

**CITY OF BARNESVILLE, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2021**



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## **INTRODUCTORY SECTION**

**CITY OF BARNESVILLE, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
DECEMBER 31, 2021**

<b>ELECTED</b>	<b>NAME</b>	<b>TERM EXPIRES</b>
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 Audit of the Financial Statements

#### ***Opinions***

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, and 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of a Matter Regarding Corrections of Errors***

As described in Note 9 to the financial statements, beginning net position of the Telephone Fund, and Business-Type Activities were restated to account for an understatement of accounts receivable and revenue in prior years. In addition, the beginning net position of the discretely presented component unit was restated to account for an overstatement in capital assets in prior years. Our auditors' opinion was not modified with respect to the restatements.

Honorable Mayor and  
Members of the City Council  
City of Barnesville

### ***Responsibility of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.



Honorable Mayor and  
Members of the City Council  
City of Barnesville

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the City's proportionate share of the net pension liability, schedule of City pension contributions, and budgetary comparison schedule – general fund and parks and recreation special revenue fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, the debt service fund by bond issue financial statements, and the capital projects fund by project financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining nonmajor fund financial statements, the debt service fund by bond issue financial statements, and the capital projects fund by project financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and  
Members of the City Council  
City of Barnesville

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, 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 City's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 29, 2022

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

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, 2021. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information. Certain comparative information between the current year (2021) and the prior year (2020) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2021 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 \$29,727,273 (net position). Of this amount, \$12,637,719 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$1,566,751 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$3,711,201, an increase of \$179,222, or 5.1% in comparison to the prior year. Approximately 21.10% of this amount, or \$782,903, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$750,522, or 31.83% 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.

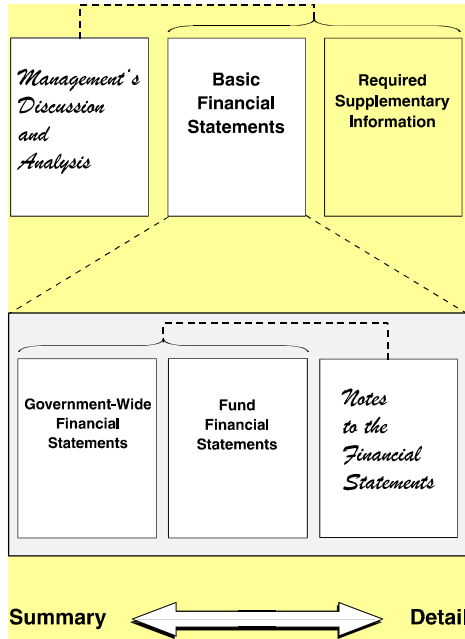
**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**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, 2021**

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

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

<b>Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements</b>				
<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: water, sewer, telephone, municipal liquor as examples.	Instances in which the City is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of revenues, expenses, and changes in fund net position and statement of cash flows.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset and Deferred Outflow of Resources/ Liability and Deferred Inflow of Resources Information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used 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, 2021**

**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, 2021**

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

**Net Position**

The City's net position was \$29,727,273 on December 31, 2021 (see Table A-1).

Table A-1  
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 8,926,495	\$ 8,690,776	\$ 12,474,642	\$ 10,721,868	\$ 21,401,137	\$ 19,412,644
Capital Assets	7,295,021	8,178,449	16,342,971	14,491,503	23,637,992	22,669,952
Total Assets	16,221,516	16,869,225	28,817,613	25,213,371	45,039,129	42,082,596
Deferred Outflows of Resources	709,718	295,587	192,955	38,677	902,673	334,264
Current Liabilities	688,185	653,093	1,610,481	1,241,701	2,298,666	1,894,794
Long-Term Liabilities	5,261,730	5,462,893	7,425,678	6,568,160	12,687,408	12,031,053
Total Liabilities	5,949,915	6,115,986	9,036,159	7,809,861	14,986,074	13,925,847
Deferred Inflows of Resources	979,803	361,246	248,652	24,976	1,228,455	386,222
Net Position						
Net Investment in Capital Assets	2,415,884	3,694,945	8,541,601	7,489,899	10,957,485	11,184,844
Restricted	5,848,744	5,706,439	283,325	283,325	6,132,069	5,989,764
Unrestricted	1,736,888	1,286,196	10,900,831	9,643,987	12,637,719	10,930,183
Total Net Position	<u>\$ 10,001,516</u>	<u>\$ 10,687,580</u>	<u>\$ 19,725,757</u>	<u>\$ 17,417,211</u>	<u>\$ 29,727,273</u>	<u>\$ 28,104,791</u>



**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

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

**Changes in Net Position**

The City-wide total revenues were \$10,680,590 for the year ended December 31, 2021. Property taxes and intergovernmental revenues accounted for 23.8% of total revenue for the year, while user charges accounted for 67.4% of total revenue (see Table A-2).

Table A-2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>REVENUES</b>						
<u>Program Revenues</u>						
Charges for Services	\$ 353,802	\$ 322,759	\$ 6,848,934	\$ 6,574,851	\$ 7,202,736	\$ 6,897,610
Operating Grants and Contributions	72,073	321,826	175,168	103,549	247,241	425,375
Capital Grants and Contributions	480,949	2,601,849	52,830	142,813	533,779	2,744,662
<u>General Revenues</u>						
Property Taxes	812,471	784,875	96,000	77,727	908,471	862,602
Tax Increments	184,548	203,139	-	-	184,548	203,139
Unrestricted State Aid	854,235	835,351	-	-	854,235	835,351
Investment Earnings	21,291	66,111	13,696	47,091	34,987	113,202
Other	116,765	174,081	597,828	523,722	714,593	697,803
Total Revenues	2,896,134	5,309,991	7,784,456	7,469,753	10,680,590	12,779,744
<b>EXPENSES</b>						
General Government	680,590	854,323	-	-	680,590	854,323
Public Safety	696,960	835,598	-	-	696,960	835,598
Public Works	547,065	599,390	-	-	547,065	599,390
Culture and Recreation	585,401	616,692	-	-	585,401	616,692
Economic Development	338,597	342,813	-	-	338,597	342,813
Interest	149,524	87,473	-	-	149,524	87,473
Water	-	-	446,845	414,649	446,845	414,649
Sewer	-	-	416,095	394,306	416,095	394,306
Electric	-	-	2,262,096	2,037,841	2,262,096	2,037,841
Telephone	-	-	1,026,753	1,005,791	1,026,753	1,005,791
Municipal Liquor	-	-	774,030	671,492	774,030	671,492
Cable Television	-	-	364,839	383,137	364,839	383,137
Sanitation	-	-	270,024	259,117	270,024	259,117
Storm Sewer	-	-	33,903	32,213	33,903	32,213
Ambulance	-	-	428,884	280,855	428,884	280,855
Broadband Internet	-	-	92,233	78,388	92,233	78,388
Total Expenses	2,998,137	3,336,289	6,115,702	5,557,789	9,113,839	8,894,078
Transfers	(584,061)	783,429	584,061	(783,429)	-	-
<b>CHANGE IN NET POSITION</b>	(686,064)	2,757,131	2,252,815	1,128,535	1,566,751	3,885,666
Net Position - Beginning of Year	10,687,580	7,930,449	17,417,211	16,181,716	28,104,791	24,112,165
Restatement	-	-	55,731	106,960	55,731	106,960
Net Position - Beginning of Year, As Restated	10,687,580	7,930,449	17,472,942	16,288,676	28,160,522	24,219,125
<b>NET POSITION - END OF YEAR</b>	<b>\$ 10,001,516</b>	<b>\$ 10,687,580</b>	<b>\$ 19,725,757</b>	<b>\$ 17,417,211</b>	<b>\$ 29,727,273</b>	<b>\$ 28,104,791</b>

Total revenues surpassed expenses, increasing City-wide net position by \$1,566,751 as compared to an increase of \$3,885,666 in 2020.

