -	\$ -	\$ 9,989
Infrastructure	113,655	-	-	113,655
Total Capital Assets Being Depreciated	<u>123,644</u>	<u>-</u>	<u>-</u>	<u>123,644</u>
Less: Accumulated Depreciation for				
Buildings	3,330	999	-	4,329
Infrastructure	498	5,982	-	6,480
Total Accumulated Depreciation	<u>3,828</u>	<u>6,981</u>	<u>-</u>	<u>10,809</u>
Total Capital Assets Being Depreciated	<u>119,816</u>	<u>(6,981)</u>	<u>-</u>	<u>112,835</u>
Component Unit Capital Assets, Net	<u>\$ 119,816</u>	<u>\$ (6,981)</u>	<u>\$ -</u>	<u>\$ 112,835</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$ 25,165
Public Safety	16,206
Public Works	240,225
Culture and Recreation	145,724
Total Depreciation Expense - Governmental Activities	\$ 427,320

Business-Type Activities:

Water	\$ 112,944
Sewer	168,393
Electric	66,471
Telephone	296,801
Municipal Liquor	2,078
Cable Television	31,523
Sanitation	2,632
Storm Sewer	32,115
Ambulance	31,630
Total Depreciation Expense - Business-Type Activities	\$ 744,587

B. Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of December 31, 2020 is as follows:

	Transfers In:			Total
	General Fund	Electric Enterprise Fund	Telephone Enterprise Fund	
Transfer Out:				
Water Enterprise Fund	\$ 50,000	\$ -	\$ -	\$ 50,000
Sewer Enterprise Fund	55,000	-	-	55,000
Electric Enterprise Fund	209,148	-	-	209,148
Telephone Enterprise Fund	315,066	8,052	-	323,118
Nonmajor Enterprise Funds	154,215	8,053	140,818	303,086
Total	\$ 783,429	\$ 16,105	\$ 140,818	\$ 940,352

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, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

The composition of interfund balances at December 31, 2020, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ambulance Fund	\$ 60,202

The interfund receivables/payables between 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	1,389
General Fund	Sewer Fund	80,000
Component Unit - EDA	Sewer Fund	112,760
Component Unit - EDA	Water Fund	115,349
Component Unit - EDA	Sanitation Fund	24,728
Total		<u>\$ 339,080</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 10 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 repaid as the properties are sold.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 \$3,197,228 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, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt

	Authorized and Issued	Outstanding	Due in 2021	
			Principal	Interest
GOVERNMENTAL ACTIVITIES				
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	\$ 145,000	\$ 75,000	\$ 2,309
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	1,020,000	245,000	80,000	7,960
G.O. Improvement and Refunding Bonds Series 2012A, 0.55% to 3.30%, Issued 04/12/12, Final Maturity 02/01/32.	760,000	485,000	35,000	12,984
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	225,000	20,000	7,298
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	1,095,000	55,000	25,445
G.O. Improvement Bonds Series 2020A, 2.00% to 3.00%, Issued 6/8/20, Final Maturity 2/1/41.	<u>2,440,000</u>	<u>2,440,000</u>	<u>-</u>	<u>61,967</u>
Total General Obligation Bonds, Including Refunding Bonds	6,370,000	4,635,000	265,000	117,963
Less: Unamortized Discount	-	(2,543)	-	-
Less: Unamortized Premium	<u>-</u>	<u>107,641</u>	<u>-</u>	<u>-</u>
Total General Obligation Bonds, Including Refunding Bonds - Net	6,370,000	4,740,098	265,000	117,963
Capital Leases	<u>57,564</u>	<u>14,581</u>	<u>5,072</u>	<u>614</u>
Total Long-Term Debt - Governmental Activities	6,427,564	4,754,679	270,072	118,577

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2021	
			Principal	Interest
BUSINESS-TYPE ACTIVITIES				
<u>Revenue Bonds</u>				
Communication System Revenue Bonds, Series 2014A; 0.75% to 4.6%; Issued 05/13/14; Final Maturity 12/01/34.	\$ 3,870,000	\$ 2,925,000	\$ 165,000	\$ 113,825
Less: Unamortized Discount	-	(18,595)	-	-
Total Revenue Bonds - Net	3,870,000	2,906,405	165,000	113,825
<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	360,000	55,000	8,049
G.O. Improvement and Refunding Bonds Series 2012A; 0.80% to 2.20%, Issued 04/12/12; Final Maturity 2/01/22.	150,000	40,000	20,000	645
Total General Obligation Bonds	890,000	400,000	75,000	8,694
Less: Unamortized Discount	-	(2,819)	-	-
Total General Obligation Bonds - Net	890,000	397,181	75,000	8,694
<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	1,272,000	247,000	19,843
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	615,000	53,000	6,600
G.O. Revenue Bonds of 2020, 1.000%, Issued 7/29/20, Final Maturity 8/20/40.	1,961,315	1,310,228	50,315	17,195
Total Direct Borrowing - Net	7,148,240	3,197,228	350,315	43,638
<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	397,000	76,000	10,084
<u>Notes Payable</u>				
Stryker Note Payable of 2020, 0%, Issued 3/27/20	45,997	30,665	15,332	-
Total Long-Term Debt - Business-Type Activities	12,629,237	6,928,479	681,647	176,241
Total Government-Wide Long-Term Liabilities	<u>\$ 19,056,801</u>	<u>\$ 11,683,158</u>	<u>\$ 951,719</u>	<u>\$ 294,818</u>
DISCRETELY PRESENTED COMPONENT UNIT				
<u>Notes Payable</u>				
Notes Payable of 2019, 0%, Issued 7/15/19	\$ 133,000	\$ 92,848	\$ -	\$ -