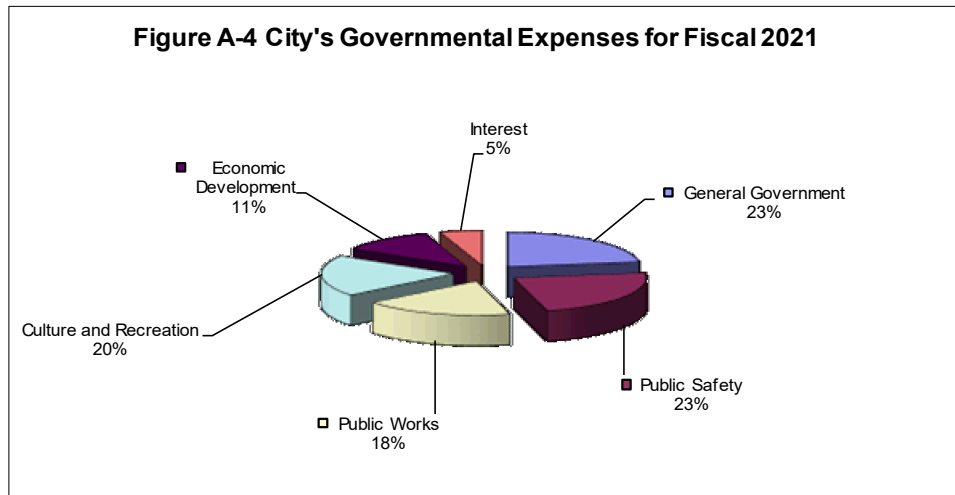
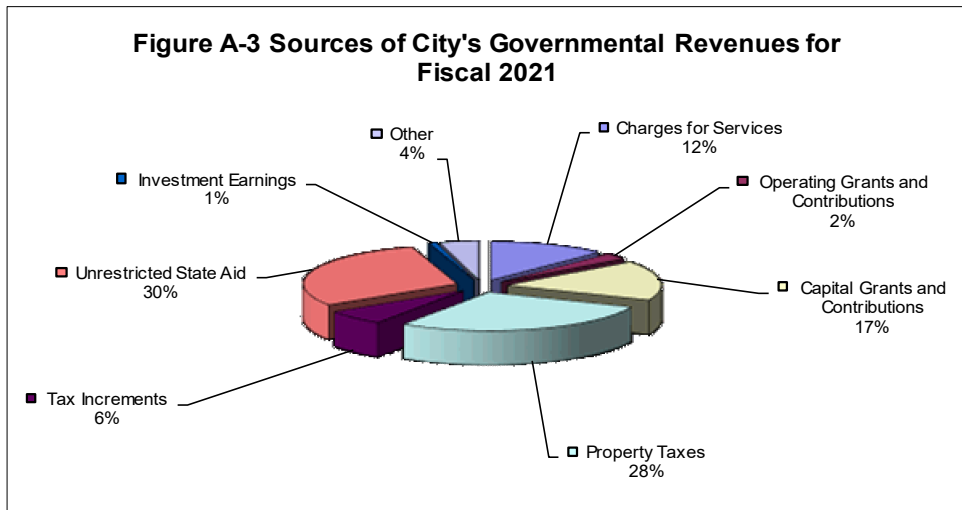
**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

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

**Changes in Net Position (Continued)**

The City-wide cost of all governmental activities this year was \$2,998,137.

- Some of the cost was paid by the users of the City's programs (\$353,802).
- Federal and state government payments (\$72,073) subsidized certain programs.
- Ad valorem property taxes (\$812,471) and unrestricted state grants (\$854,235) also helped fund the net costs of governmental services.



**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**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	
	2021	2020	2021	2020
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 680,590	\$ 854,323	\$ (600,835)	\$ (706,175)
Public Safety	696,960	835,598	(539,482)	(590,333)
Public Works	547,065	599,390	(158,643)	1,947,537
Culture and Recreation	585,401	616,692	(304,232)	(310,598)
Economic Development	338,597	342,813	(338,597)	(342,813)
Interest	149,524	87,473	(149,524)	(87,473)
Total	<u>\$ 2,998,137</u>	<u>\$ 3,336,289</u>	<u>\$ (2,091,313)</u>	<u>\$ (89,855)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water	\$ 446,845	\$ 414,649	\$ 156,495	\$ 83,736
Sewer	416,095	394,306	304,470	300,900
Electric	2,262,096	2,037,841	79,663	341,807
Telephone	1,026,753	1,005,791	142,093	88,201
Municipal Liquor	774,030	671,492	(14,086)	78,450
Cable Television	364,839	383,137	277	(2,210)
Sanitation	270,024	259,117	13,377	32,938
Storm Sewer	33,903	32,213	10,828	10,462
Ambulance	428,884	280,855	(101,623)	12,812
Broadband Internet	92,233	78,388	369,736	316,328
Total	<u>\$ 6,115,702</u>	<u>\$ 5,557,789</u>	<u>\$ 961,230</u>	<u>\$ 1,263,424</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 \$3,711,201.

Revenues for the City's governmental funds were \$2,861,141, while total expenditures were \$4,055,868. Expenditures in excess of revenues were covered by a budgeted transfer from the enterprise funds, and the issuance of general obligation bonds.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**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, 2021	December 31, 2020	Increase (Decrease)
Taxes	\$ 355,808	\$ 379,047	\$ (23,239)
Special Assessments	593	1,669	(1,076)
Licenses and Permits	59,929	60,630	(701)
Intergovernmental	1,004,561	1,152,491	(147,930)
Charges for Services	1,986	15,542	(13,556)
Fines and Forfeits	10,718	7,620	3,098
Interest	13,936	31,583	(17,647)
Miscellaneous and Other	41,438	49,922	(8,484)
Total General Fund Revenues	<u>\$ 1,488,969</u>	<u>\$ 1,698,504</u>	<u>\$ (209,535)</u>

Total General Fund revenue decreased by \$209,535, or 12.3%, from the previous year. The primary reason for the decrease is a decrease 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, 2021	December 31, 2020	Increase (Decrease)
General Government	\$ 776,996	\$ 810,484	\$ (33,488)
Public Safety	778,197	824,667	(46,470)
Public Works	324,713	313,012	11,701
Economic Development	193,373	195,387	(2,014)
Capital Outlay	278,301	42,487	235,814
Debt Service	6,168	5,921	247
Total Expenditures	<u>\$ 2,357,748</u>	<u>\$ 2,191,958</u>	<u>\$ 165,790</u>

The General Fund's expenditures increased \$165,790 from 2020. The increase is due largely to asphalt resurfacing during the current year.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**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 council amended the general fund budgeted expenditures to reflect operational changes. Historically, the City has not made budget amendments during the year.

- Actual revenues were \$119,363 more than budget. This is primarily due to an increase in intergovernmental revenues.
- The actual expenditures were \$34,590 more than budget. This is primarily due to public works capital outlay expenditures coming in over budget as they did not budget enough for the asphalt resurfacing project.

**Parks and Recreation Fund**

The Parks and Recreation Fund had an increase in fund balance of \$307,126. Revenues exceeded budget during 2021 by \$94,629 as a result of charges for services that were not budgeted, specifically higher than expected campground and green fees. Expenditures were under budget by \$67,579 during 2021 primarily due to lower than expected salaries and benefits.

**Debt Service Fund**

The Debt Service Fund's fund balance increased \$165,246 as a result of transfers from other funds.

**Capital Projects Fund**

The Capital Project Fund's fund balance decreased \$207,483 as a result of project costs exceeding bond proceeds and transfers to other funds.

**Other Governmental Funds**

The Other Governmental Fund's fund balance decreased \$6,803 as a result of tax increment collections in excess of expenditures offset with small cities assistance in excess of funding received.

**Business-Type Funds**

**Water and Sewer Funds**

The Water and Sewer Funds reported net income (before transfers to other funds and capital contributions) of \$150,990 and \$310,687, respectively, for the year ended December 31, 2021, as compared to \$89,341 and \$410,347, respectively, for 2020. No significant changes in operations.

**Liquor and Cable Television Funds**

The operations of the Municipal Liquor and Cable Television Funds reported net income/(loss) (before transfers to other funds) of (\$10,751) and \$6,273, respectively, for the year ended December 31, 2021, as compared to \$80,961 and \$7,284, respectively, for 2020. Liquor fund sales increased due to increased numbers of out-of-town customers.

**CITY OF BARNESVILLE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

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

**Business-Type Funds (Continued)**

**Electric Fund**

The Electric Fund reported net income (before transfers to other funds and capital contributions) of \$71,454 for the year ended December 31, 2021 compared to \$258,368 in 2020 primarily due to an increase in usage offset with an increase in the cost of power.

**Telephone Fund**

The Telephone Fund reported sales of \$1,167,476 compared to \$1,063,758 in 2020. Net income (before transfers to other funds) of \$673,693 as compared to \$436,289 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 \$29,896 for the year ended December 31, 2021, as compared to \$115,704 for 2020 primarily due to an increase in calls offset by an increase in Medicare discounts.

**CAPITAL ASSETS**

By the end of 2021, the City had invested \$23,637,992 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 583,716	\$ 583,716	\$ 185,212	\$ 185,212	\$ 768,928	\$ 768,928
Construction-in-Progress	45,593	2,584,361	35,062	1,896,824	80,655	4,481,185
Buildings	1,680,180	1,680,180	2,427,178	1,416,952	4,107,358	3,097,132
Infrastructure	7,223,708	5,816,224	21,373,032	18,052,579	28,596,740	23,868,803
Improvements	2,523,321	2,018,009	109,280	-	2,632,601	2,018,009
Machinery and Equipment	1,121,762	1,022,344	2,844,426	2,792,915	3,966,188	3,815,259
Vehicles	453,518	450,061	621,155	621,155	1,074,673	1,071,216
Less: Accumulated Depreciation	(6,336,777)	(5,976,446)	(11,252,374)	(10,474,134)	(17,589,151)	(16,450,580)
Total	<u>\$ 7,295,021</u>	<u>\$ 8,178,449</u>	<u>\$ 16,342,971</u>	<u>\$ 14,491,503</u>	<u>\$ 23,637,992</u>	<u>\$ 22,669,952</u>

Total depreciation expense for the year was \$1,278,840 (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, 2021**

**LONG-TERM LIABILITIES**

At year-end, the City had \$12,886,010 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt increased \$1,202,852 due primarily to issuing general obligation tax abatement bonds for \$1,135,000, general obligation improvement and refunding bonds for \$1,305,000, offset by scheduled principal payments.

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

	2021	2020
<b>GOVERNMENTAL ACTIVITIES</b>		
General Obligation Bonds	\$ 4,820,000	\$ 4,635,000
Capital Leases Payable	77,853	14,581
Plus: Bond Premium	108,522	107,641
Less: Bond Discounts	(2,119)	(2,543)
Total Governmental Activities	5,004,256	4,754,679
<b>BUSINESS-TYPE ACTIVITIES</b>		
Revenue Bonds	2,760,000	2,925,000
Direct Borrowing - Revenue Notes	3,329,626	3,197,228
General Obligation Bonds	1,470,000	400,000
Equipment Certificates	321,000	397,000
Note Payable	15,333	30,665
Plus: Bond Premium	5,411	-
Less: Bond Discounts	(19,616)	(21,414)
Total Business-Type Activities	7,881,754	6,928,479
Total City-Wide Long-Term Liabilities	\$ 12,886,010	\$ 11,683,158