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2019	Additions	Retirements	December 31, 2020	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Debt, Including					
Refunding Bonds	\$ 2,450,000	\$ 2,440,000	\$ 255,000	\$ 4,635,000	\$ 265,000
Less: Unamortized Discounts	(2,967)	-	(424)	(2,543)	-
Less: Unamortized Premiums	-	110,267	2,626	107,641	-
Capital Lease Obligations	19,406	-	4,825	14,581	5,072
Compensated Absences Payable	150,340	114,069	84,714	179,695	134,771
Total Governmental Activities	<u>\$ 2,616,779</u>	<u>\$ 2,664,336</u>	<u>\$ 346,741</u>	<u>\$ 4,934,374</u>	<u>\$ 404,843</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	\$ 3,090,000	\$ -	\$ 165,000	\$ 2,925,000	\$ 165,000
Direct Borrowing - Revenue Notes	2,183,000	1,310,228	296,000	3,197,228	350,315
Equipment Certificates	469,000	-	72,000	397,000	76,000
General Obligation Bonds	475,000	-	75,000	400,000	75,000
Notes Payable	-	45,967	15,302	30,665	15,332
Less: Unamortized Discounts	(23,212)	-	(1,798)	(21,414)	-
Compensated Absences Payable	57,943	45,591	39,191	64,343	48,258
Total Business-Type Activities	<u>\$ 6,251,731</u>	<u>\$ 1,401,786</u>	<u>\$ 660,695</u>	<u>\$ 6,992,822</u>	<u>\$ 729,905</u>
DISCRETELY PRESENTED COMPONENT UNIT					
Notes Payable	\$ 83,182	\$ 30,000	\$ 20,334	\$ 92,848	\$ -
Special Assessments Payable	525,483	2,500,310	270,663	2,755,130	-
Compensated Absences Payable	13,839	7,209	7,384	13,664	10,248
Total Discretely Presented Component Unit	<u>\$ 622,504</u>	<u>\$ 2,537,519</u>	<u>\$ 298,381</u>	<u>\$ 2,861,642</u>	<u>\$ 10,248</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
2021	\$ 265,000	\$ 117,963	\$ 382,963
2022	360,000	105,084	465,084
2023	295,000	95,912	390,912
2024	220,000	88,789	308,789
2025	230,000	82,856	312,856
2026 - 2030	1,190,000	315,512	1,505,512
2031 - 2035	1,070,000	168,607	1,238,607
2036 - 2040	855,000	55,325	910,325
2041	150,000	1,500	151,500
Total	<u>\$ 4,635,000</u>	<u>\$ 1,031,548</u>	<u>\$ 5,666,548</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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
2021	\$ 350,315	\$ 43,638	\$ 393,953	\$ 75,000	\$ 8,694	\$ 83,694
2022	396,000	41,132	437,132	80,000	7,045	87,045
2023	401,000	35,728	436,728	60,000	5,475	65,475
2024	407,000	30,255	437,255	60,000	4,050	64,050
2025	412,000	24,700	436,700	60,000	2,535	62,535
2026 - 2030	773,000	79,609	852,609	65,000	877	65,877
2031 - 2035	569,000	43,033	612,033	-	-	-
2036 - 2040	540,000	16,300	556,300	-	-	-
Total	* \$ 3,848,315	\$ 314,395	\$ 4,162,710	\$ 400,000	\$ 28,676	\$ 428,676

Year	G.O. Revenue Bonds			G.O. Equipment Certificates		
	Principal	Interest	Total	Principal	Interest	Total
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	185,000	94,800	279,800	82,000	2,082	84,082
2026 - 2030	1,045,000	363,690	1,408,690	-	-	-
2031 - 2035	1,005,000	117,495	1,122,495	-	-	-
Total	\$ 2,925,000	\$ 1,005,160	\$ 3,930,160	\$ 397,000	\$ 30,758	\$ 427,758

Year	Notes Payable			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 15,332	\$ -	\$ 15,332	\$ 681,647	\$ 176,241	\$ 857,888
2022	15,333	-	15,333	737,333	166,030	903,363
2023	-	-	-	715,000	152,876	867,876
2024	-	-	-	731,000	138,721	869,721
2025	-	-	-	739,000	124,117	863,117
2026 - 2030	-	-	-	1,883,000	444,176	2,327,176
2031 - 2035	-	-	-	1,574,000	160,528	1,734,528
Total	\$ 30,665	\$ -	\$ 30,665	\$ 7,600,980	\$ 1,378,989	\$ 8,979,969

*The outstanding direct borrowing principal includes the full \$7,148,240 of debt funding authorized by PFA agreements, which is comprised of \$6,497,153 that has been drawn by the City as of December 31, 2020 and \$651,087 which is what is left to be drawn.