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, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Investments	\$ 3,862,782	\$ 7,192,109	\$ 11,054,891	\$ 478,462
Taxes Receivable				
Current	30,434	-	30,434	-
Special Assessments Receivable				
Delinquent	1,050	1,867	2,917	-
Noncurrent	4,937,138	350,107	5,287,245	-
Accounts Receivable - Net	31,413	758,745	790,158	12,699
Accrued Interest Receivable	13,400	-	13,400	-
Notes Receivable	28,385	-	28,385	25,311
Due from Other Governments	66,593	-	66,593	-
Internal Balances	(60,000)	60,000	-	-
Inventories	1,200	101,822	103,022	-
Prepaid Services	-	90,881	90,881	-
Land Held for Resale	-	-	-	2,049,821
Advances to Component Unit	14,100	69,757	83,857	-
Advances to Primary Government	-	-	-	4,854
Acquisition Costs, Net of Amortization	-	21,600	21,600	-
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	3,544,429	3,544,429	-
Capital Assets not Being Depreciated				
Land	583,716	185,212	768,928	-
Construction-in-Progress	45,593	35,062	80,655	-
Capital Assets Being Depreciated				
Buildings	692,928	1,596,350	2,289,278	4,661
Infrastructure	3,581,174	10,664,994	14,246,168	-
Improvements	1,850,378	3,161,848	5,012,226	-
Machinery and Equipment	488,722	587,397	1,076,119	-
Vehicles	52,510	112,108	164,618	-
Total Assets	<u>16,221,516</u>	<u>28,817,613</u>	<u>45,039,129</u>	<u>2,575,808</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	709,718	190,119	899,837	-
Amount on Refunding	-	2,836	2,836	-
Total Deferred Outflows of Resources	<u>709,718</u>	<u>192,955</u>	<u>902,673</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts Payable	73,348	368,530	441,878	10,276
Contracts Payable	-	254,996	254,996	-
Salaries and Benefits Payable	60,357	55,925	116,282	8,513
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	44,474	43,316	87,790	-
Due to Other Governments	-	20,649	20,649	66,247
Advances from Primary Government	-	-	-	83,857
Advances from Component Unit	4,854	-	4,854	-
Unearned Revenue	11,603	-	11,603	-
Unearned Utility Payments	-	72,805	72,805	-
Bonds Payable - Due Within One Year	360,000	722,000	1,082,000	-
Capital Leases Payable - Due Within One Year	18,541	-	18,541	-
Notes Payable - Due Within One Year	-	15,333	15,333	-
Compensated Absences Payable - Due Within One Year	115,008	55,578	170,586	10,759
Special Assessments Payable - Due in More Than One Year	-	-	-	1,646,251
Bonds Payable - Due in More Than One Year	4,566,403	7,144,421	11,710,824	-
Capital Leases Payable - Due in More Than One Year	59,312	-	59,312	-
Notes Payable - Due in More Than One Year	-	-	-	162,165
Compensated Absences Payable - Due in More Than One Year	38,337	18,527	56,864	3,587
Net Pension Liability	597,678	262,730	860,408	-
Total Liabilities	<u>5,949,915</u>	<u>9,036,159</u>	<u>14,986,074</u>	<u>1,991,655</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	979,803	248,652	1,228,455	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,415,884	8,541,601	10,957,485	4,661
Restricted for				
Debt Service	5,573,355	283,325	5,856,680	-
Public Safety	917	-	917	-
Capital Projects	59,658	-	59,658	-
Economic Development	214,814	-	214,814	-
Unrestricted	1,736,888	10,900,831	12,637,719	579,492
Total Net Position	<u>\$ 10,001,516</u>	<u>\$ 19,725,757</u>	<u>\$ 29,727,273</u>	<u>\$ 584,153</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 680,590	\$ 68,188	\$ 11,567	\$ -
Public Safety	696,960	2,776	47,673	107,029
Public Works	547,065	1,669	12,833	373,920
Culture and Recreation	585,401	281,169	-	-
Economic Development	338,597	-	-	-
Interest	149,524	-	-	-
Total Governmental Activities	2,998,137	353,802	72,073	480,949
Business-Type Activities				
Water	446,845	513,583	73,244	16,513
Sewer	416,095	714,927	-	5,638
Electric	2,262,096	2,311,080	-	30,679
Telephone	1,026,753	1,167,476	1,370	-
Municipal Liquor	774,030	759,944	-	-
Cable Television	364,839	365,116	-	-
Sanitation	270,024	251,347	32,054	-
Storm Sewer	33,903	44,731	-	-
Ambulance	428,884	258,761	68,500	-
Broadband Internet	92,233	461,969	-	-
Total Business-Type Activities	6,115,702	6,848,934	175,168	52,830
Total Primary Government	\$ 9,113,839	\$ 7,202,736	\$ 247,241	\$ 533,779
Component Unit				
EDA	\$ 239,519	\$ 39,239	\$ -	\$ -

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, 2021**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (600,835)	\$ -	\$ (600,835)	\$ -
(539,482)	-	(539,482)	-
(158,643)	-	(158,643)	-
(304,232)	-	(304,232)	-
(338,597)	-	(338,597)	-
(149,524)	-	(149,524)	-
<u>(2,091,313)</u>	<u>-</u>	<u>(2,091,313)</u>	<u>-</u>
-	156,495	156,495	-
-	304,470	304,470	-
-	79,663	79,663	-
-	142,093	142,093	-
-	(14,086)	(14,086)	-
-	277	277	-
-	13,377	13,377	-
-	10,828	10,828	-
-	(101,623)	(101,623)	-
-	369,736	369,736	-
<u>-</u>	<u>961,230</u>	<u>961,230</u>	<u>-</u>
(2,091,313)	961,230	(1,130,083)	-
-	-	-	(200,280)
812,471	96,000	908,471	-
184,548	-	184,548	-
854,235	-	854,235	171,489
21,291	13,696	34,987	1,319
116,765	597,828	714,593	352,504
(584,061)	584,061	-	-
<u>1,405,249</u>	<u>1,291,585</u>	<u>2,696,834</u>	<u>525,312</u>
(686,064)	2,252,815	1,566,751	325,032
10,687,580	17,417,211	28,104,791	324,702
-	55,731	55,731	(65,581)
<u>10,687,580</u>	<u>17,472,942</u>	<u>28,160,522</u>	<u>259,121</u>
<u>\$ 10,001,516</u>	<u>\$ 19,725,757</u>	<u>\$ 29,727,273</u>	<u>\$ 584,153</u>

See accompanying Notes to Basic Financial Statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF BARNESVILLE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Investments	\$ 1,947,048	\$ 782,800	\$ 781,746	\$ 125,119	\$ 226,069	\$ 3,862,782
Taxes Receivable						
Current	28,215	-	2,192	-	27	30,434
Special Assessments Receivable						
Delinquent	-	-	1,050	-	-	1,050
Noncurrent	41,092	-	4,832,841	63,205	-	4,937,138
Accounts Receivable	23,735	7,678	-	-	-	31,413
Due from Other Governments	-	346	-	-	-	346
Accrued Interest Receivable	13,400	-	-	-	-	13,400
Notes Receivable	-	-	-	-	28,385	28,385
Inventory	-	1,200	-	-	-	1,200
Advance to Component Unit	-	14,100	-	-	-	14,100
Due from Other Funds	148,116	-	-	-	-	148,116
<b>Total Assets</b>	<b>2,267,853</b>	<b>806,124</b>	<b>5,617,829</b>	<b>188,324</b>	<b>254,481</b>	<b>9,134,611</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	22,318	8,733	-	3,547	38,750	73,348
Salaries and Benefits Payable	53,921	6,436	-	-	-	60,357
Due to Other Funds	-	-	-	148,116	-	148,116
Advance from Other Funds	60,000	-	-	-	-	60,000
Advance from Component Unit	4,854	-	-	-	-	4,854
Unearned Revenue	11,603	-	-	-	-	11,603
<b>Total Liabilities</b>	<b>152,696</b>	<b>15,169</b>	<b>-</b>	<b>151,663</b>	<b>38,750</b>	<b>358,278</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Taxes	17,177	-	1,482	-	-	18,659
Unavailable Special Assessments	41,092	-	4,833,444	63,205	-	4,937,741
Unavailable Grants and Other	66,247	14,100	-	-	-	80,347
Unavailable Loans Receivable	-	-	-	-	28,385	28,385
<b>Total Deferred Inflows of Resources</b>	<b>124,516</b>	<b>14,100</b>	<b>4,834,926</b>	<b>63,205</b>	<b>28,385</b>	<b>5,065,132</b>
<b>Fund Balances (Deficit)</b>						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Restricted for Capital Projects	-	-	-	121,572	-	121,572
Restricted for Economic Development	-	-	-	-	118,950	118,950
Restricted for Debt Repayment	-	-	782,903	-	-	782,903
Restricted for Small Cities Grant	-	-	-	-	67,479	67,479
Restricted for DARE Program	-	-	-	-	917	917
Committed for Capital Outlay	142,594	45,594	-	-	-	188,188
Committed for Community Projects	1,092,781	-	-	-	-	1,092,781
Committed for Park Operations	-	730,061	-	-	-	730,061
Assigned for Joint Powers	4,744	-	-	-	-	4,744
Unassigned	750,522	-	-	(148,116)	-	602,406
<b>Total Fund Balances (Deficit)</b>	<b>1,990,641</b>	<b>776,855</b>	<b>782,903</b>	<b>(26,544)</b>	<b>187,346</b>	<b>3,711,201</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</b>	<b>\$ 2,267,853</b>	<b>\$ 806,124</b>	<b>\$ 5,617,829</b>	<b>\$ 188,324</b>	<b>\$ 254,481</b>	<b>\$ 9,134,611</b>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2021**