The discretely presented component unit notes payable is due in installments upon the sale of individual lots in the Barnesville Commercial Park based on the terms of the repayment agreement between the City and the EDA at 0% interest.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. 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, 2020, the City has assets under this capital lease of \$25,213 with related accumulated depreciation of \$11,766.

The future minimum lease payments are as follows:

Capital Leases	
Year	Minimum Payments
2021	\$ 5,686
2022	5,686
2023	4,264
Total Minimum Lease Payments	15,636
Less: Amounts Representing Interest	(1,055)
Present Value of Minimum Lease Payments	\$ 14,581

6. 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, 2020.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 defined benefit pension plans administered by PERA. 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, 2020

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% 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 10 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 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1%. 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. 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 2020. 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, 2020, were \$78,306. 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, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of their annual covered salary to 11.8% and employer rates increased from 16.95% to 17.7% on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$68,692. 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, 2020, the City reported a liability of \$869,341 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. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$26,723. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0145% at the end of the measurement period and 0.0137% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$	869,341
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		26,723
Total Proportionate Share of the Net Pension Liability Associated with the City	\$	896,064

For the year ended December 31, 2020, the City recognized pension expense of \$22,601 for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional \$2,326 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, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2020, 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	\$ 7,926	\$ 3,289
Changes in Actuarial Assumptions	-	32,230
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	15,018	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	38,224	35,607
City Contributions Subsequent to the Measurement Date	38,884	-
Total	<u>\$ 100,052</u>	<u>\$ 71,126</u>

\$38,884 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, 2021. 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
2021	\$ (59,714)
2022	(517)
2023	29,269
2024	21,004

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$445,521 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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 proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0338% at the end of the measurement period and 0.0351% for the beginning of the period.

The state of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state aid was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$51,157 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$10,497 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$3,042 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Funds.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

City's Proportionate Share of the Net Pension Liability	\$	445,521
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		10,497
Total Proportionate Share of the Net Pension Liability Associated with the City	\$	456,018

At December 31, 2020, 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	\$ 19,686	\$ 21,157
Changes in Actuarial Assumptions	149,303	277,855
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	13,533	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	23,211	22,321
City Contributions Subsequent to the Measurement Date	33,709	-
Total	\$ 239,442	\$ 321,333

\$33,709 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, 2021. 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
2021	\$ (33,008)
2022	(121,211)
2023	21,765
2024	20,257
2025	(3,403)

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the City's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employees costs are associated.

Description	General Employees Plan	Police and Fire Plan	Total
Net Pension Liability	\$ 869,341	\$ 445,521	\$ 1,314,862
Deferred Outflows of Resources			
Related to Pensions	100,052	239,442	339,494
Deferred Inflows of Resources			
Related to Pensions	71,126	321,333	392,459
Pension Expense	24,927	54,199	79,126

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

	General Employees Plan	Police and Fire Plan
Inflation	2.25% per Year	2.50% per Year
Salary Increases	3.00% per Year	3.25% per Year
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire Plan 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. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2020 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 assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. The inflation and investment return assumptions for the Police and Fire Plan is based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for the plan was adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund:

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued):

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund:

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2018 to MP-2019.

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	5.3
Cash Equivalents	2.0	-
Totals	100.0 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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, 2020**

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	\$ 1,393,253	\$ 869,341	\$ 437,157

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	\$ 887,986	\$ 445,521	\$ 79,457

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.

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 10 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, 2020**

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 2020 contribution to the plan was as follows:

State Aid flowed through City to District	\$ 35,628
Voluntary (Nonrequired) Contribution from City	-
Total Contribution	<u>\$ 35,628</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 10-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, 2020 totals \$73,334.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 TAX ABATEMENTS

The City has six 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 three districts will stop collections on December 31, 2029, 2039, and 2040, 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, 2020, the City paid excess tax increment in the amount of \$177,000.

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, 2020, the City abated property taxes totaling \$28,940. No other commitments were made by the City as part of these agreements.

NOTE 9 PRIOR PERIOD ADJUSTMENT

Beginning net position of the Business-Type Activities, Sewer Fund, and Electric Fund were restated by \$106,960 \$36,154, and \$70,806, respectively, to properly state capital assets that were understated in previously issued financial statements.

	Business-Type Activities	Sewer Fund	Electric Fund
Net Position - Beginning of Year	\$ 16,181,716	\$ 4,609,465	\$ 1,747,943
Restatement - Correction of an Error	106,960	36,154	70,806
Net Position - Beginning of Year, as Restated	<u>\$ 16,288,676</u>	<u>\$ 4,645,619</u>	<u>\$ 1,818,749</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018
PERA - General Employees Plan			
City's Proportion of the Net Pension Liability	0.0145%	0.0137%	0.0145%
City's Proportionate Share of the Net Pension Liability	\$ 869,341	\$ 757,442	\$ 804,401
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 26,723	\$ 23,499	\$ 26,429
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 896,064	\$ 780,941	\$ 830,830
City's Covered Payroll	\$ 1,033,069	\$ 967,993	\$ 972,532
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	84.15%	78.25%	82.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.20%	79.50%
PERA - Police and Fire Plan			
City's Proportion of the Net Pension Liability	0.0338%	0.0351%	0.0335%
City's Proportionate Share of the Net Pension Liability	\$ 445,521	\$ 373,675	\$ 357,075
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 10,497	\$ -	\$ -
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 456,018	\$ -	\$ -
City's Covered Payroll	\$ 383,098	\$ 370,318	\$ 352,668
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	116.29%	100.91%	101.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.19%	89.30%	88.80%

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 THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN FISCAL YEARS**

Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.0152%	0.0153%	0.0162%
\$ 970,358	\$ 1,242,284	\$ 839,568
\$ 12,170	\$ 16,225	\$ -
\$ 982,528	\$ 1,258,509	\$ 839,568
\$ 976,694	\$ 951,245	\$ 950,430
99.35%	130.60%	88.34%
75.90%	68.91%	78.20%
0.0330%	0.0330%	0.0350%
\$ 445,539	\$ 1,324,347	\$ 397,682
\$ -	\$ -	\$ -
\$ -	\$ -	\$ -
\$ 338,298	\$ 322,142	\$ 320,101
131.70%	411.11%	124.24%
85.43%	63.88%	82.30%

Notes to Required Supplementary Information Other than MD&A are an integral part of this schedule.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PERA - General Employees Plan				
Contractually Required Contribution	\$ 78,306	\$ 75,146	\$ 72,474	\$ 70,677
Contributions in Relation to the Contractually Required Contribution	<u>(78,306)</u>	<u>(75,146)</u>	<u>(72,474)</u>	<u>(70,677)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,044,080	\$ 1,001,947	\$ 966,320	\$ 942,360
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
PERA - Police and Fire Plan				
Contractually Required Contribution	\$ 68,692	\$ 63,493	\$ 58,511	\$ 54,145
Contributions in Relation to the Contractually Required Contribution	<u>(68,692)</u>	<u>(63,493)</u>	<u>(58,511)</u>	<u>(54,145)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 388,087	\$ 374,591	\$ 361,179	\$ 334,231
Contributions as a Percentage of Covered Payroll	17.70%	16.95%	16.20%	16.20%

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 (CONTINUED)
LAST TEN FISCAL YEARS**

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 72,123	\$ 73,020	\$ 68,395
<u>(72,123)</u>	<u>(73,020)</u>	<u>(68,395)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 961,636	\$ 973,605	\$ 943,183
7.50%	7.50%	7.25%
\$ 52,873	\$ 54,333	\$ 47,791
<u>(52,873)</u>	<u>(54,333)</u>	<u>(47,791)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 326,375	\$ 335,388	\$ 301,363
16.20%	16.20%	15.86%

Notes to Required Supplementary Information Other than MD&A are an integral part of this schedule.

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 379,056	\$ 379,047	\$ (9)
Special Assessments	4,000	1,669	(2,331)
Licenses and Permits	35,650	60,630	24,980
Intergovernmental	884,379	1,152,491	268,112
Charges for Services	56,848	15,542	(41,306)
Fines and Forfeits	6,700	7,620	920
Interest Income	14,550	31,583	17,033
Miscellaneous	40,028	49,922	9,894
Total Revenues	<u>1,421,211</u>	<u>1,698,504</u>	<u>277,293</u>
EXPENDITURES			
Current			
General Government	732,646	810,484	77,838
Public Safety	744,243	824,667	80,424
Public Works	366,388	313,012	(53,376)
Economic Development	199,797	195,387	(4,410)
Capital Outlay			
General Government	77,250	18,990	(58,260)
Public Safety	-	2,400	2,400
Public Works	230,390	21,097	(209,293)
Debt service			
Principal	-	4,825	4,825
Interest and Other Charges	-	1,096	1,096
Total Expenditures	<u>2,350,714</u>	<u>2,191,958</u>	<u>(158,756)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(929,503)	(493,454)	436,049
OTHER FINANCING SOURCES (USES)			
Transfers In	783,429	783,429	-
Transfers Out	(20,000)	-	20,000
Proceeds From Sale of Capital Assets	90,000	-	(90,000)
Total Other Financing Sources and (Uses)	<u>853,429</u>	<u>783,429</u>	<u>(70,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (76,074)</u>	289,975	<u>\$ 366,049</u>
Fund Balance - Beginning of Year		<u>1,779,530</u>	
FUND BALANCE - END OF YEAR		<u>\$ 2,069,505</u>	

Notes to Required Supplementary Information Other than MD&A are an integral part of this schedule.