<b>FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 3,711,201</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		7,295,021
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.		5,065,132
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	\$ (597,678)	
Deferred Inflows of Resources - Pension Related	(979,803)	
Deferred Outflows of Resources - Pension Related	<u>709,718</u>	(867,763)
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 and Premiums	(4,926,403)	
Capital Lease Obligations	(77,853)	
Accrued Compensated Absences	(153,345)	
Accrued Interest Payable	<u>(44,474)</u>	<u>(5,202,075)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ 10,001,516</u></u></b>

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 355,808	\$ 401,200	\$ 53,237	\$ -	\$ -	\$ 810,245
Tax Increments	-	-	-	-	184,548	184,548
Special Assessments	593	-	316,763	2,440	-	319,796
Licenses and Permits	59,929	745	-	-	-	60,674
Intergovernmental	1,004,561	-	-	47,000	-	1,051,561
Charges for Services	1,986	280,424	-	-	-	282,410
Fines and Forfeits	10,718	-	-	-	-	10,718
Gifts and Contributions	-	-	-	-	25	25
Interest Income	13,936	1,083	1,705	762	269	17,755
Miscellaneous	41,438	35,402	-	26,366	20,203	123,409
<b>Total Revenues</b>	<b>1,488,969</b>	<b>718,854</b>	<b>371,705</b>	<b>76,568</b>	<b>205,045</b>	<b>2,861,141</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	776,996	-	-	-	39,490	816,486
Public Safety	778,197	-	-	-	619	778,816
Public Works	324,713	-	-	-	-	324,713
Parks and Recreation	-	410,506	-	-	-	410,506
Economic Development	193,373	-	-	-	171,739	365,112
<b>Capital Outlay</b>						
General Government	5,700	-	-	-	-	5,700
Public Safety	11,405	-	-	-	-	11,405
Public Works	261,196	-	-	507,428	-	768,624
Parks and Recreation	-	130,958	-	-	-	130,958
<b>Debt Service</b>						
Principal	5,072	11,674	265,000	-	-	281,746
Interest and Other Charges	1,096	3,508	119,489	-	-	124,093
Bond Issue Costs	-	-	22,525	15,184	-	37,709
<b>Total Expenditures</b>	<b>2,357,748</b>	<b>556,646</b>	<b>407,014</b>	<b>522,612</b>	<b>211,848</b>	<b>4,055,868</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(868,779)</b>	<b>162,208</b>	<b>(35,309)</b>	<b>(446,044)</b>	<b>(6,803)</b>	<b>(1,194,727)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	789,915	-	173,840	-	-	963,755
Transfers Out	-	-	-	(190,290)	-	(190,290)
Capital Lease Proceeds	-	80,018	-	-	-	80,018
Issuance of Bonds	-	-	542,703	427,297	-	970,000
Premium on Bonds Issued	-	-	4,578	1,554	-	6,132
Payment to Refunded Bond Escrow Agent	-	-	(520,566)	-	-	(520,566)
Proceeds from Sale of Capital Assets	-	64,900	-	-	-	64,900
<b>Total Other Financing Sources (Uses)</b>	<b>789,915</b>	<b>144,918</b>	<b>200,555</b>	<b>238,561</b>	<b>-</b>	<b>1,373,949</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(78,864)</b>	<b>307,126</b>	<b>165,246</b>	<b>(207,483)</b>	<b>(6,803)</b>	<b>179,222</b>
Fund Balances - Beginning of Year	2,069,505	469,729	617,657	180,939	194,149	3,531,979
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 1,990,641</b>	<b>\$ 776,855</b>	<b>\$ 782,903</b>	<b>\$ (26,544)</b>	<b>\$ 187,346</b>	<b>\$ 3,711,201</b>

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, 2021**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 179,222

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	\$ 1,050,160	
Transfer to Enterprise Funds	(1,357,526)	
Current Year Depreciation	(500,600)	
Net Book Value of Asset Disposals	<u>(75,462)</u>	(883,428)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 102,094

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:

Bond Proceeds	(970,000)	
Bond Premium	(6,132)	
Capital Lease Proceeds	<u>(80,018)</u>	(1,056,150)

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. 131,258

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	785,000	
Capital Lease	<u>16,746</u>	801,746

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	8,017	
Amortization of Premiums	5,251	
Amortization of Discounts	(424)	
Change in Compensated Absences	<u>26,350</u>	<u>39,194</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (686,064)