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 338,925	\$ 338,925	\$ -
Licenses and Permits	1,000	665	(335)
Charges for Services	211,187	238,302	27,115
Gifts and Contributions	100	67,127	67,027
Interest on Investments	3,000	4,222	1,222
Miscellaneous	10,392	124,159	113,767
Total Revenues	<u>564,604</u>	<u>773,400</u>	<u>208,796</u>
EXPENDITURES			
Current			
Parks and Recreation	490,502	453,533	(36,969)
Capital Outlay			
Parks and Recreation	68,000	379,435	311,435
Total Expenditures	<u>558,502</u>	<u>832,968</u>	<u>274,466</u>
NET CHANGE IN FUND BALANCE	<u>\$ 6,102</u>	<u>(59,568)</u>	<u>\$ (65,670)</u>
Fund Balance - Beginning of Year		<u>529,297</u>	
FUND BALANCE - END OF YEAR		<u>\$ 469,729</u>	

Notes to Required Supplementary Information Other than MD&A are an integral part of this schedule.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

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
2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

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

A. General Employees Fund (Continued)

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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 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.

2018

Changes in Actuarial Assumptions

- The mortality 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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

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

A. General Employees Fund (Continued)

2018 (Continued)

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.

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2020

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

A. General Employees Fund (Continued)

2016 (Continued)

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

2020

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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, 2020

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% 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, 2020

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%.

SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 1,508	\$ 86,526	\$ 106,086	\$ 194,120
Taxes Receivable	-	-	27	27
Notes Receivable	-	34,816	-	34,816
Total Assets	<u>1,508</u>	<u>121,342</u>	<u>106,113</u>	<u>228,963</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Loans Receivable	-	34,814	-	34,814
Fund Balances				
Restricted for DARE Program	1,508	-	-	1,508
Restricted for Economic Development	-	-	106,113	106,113
Restricted for Small Cities Grant	-	86,528	-	86,528
Total Fund Balances	<u>1,508</u>	<u>86,528</u>	<u>106,113</u>	<u>194,149</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,508</u>	<u>\$ 121,342</u>	<u>\$ 106,113</u>	<u>\$ 228,963</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
REVENUES				
Tax Increments	\$ -	\$ -	\$ 203,139	\$ 203,139
Interest Income	15	505	6	526
Miscellaneous	-	32,995	-	32,995
Total Revenues	15	33,500	203,145	236,660
EXPENDITURES				
Current				
Public Safety	966	-	-	966
Economic Development	-	-	177,000	177,000
Total Expenditures	966	-	177,000	177,966
NET CHANGE IN FUND BALANCES	(951)	33,500	26,145	58,694
Fund Balances - Beginning of Year	2,459	53,028	79,968	135,455
FUND BALANCES - END OF YEAR	<u>\$ 1,508</u>	<u>\$ 86,528</u>	<u>\$ 106,113</u>	<u>\$ 194,149</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2020**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 217,597	\$ 470,459	\$ 657,256	\$ 1,345,312
Accounts Receivable - Net	45,664	5,374	45,608	96,646
Total Current Assets	263,261	475,833	702,864	1,441,958
Noncurrent Assets				
Advance to Component Unit	24,728	-	-	24,728
Capital Assets				
Land	-	13,077	-	13,077
Buildings (Net)	85,692	-	-	85,692
Infrastructure (Net)	-	532,026	-	532,026
Machinery and Equipment (Net)	-	11,781	-	11,781
Net Capital Assets	85,692	556,884	-	642,576
Total Noncurrent	110,420	556,884	-	667,304
Total Assets	373,681	1,032,717	702,864	2,109,262
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	1,402	-	1,898	3,300
LIABILITIES				
Current Liabilities				
Accounts Payable	17,395	-	31	17,426
Salaries and Benefits Payable	1,567	-	716	2,283
Due to Other Governments	1,892	-	-	1,892
Unearned Utility Payments	-	-	25,288	25,288
Compensated Absences - Due Within One Year	2,557	-	1,482	4,039
Total Current Liabilities	23,411	-	27,517	50,928
Noncurrent Liabilities				
Compensated Absences - Due in More than One Year	853	-	494	1,347
Net Pension Liability	12,180	-	16,487	28,667
Total Noncurrent Liabilities	13,033	-	16,981	30,014
Total Liabilities	36,444	-	44,498	80,942
DEFERRED INFLOWS OF RESOURCES				
Pension Related	996	-	1,349	2,345
NET POSITION				
Net Investment in Capital Assets	85,692	556,884	-	642,576
Unrestricted	251,951	475,833	658,915	1,386,699
Total Net Position	\$ 337,643	\$ 1,032,717	\$ 658,915	\$ 2,029,275

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES				
Charges for Services	\$ 246,111	\$ 42,675	\$ 394,716	\$ 683,502
OPERATING EXPENSES				
Professional Services	201,846	-	-	201,846
Wages, Salaries, and Compensation	24,265	-	28,795	53,060
Repairs and Maintenance	443	98	-	541
Insurance	1,810	-	-	1,810
Depreciation	2,632	32,115	-	34,747
Materials and Supplies	1,344	-	16,182	17,526
Miscellaneous Expenses	26,777	-	33,411	60,188
Total Operating Expenses	<u>259,117</u>	<u>32,213</u>	<u>78,388</u>	<u>369,718</u>
OPERATING INCOME (LOSS)	(13,006)	10,462	316,328	313,784
NONOPERATING REVENUES (EXPENSES)				
Interest Income	1,459	4,384	6,274	12,117
Intergovernmental Grants	45,944	-	-	45,944
Miscellaneous - Nonoperating	-	-	(5)	(5)
Total Nonoperating Revenues (Expenses)	<u>47,403</u>	<u>4,384</u>	<u>6,269</u>	<u>58,056</u>
Income before Transfers and Contributions	34,397	14,846	322,597	371,840
Transfers Out	<u>(18,000)</u>	<u>(7,500)</u>	<u>(277,586)</u>	<u>(303,086)</u>
CHANGE IN NET POSITION	16,397	7,346	45,011	68,754
Net Position - Beginning of Year	<u>321,246</u>	<u>1,025,371</u>	<u>613,904</u>	<u>1,960,521</u>
NET POSITION - END OF YEAR	<u>\$ 337,643</u>	<u>\$ 1,032,717</u>	<u>\$ 658,915</u>	<u>\$ 2,029,275</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 240,656	\$ 42,119	\$ 390,198	\$ 672,973
Payments to Suppliers	(230,938)	(98)	(49,673)	(280,709)
Payments to Employees	(24,324)	-	(29,318)	(53,642)
Net Cash Provided (Used) by Operating Activities	<u>(14,606)</u>	<u>42,021</u>	<u>311,207</u>	<u>338,622</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
FINANCING ACTIVITIES				
Transfers to Other Funds	(18,000)	(7,500)	(277,586)	(303,086)
Advance from Component Unit	12,936	-	-	12,936
Other Miscellaneous Receipts (Payments)	-	-	(5)	(5)
Grant Receipts	45,944	-	-	45,944
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	<u>40,880</u>	<u>(7,500)</u>	<u>(277,591)</u>	<u>(244,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends Received	1,459	4,384	6,274	12,117
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>27,733</u>	<u>38,905</u>	<u>39,890</u>	<u>106,528</u>
Cash and Cash Equivalents - Beginning of Year	<u>189,864</u>	<u>431,554</u>	<u>617,366</u>	<u>1,238,784</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 217,597</u>	<u>\$ 470,459</u>	<u>\$ 657,256</u>	<u>\$ 1,345,312</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (13,006)	\$ 10,462	\$ 316,328	\$ 313,784
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	(5,455)	(556)	(7,797)	(13,808)
Deferred Outflows of Resources	(611)	-	(800)	(1,411)
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	1,242	-	(80)	1,162
Salaries and Benefits Payable	272	-	136	408
Due to Other Governments	40	-	-	40
Compensated Absences Payable	(113)	-	48	(65)
Net Pension Liability	2,030	-	2,399	4,429
Unearned Utility Payments	-	-	3,279	3,279
Deferred Inflows of Resources	(1,637)	-	(2,306)	(3,943)
Total Adjustments	<u>(1,600)</u>	<u>31,559</u>	<u>(5,121)</u>	<u>24,838</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,606)</u>	<u>\$ 42,021</u>	<u>\$ 311,207</u>	<u>\$ 338,622</u>