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**

	Water	Sewer	Electric	Telephone	Municipal Liquor
<b>ASSETS</b>					
Current Assets					
Cash and Cash Equivalents	\$ 1,019,575	\$ 1,752,289	\$ 1,077,984	\$ 1,209,793	\$ 520,905
Accounts Receivable - Net	59,268	85,812	323,179	93,560	10,036
Special Assessments Receivable					
Delinquent	992	875	-	-	-
Noncurrent	181,252	168,855	-	-	-
Inventories	-	-	-	-	101,822
Prepaid Services	6,667	16,667	20,000	47,547	-
Total Current Assets	<u>1,267,754</u>	<u>2,024,498</u>	<u>1,421,163</u>	<u>1,350,900</u>	<u>632,763</u>
Noncurrent Assets					
Investment in Joint Venture	-	-	-	3,544,429	-
Restricted Cash	-	-	-	283,325	-
Advance to Component Unit	32,088	32,088	-	-	-
Advances to Other Funds	-	60,000	-	-	-
Acquisition Costs, Net of Amortization	-	-	21,600	-	-
Capital Assets					
Land	-	100,831	-	-	71,304
Construction in Progress	-	-	35,062	-	-
Buildings (Net)	294,687	1,946	67,799	27,197	1,040,186
Infrastructure (Net)	2,285,297	6,700,405	463,379	-	-
Improvements (Net)	-	-	-	3,161,848	-
Machinery and Equipment (Net)	137,635	8,047	163,626	35,787	1,943
Vehicles (Net)	-	33,510	47,409	5,701	-
Total Capital Assets	<u>2,717,619</u>	<u>6,844,739</u>	<u>777,275</u>	<u>3,230,533</u>	<u>1,113,433</u>
Total Noncurrent Assets	<u>2,749,707</u>	<u>6,936,827</u>	<u>798,875</u>	<u>7,058,287</u>	<u>1,113,433</u>
Total Assets	<u>4,017,461</u>	<u>8,961,325</u>	<u>2,220,038</u>	<u>8,409,187</u>	<u>1,746,196</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related	9,802	9,994	17,932	74,966	21,088
Amount on Refunding	-	-	-	-	-
Total Deferred Outflows of Resources	<u>9,802</u>	<u>9,994</u>	<u>17,932</u>	<u>74,966</u>	<u>21,088</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts Payable	6,287	13,893	265,334	11,201	47,079
Contracts Payable	-	-	-	-	254,996
Salaries and Benefits Payable	3,134	3,040	2,337	14,048	9,639
Deposits Payable	-	-	1,349	-	-
Accrued Interest Payable	2,258	14,263	-	9,142	14,256
Due to Other Governments	241	-	8,383	1,791	6,167
Unearned Utility Payments	-	-	12,374	15,816	-
Compensated Absences - Due Within One Year	1,528	1,767	5,233	21,621	5,826
Long-Term Debt - Due Within One Year	87,000	389,000	-	170,000	-
Total Current Liabilities	<u>100,448</u>	<u>421,963</u>	<u>295,010</u>	<u>243,619</u>	<u>337,963</u>
Noncurrent Liabilities					
Compensated Absences Payable -					
Due in More than One Year	510	588	1,745	7,207	1,944
Long-Term Debt - Due in More than One Year	513,651	2,672,626	-	2,572,733	1,140,411
Net Pension Liability	13,545	13,811	24,781	103,597	29,142
Total Noncurrent Liabilities	<u>527,706</u>	<u>2,687,025</u>	<u>26,526</u>	<u>2,683,537</u>	<u>1,171,497</u>
Total Liabilities	<u>628,154</u>	<u>3,108,988</u>	<u>321,536</u>	<u>2,927,156</u>	<u>1,509,460</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related	12,819	13,071	23,453	98,046	27,581
<b>NET POSITION</b>					
Net Investment in Capital Assets	2,116,968	3,783,113	777,275	487,800	50,570
Restricted for Debt Service	-	-	-	283,325	-
Unrestricted	1,269,322	2,066,147	1,115,706	4,687,826	179,673
Total Net Position	<u>\$ 3,386,290</u>	<u>\$ 5,849,260</u>	<u>\$ 1,892,981</u>	<u>\$ 5,458,951</u>	<u>\$ 230,243</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTINUED)  
DECEMBER 31, 2021**

Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ 15,253	\$ 16,676	\$ 1,579,634	\$ 7,192,109
31,289	63,805	91,796	758,745
-	-	-	1,867
-	-	-	350,107
-	-	-	101,822
-	-	-	90,881
<u>46,542</u>	<u>80,481</u>	<u>1,671,430</u>	<u>8,495,531</u>
-	-	-	3,544,429
-	-	-	283,325
-	-	5,581	69,757
-	-	-	60,000
-	-	-	21,600
-	-	13,077	185,212
-	-	-	35,062
58,130	23,345	83,060	1,596,350
300,316	-	915,597	10,664,994
-	-	-	3,161,848
172,424	56,667	11,268	587,397
-	25,488	-	112,108
<u>530,870</u>	<u>105,500</u>	<u>1,023,002</u>	<u>16,342,971</u>
<u>530,870</u>	<u>105,500</u>	<u>1,028,583</u>	<u>20,322,082</u>
577,412	185,981	2,700,013	28,817,613
5,702	33,887	16,748	190,119
2,836	-	-	2,836
<u>8,538</u>	<u>33,887</u>	<u>16,748</u>	<u>192,955</u>
1,858	5,540	17,338	368,530
-	-	-	254,996
3,865	15,175	4,687	55,925
-	-	-	1,349
3,397	-	-	43,316
2,053	-	2,014	20,649
17,349	-	27,266	72,805
3,844	11,411	4,348	55,578
76,000	15,333	-	737,333
<u>108,366</u>	<u>47,459</u>	<u>55,653</u>	<u>1,610,481</u>
1,280	3,802	1,451	18,527
245,000	-	-	7,144,421
7,880	46,830	23,144	262,730
<u>254,160</u>	<u>50,632</u>	<u>24,595</u>	<u>7,425,678</u>
362,526	98,091	80,248	9,036,159
<u>7,457</u>	<u>44,321</u>	<u>21,904</u>	<u>248,652</u>
212,706	90,167	1,023,002	8,541,601
-	-	-	283,325
3,261	(12,711)	1,591,607	10,900,831
<u>\$ 215,967</u>	<u>\$ 77,456</u>	<u>\$ 2,614,609</u>	<u>\$ 19,725,757</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, 2021**

	Water	Sewer	Electric	Telephone	Municipal Liquor
<b>OPERATING REVENUES</b>					
Sales	\$ -	\$ -	\$ -	\$ -	\$ 759,944
Cost of Goods Sold	-	-	-	-	(625,095)
Charges for Services	513,583	714,927	2,311,080	1,167,476	-
Total Operating Revenues	<u>513,583</u>	<u>714,927</u>	<u>2,311,080</u>	<u>1,167,476</u>	<u>134,849</u>
<b>OPERATING EXPENSES</b>					
Professional Services	114,379	99,771	492,619	102,103	-
Wages, Salaries, and Compensation	50,219	51,568	63,148	273,626	85,610
Repairs and Maintenance	82,086	21,300	36,624	19,419	1,679
Insurance	5,194	6,626	5,688	5,139	6,780
Utilities	-	-	4,465	-	-
Depreciation	124,088	179,134	85,890	280,500	10,057
Amortization	1,250	3,125	3,750	1,875	-
Materials and Supplies	33,843	-	153,577	47,710	3,019
Miscellaneous Expenses	14,499	15,373	85,949	181,304	27,646
Purchased Power	-	-	1,330,386	-	-
License Fees	1,047	-	-	-	-
Total Operating Expenses	<u>426,605</u>	<u>376,897</u>	<u>2,262,096</u>	<u>911,676</u>	<u>134,791</u>
<b>OPERATING INCOME (LOSS)</b>	86,978	338,030	48,984	255,800	58
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Taxes	-	-	-	-	-
Interest Income (Loss)	2,279	3,958	1,407	2,904	641
Joint Venture Income	-	-	-	526,992	-
Special Assessments	7,076	5,638	-	-	-
Intergovernmental Grants	73,244	-	-	1,370	-
Miscellaneous - Nonoperating	1,653	2,259	21,063	1,704	2,694
Interest Expense and Fiscal Charges	(20,240)	(39,198)	-	(115,077)	(14,144)
Total Nonoperating Revenues (Expenses)	<u>64,012</u>	<u>(27,343)</u>	<u>22,470</u>	<u>417,893</u>	<u>(10,809)</u>
Income before Transfers and Capital Contributions	150,990	310,687	71,454	673,693	(10,751)
Capital Contributions	357,395	592,607	30,679	-	-
Transfers In	-	-	-	69,706	-
Transfers Out	(50,000)	(55,000)	(206,192)	(303,956)	-
<b>CHANGE IN NET POSITION</b>	458,385	848,294	(104,059)	439,443	(10,751)
Net Position - Beginning of Year	2,927,905	5,000,966	1,997,040	4,963,777	240,994
Restatement	-	-	-	55,731	-
Net Position - Beginning of Year, As Restated	<u>2,927,905</u>	<u>5,000,966</u>	<u>1,997,040</u>	<u>5,019,508</u>	<u>240,994</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 3,386,290</u>	<u>\$ 5,849,260</u>	<u>\$ 1,892,981</u>	<u>\$ 5,458,951</u>	<u>\$ 230,243</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, 2021**

Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$ -	\$ -	\$ -	\$ 759,944
-	-	-	(625,095)
365,116	258,761	758,047	6,088,990
<u>365,116</u>	<u>258,761</u>	<u>758,047</u>	<u>6,223,839</u>
13,814	9,306	203,858	1,035,850
22,313	293,086	66,464	906,034
7,340	14,277	8,902	191,627
6,611	2,290	1,678	40,006
-	374	-	4,839
30,239	31,797	36,535	778,240
-	-	-	10,000
2,170	31,231	2,570	274,120
6,441	46,523	76,153	453,888
-	-	-	1,330,386
266,632	-	-	267,679
<u>355,560</u>	<u>428,884</u>	<u>396,160</u>	<u>5,292,669</u>
9,556	(170,123)	361,887	931,170
-	96,000	-	96,000
29	23	2,455	13,696
-	-	-	526,992
-	-	-	12,714
-	68,500	32,054	175,168
5,967	35,496	-	70,836
(9,279)	-	-	(197,938)
<u>(3,283)</u>	<u>200,019</u>	<u>34,509</u>	<u>697,468</u>
6,273	29,896	396,396	1,628,638
-	-	416,961	1,397,642
-	-	-	69,706
-	-	(228,023)	(843,171)
6,273	29,896	585,334	2,252,815
209,694	47,560	2,029,275	17,417,211
-	-	-	55,731
<u>209,694</u>	<u>47,560</u>	<u>2,029,275</u>	<u>17,472,942</u>
<u>\$ 215,967</u>	<u>\$ 77,456</u>	<u>\$ 2,614,609</u>	<u>\$ 19,725,757</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	Water	Sewer	Electric	Telephone	Municipal Liquor
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 516,912	\$ 717,056	\$ 2,324,854	\$ 1,159,546	\$ 758,162
Payments to Suppliers	(244,763)	(130,611)	(2,059,923)	(377,806)	(626,171)
Payments to Employees	(38,165)	(38,770)	(65,928)	(278,461)	(73,847)
Net Cash Provided (Used) by Operating Activities	233,984	547,675	199,003	503,279	58,144
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers Out	(50,000)	(55,000)	(206,192)	(303,956)	-
Transfers In	-	-	-	69,706	-
Advance from (to) Component Unit	83,261	80,672	-	-	-
Interfund Borrowings	-	20,000	-	-	-
Taxes	-	-	-	-	-
Intergovernmental Grants	73,244	-	-	1,370	-
Net Cash Provided (Used) by Noncapital Financing Activities	106,505	45,672	(206,192)	(232,880)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal Paid on Debt	(387,000)	(363,315)	-	(165,000)	-
Interest Paid on Debt	(22,450)	(37,502)	-	(114,402)	-
Bond Proceeds	315,000	502,713	-	-	1,135,000
Bond Premium Proceeds	-	-	-	-	5,523
Special Assessments	17,817	16,978	-	-	-
Acquisition of Capital Assets	(211,602)	(83,771)	(18,386)	-	(740,990)
Net Cash Provided (Used) by Capital and Related Financing Activities	(288,235)	35,103	(18,386)	(279,402)	399,533
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Receipts from Joint Venture	-	-	-	185,076	-
Interest and Dividends Received	2,279	3,958	1,407	2,904	641
Net Cash Provided by Investing Activities	2,279	3,958	1,407	187,980	641
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	54,533	632,408	(24,168)	178,977	458,318
Cash and Cash Equivalents - Beginning of Year	965,042	1,119,881	1,102,152	1,314,141	62,587
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>					
	\$ 1,019,575	\$ 1,752,289	\$ 1,077,984	\$ 1,493,118	\$ 520,905
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 86,978	\$ 338,030	\$ 48,984	\$ 255,800	\$ 58
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	124,088	179,134	85,890	280,500	10,057
Miscellaneous - Nonoperating	1,653	2,259	21,063	2,712	2,694
(Increase) Decrease in Assets and Deferred Outflows					
Accounts Receivable - Net	1,676	(130)	(17,800)	(7,470)	(4,476)
Inventory	-	-	-	-	3,064
Prepaid Services	1,250	3,125	(17,850)	(6,096)	-
Deferred Outflows of Resources - Pension	(8,726)	(8,918)	(13,893)	(59,004)	(17,043)
Increase (Decrease) in Liabilities and Deferred Inflows					
Accounts Payable	6,287	12,459	70,406	(13,909)	35,879
Salaries and Benefits Payable	2,730	2,829	261	2,228	7,873
Due to Other Governments	(2)	-	579	(251)	(895)
Compensated Absences Payable	1,799	2,117	585	344	2,232
Net Pension Liability	4,197	4,464	(10,315)	(35,100)	(6,004)
Deferred Inflows of Resources - Pension	12,054	12,306	20,582	86,697	24,705
Unearned Utility Payments	-	-	10,511	(3,172)	-
Total Adjustments	147,006	209,645	150,019	247,479	58,086
Net Cash Provided (Used) by Operating Activities	\$ 233,984	\$ 547,675	\$ 199,003	\$ 503,279	\$ 58,144
<b>NONCASH CAPITAL ACTIVITIES</b>					
Capital Assets Contributed	\$ 357,395	\$ 592,607	\$ 30,679	\$ -	\$ -
Amortization of Premiums and Discounts	470	-	-	1,328	112
Purchase of Capital Assets through Contracts and Retainage Payable	-	-	-	-	254,996
	\$ 357,865	\$ 592,607	\$ 30,679	\$ 1,328	\$ 255,108

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Cable Television	Ambulance	Nonmajor Proprietary Funds	Total
\$	371,891	\$ 584,339	\$ 764,875	\$ 7,197,635
	(326,219)	(389,362)	(293,127)	(4,447,982)
	(21,296)	(267,290)	(63,059)	(846,816)
	24,376	(72,313)	408,689	1,902,837
	-	-	(228,023)	(843,171)
	-	-	-	69,706
	-	-	19,147	183,080
	-	(60,202)	-	(40,202)
	-	96,000	-	96,000
	-	68,500	32,054	175,168
	-	104,298	(176,822)	(359,419)
	(76,000)	(15,332)	-	(1,006,647)
	(9,374)	-	-	(183,728)
	-	-	-	1,952,713
	-	-	-	5,523
	-	-	-	34,795
	-	-	-	(1,054,749)
	(85,374)	(15,332)	-	(252,093)
	-	-	-	185,076
	29	23	2,455	13,696
	29	23	2,455	198,772
	(60,969)	16,676	234,322	1,490,097
	76,222	-	1,345,312	5,985,337
\$	15,253	\$ 16,676	\$ 1,579,634	\$ 7,475,434
\$	9,556	\$ (170,123)	\$ 361,887	\$ 931,170
	30,239	31,797	36,535	778,240
	5,967	35,496	-	71,844
	2,103	7,765	4,850	(13,482)
	-	-	-	3,064
	-	-	-	(19,571)
	(4,599)	(29,357)	(13,448)	(154,988)
	(23,084)	(3,044)	(88)	84,906
	361	4,595	2,404	23,281
	(127)	-	122	(574)
	282	-	413	7,772
	(1,700)	7,468	(5,523)	(42,513)
	6,673	41,100	19,559	223,676
	(1,295)	1,990	1,978	10,012
	14,820	97,810	46,802	971,667
\$	24,376	\$ (72,313)	\$ 408,689	\$ 1,902,837
\$	-	\$ -	\$ 416,961	\$ 1,397,642
	-	-	-	1,910
	-	-	-	254,996
\$	-	\$ -	\$ 416,961	\$ 1,654,548