OTHER COMBINING SCHEDULES

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2020**

	<u>Series 2004A Refunding Bonds</u>	<u>G.O. Taxable Bonds</u>	<u>G.O. 2005 Bond Refinance</u>	<u>G.O. 2006 Bonds (Refunded by 2012A)</u>
ASSETS				
Cash and Investments	\$ 86,678	\$ 76,638	\$ 161,943	\$ 167,542
Taxes Receivable				
Current	-	-	-	-
Special Assessments Receivable				
Delinquent	-	-	-	-
Noncurrent	55,392	-	45,809	504,093
Total Assets	<u>142,070</u>	<u>76,638</u>	<u>207,752</u>	<u>671,635</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Taxes	-	-	-	-
Unavailable Special Assessments	55,392	-	45,809	504,093
Total Deferred Inflows of Resources	<u>55,392</u>	<u>-</u>	<u>45,809</u>	<u>504,093</u>
Fund Balances				
Restricted	86,678	76,638	161,943	167,542
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	<u>86,678</u>	<u>76,638</u>	<u>161,943</u>	<u>167,542</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 142,070</u>	<u>\$ 76,638</u>	<u>\$ 207,752</u>	<u>\$ 671,635</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)
 DECEMBER 31, 2020**

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds (Refunded by 2012A)	G.O. 2013A Improvement Bonds	G.O. 2016A Improvement Bonds	G.O. 2020A Improvement Bonds	Total Debt Service Fund
\$ 30,051	\$ 103,388	\$ 17,523	\$ (27,701)	\$ -	\$ 616,062
517	1,971	112	-	-	2,600
-	2,352	-	-	-	2,352
<u>86,585</u>	<u>156,522</u>	<u>270,233</u>	<u>1,160,933</u>	<u>2,500,310</u>	<u>4,779,877</u>
117,153	264,233	287,868	1,133,232	2,500,310	5,400,891
-	1,452	-	-	-	1,452
<u>86,585</u>	<u>158,427</u>	<u>270,233</u>	<u>1,160,933</u>	<u>2,500,310</u>	<u>4,781,782</u>
86,585	159,879	270,233	1,160,933	2,500,310	4,783,234
30,568	104,354	17,635	-	-	645,358
-	-	-	(27,701)	-	(27,701)
<u>30,568</u>	<u>104,354</u>	<u>17,635</u>	<u>(27,701)</u>	<u>-</u>	<u>617,657</u>
<u>\$ 117,153</u>	<u>\$ 264,233</u>	<u>\$ 287,868</u>	<u>\$ 1,133,232</u>	<u>\$ 2,500,310</u>	<u>\$ 5,400,891</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, 2020

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	13,256	-	18,727	54,257
Interest Income	668	671	1,240	970
Total Revenues	13,924	671	19,967	55,227
EXPENDITURES				
Debt Service				
Principal	-	-	-	70,000
Interest and Other Charges	-	-	-	3,725
Total Expenditures	-	-	-	73,725
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,924	671	19,967	(18,498)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(35,000)	(15,000)	(20,000)	-
Total Other Financing Sources (Uses)	(35,000)	(15,000)	(20,000)	-
NET CHANGE IN FUND BALANCES	(21,076)	(14,329)	(33)	(18,498)
Fund Balances - Beginning of Year	107,754	90,967	161,976	186,040
FUND BALANCES - END OF YEAR	<u>\$ 86,678</u>	<u>\$ 76,638</u>	<u>\$ 161,943</u>	<u>\$ 167,542</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

G.O. 2010A Refunding Bonds	G.O. 2011A Improvement Bonds (Refunded by 2012A)	G.O. 2013A Improvement Bonds	G.O. 2016A Improvement Bonds	G.O. 2020A Improvement Bonds	Internal Eliminations	Total Debt Service Fund
\$ 30,124	\$ 30,110	\$ 6,577	\$ -	\$ -	\$ -	\$ 66,811
23,661	17,436	24,925	36,941	-	-	189,203
12	544	21	-	-	-	4,126
53,797	48,090	31,523	36,941	-	-	260,140
75,000	35,000	20,000	55,000	-	-	255,000
10,753	13,662	8,442	26,607	-	-	63,189
85,753	48,662	28,442	81,607	-	-	318,189
(31,956)	(572)	3,081	(44,666)	-	-	(58,049)
25,000	-	10,000	35,000	-	(70,000)	-
-	-	-	-	-	70,000	-
25,000	-	10,000	35,000	-	-	-
(6,956)	(572)	13,081	(9,666)	-	-	(58,049)
37,524	104,926	4,554	(18,035)	-	-	675,706
<u>\$ 30,568</u>	<u>\$ 104,354</u>	<u>\$ 17,635</u>	<u>\$ (27,701)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 617,657</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND – BY PROJECT
DECEMBER 31, 2020**

	<u>Commercial Park Extension</u>	<u>Del Acres Gilbertson Second Addition</u>	<u>Del Acres Glibertson Third Additon</u>	<u>Total Capital Projects Fund</u>
ASSETS				
Cash and Investments	\$ (104,967)	\$ 9,164	\$ 366,406	\$ 270,603
Special Assessments - Noncurrent	86,644	-	-	86,644
Total Assets	(18,323)	9,164	366,406	357,247
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS				
Liabilities				
Contracts Payable	-	-	89,664	89,664
Deferred Inflows of Resources				
Unavailable Special Assessments	86,644	-	-	86,644
Fund Balances (Deficits)				
Restricted	-	9,164	276,742	285,906
Unassigned	(104,967)	-	-	(104,967)
Total Fund Balances (Deficits)	(104,967)	9,164	276,742	180,939
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ (18,323)</u>	<u>\$ 9,164</u>	<u>\$ 366,406</u>	<u>\$ 357,247</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
CAPITAL PROJECTS FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2020

	Commercial Park Extension	Del Acres Gilbertson Second Addition	Del Acres Glibertson Third Additon	Total Capital Projects Fund
REVENUES				
Special Assessments	\$ 2,074	\$ -	\$ -	\$ 2,074
Interest Income	-	70	1,488	1,558
Total Revenues	2,074	70	1,488	3,632
EXPENDITURES				
CURRENT				
Capital Outlay				
Public Works	-	-	2,207,134	2,207,134
Debt Service				
Bond Issue Costs	-	-	67,879	67,879
Total Expenditures	-	-	2,275,013	2,275,013
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,074	70	(2,273,525)	(2,271,381)
OTHER FINANCING SOURCES				
Bond Proceeds	-	-	2,440,000	2,440,000
Premium on Bonds Issued	-	-	110,267	110,267
Total Other Financing Sources	-	-	2,550,267	2,550,267
NET CHANGE IN FUND BALANCES	2,074	70	276,742	278,886
Fund Balances (Deficit) - Beginning of Year	(107,041)	9,094	-	(97,947)
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (104,967)</u>	<u>\$ 9,164</u>	<u>\$ 276,742</u>	<u>\$ 180,939</u>

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, 2020, 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 14, 2021.

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) as a basis for designing 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 questioned costs as items 2020-001 through 2020-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 questioned costs. 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 14, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Barnesville's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-004 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
April 14, 2021

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

FEDERAL AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
PRIMARY GOVERNMENT				
U.S. DEPARTMENT OF TREASURY				
Passed Through Minnesota Department of Revenue				
COVID-19 Coronavirus Relief Fund	21.019C	SLT0016	\$ 200,857	\$ -
Passed Through Tansem Township, Minnesota				
COVID-19 Coronavirus Relief Fund	21.019C	SLT0016	6,475	-
Passed Through Elkton Township, Minnesota				
COVID-19 Coronavirus Relief Fund	21.019C	SLT0016	7,950	-
Total Coronavirus Relief Fund			<u>215,282</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through Minnesota Public Facilities Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-CWRF-L-054-FY20	<u>1,793,497</u>	<u>-</u>
Total Federal Awards			<u>\$ 2,008,779</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards:

- 1 The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Barnesville. The City's reporting entity is defined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Barnesville, it is not intended to and does not present the financial position or changes in net position of the City of Barnesville. The schedule does not include the operations of the Barnesville EDA.
- 2 Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.
- 3 The City of Barnesville has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- 4 The City did not pass funds to subrecipients.



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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barnesville (City), as of December 31, 2020 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 14, 2021.

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. 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 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 14, 2021

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

CFDA Numbers
66.458

Name of Federal Program or Cluster
Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Section II – Financial Statement Findings

MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING:

2020-001

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 2019-001.

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 accounting responsibilities 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 QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Section II – Financial Statement Findings (Continued)

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED):**

2020-002

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 \$36,154 was reported by the Sewer Fund and a restatement in the amount of \$70,806 was reported by the Electric Fund for an understatement of capital assets 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 2019-002.

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 QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Section II – Financial Statement Findings (Continued)

**MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED):**

2020-003 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, to ensure they 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 2019-003.

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 QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

2020-004

**CASH MANAGEMENT AND PERIOD OF PERFORMANCE – CAPITALIZATION
GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS**

Federal Agency: Environmental Protection Agency

Federal Program Title: Capitalization Grants for Clean Water State Revolving Funds

CFDA Number: 66.458

Pass-Through Agency: Minnesota Public Facilities Authority

Pass-Through Number: MPFA-CWRF-L-054-FY20

Compliance Requirement Affected: Cash Management and Period of Performance

Award Period: June 8, 2020 – June 30, 2023

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. OMB Compliance Supplement – Cash Management & Period of Performance.

Condition: During cash management and period of performance testing, it was noted one person was responsible for preparing the cash management reports and determining costs charged to the grant. No internal review process is in place.

Questioned Costs: None.

Cause: Lack of oversight by management.

Effect: The lack of internal controls over cash management and period of performance could result in inaccurate reimbursement requests or costs outside of the period of performance charged to the program going undetected.

Recommendation: Management should design and implement internal controls over cash management and period of performance. Reimbursement requests should be reviewed by someone independent of preparation. Grant expenditures should be reviewed and approved by someone knowledgeable of the grant requirements and terms to ensure only costs applicable to the program are charged.

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

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Section IV –Minnesota Legal Compliance

MINNESOTA LEGAL COMPLIANCE:

None noted.