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUND  
DECEMBER 31, 2021**

	<u>Custodial Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 127,766
<b>LIABILITIES</b>	
Accounts Payable	<u>3,631</u>
<b>NET POSITION</b>	
Restricted for Fire Department	<u><u>\$ 124,135</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Custodial Fund</u>
<b>ADDITIONS</b>	
Charges for Services	\$ 84,141
Investment Income	224
Miscellaneous Revenue	28,077
Contributions and Donations	1,366
Total Additions	<u>113,808</u>
<b>DEDUCTIONS</b>	
Payments to Other Entities	<u>119,219</u>
<b>NET DECREASE IN NET POSITION</b>	(5,411)
Net Position - Beginning of Year	<u>129,546</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 124,135</u></u>

See accompanying Notes to Basic Financial Statements.



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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 district 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, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

A. Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following funds:

	Expenditures	Budget	Excess
General Fund	\$ 2,357,748	\$ 2,323,158	\$ 34,590

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

B. Deficit Fund Balance

The City has deficit fund balance as of December 31, 2021 in the Capital Projects Fund. The City intends to fund this deficit through future transfers from other funds.

**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, 2021, 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, 2021**

**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, 2021, the City had the following investments:

Type	Maturity Date	Credit Rating	Fair Value	Percent of Total
Money Market Account	N/A	NR	\$ 156,609	10.4 %
<u>Negotiable Certificates of Deposit</u>				
Wells Fargo National Bank West	2/22/2022	NR	101,211	6.7
Toyota Financial Saving Bank	7/22/2026	NR	245,867	16.4
<u>Government/Agency Obligations</u>				
La Salle County III Sch Dist	12/1/2022	NR	319,250	21.3
Federated Government Obligation	12/31/2022	NR	19,046	1.3
Robla Calif School Dist	8/1/2023	NR	20,850	1.4
Kern Cnty Calif Pension Oblig	8/15/2023	NR	51,760	3.4
Clayton Boro Sch Dist Red	9/1/2023	NR	108,653	7.2
Porter Cnty In Jail Bldg Corp	1/10/2024	NR	105,033	7.0
West Cortra Costa Calif Uni Sch	8/1/2024	NR	192,759	12.8
SBAP 2012-20G	7/1/2032	NR	180,159	12.0
			<u>\$ 1,501,197</u>	

NR = Not Rated

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

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

A. Assets (Continued)

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

Investments (Continued)

The City's investment with the 4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated external investment pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is valued at amortized cost. For this investment pool, there are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn.

*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.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

A. Assets (Continued)

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

Investments (Continued)

The City's total cash and investments are reported as follows:

Deposits	\$ 10,443,247
Investments	1,501,197
Total Cash and Investments	\$ 11,944,444
Governmental Funds	
Cash and Investments	\$ 3,862,782
Enterprise Funds	
Cash and Investments	7,192,109
Restricted Cash and Investments	283,325
Component Unit	478,462
Custodial Funds	127,766
Total Cash and Investments	\$ 11,944,444

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.

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.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

A. Assets (Continued)

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

Fair Value Measurements (Continued)

- 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:

	12/31/2021	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<b>Investments by Fair Value Level</b>				
Negotiable Certificates of Deposit	\$ 347,078	\$ -	\$ 347,078	\$ -
Government/Agency Obligations	997,510	-	997,510	-
Total Investments by Fair Value Level	1,344,588	\$ -	\$ 1,344,588	\$ -
<b>Investments Measured at Amortized Cost</b>				
Money Market Funds	156,609			
Total Investments	\$ 1,501,197			

**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 Ottertail Telephone to operate a fiber optic video transmission network to serve 17 area school districts. Each telephone company contributed capital and shares in the operating decisions. Barnesville’s share is approximately 18.1%. All profits and losses are shared proportionately to each member’s ownership. The City uses the equity method to account for its investments. Joint venture activity for 2021 is as follows:

Balance, January 1, 2021	\$ 3,202,513
Cash Distributions	(185,077)
Net Income	526,993
Balance, December 31, 2021	\$ 3,544,429

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, 2021**

**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, 2021, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 583,716	\$ -	\$ -	\$ 583,716
Construction in Progress	2,584,361	643,210	(3,181,978)	45,593
Total Capital Assets Not Being Depreciated	<u>3,168,077</u>	<u>643,210</u>	<u>(3,181,978)</u>	<u>629,309</u>
Capital Assets Being Depreciated				
Buildings	1,680,180	-	-	1,680,180
Infrastructure	5,656,339	1,567,369	-	7,223,708
Improvements	2,192,476	330,845	-	2,523,321
Machinery and Equipment	1,015,710	321,783	(215,731)	1,121,762
Vehicles	442,113	11,405	-	453,518
Total Capital Assets Being Depreciated	<u>10,986,818</u>	<u>2,231,402</u>	<u>(215,731)</u>	<u>13,002,489</u>
Less: Accumulated Depreciation for				
Buildings	954,038	33,214	-	987,252
Infrastructure	3,478,512	164,022	-	3,642,534
Improvements	540,933	132,010	-	672,943
Machinery and Equipment	624,265	149,044	(140,269)	633,040
Vehicles	378,698	22,310	-	401,008
Total Accumulated Depreciation	<u>5,976,446</u>	<u>500,600</u>	<u>(140,269)</u>	<u>6,336,777</u>
Total Capital Assets Being Depreciated, Net	<u>5,010,372</u>	<u>1,730,802</u>	<u>(75,462)</u>	<u>6,665,712</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,178,449</u>	<u>\$ 2,374,012</u>	<u>\$ (3,257,440)</u>	<u>\$ 7,295,021</u>



**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated				
Land	\$ 185,212	\$ -	\$ -	\$ 185,212
Construction in Progress	1,896,824	1,038,149	(2,899,911)	35,062
Total Capital Assets Not Being Depreciated	<u>2,082,036</u>	<u>1,038,149</u>	<u>(2,899,911)</u>	<u>220,274</u>
Capital Assets Being Depreciated				
Buildings	1,416,952	1,010,226	-	2,427,178
Infrastructure	18,052,579	3,320,453	-	21,373,032
Improvements	-	109,280	-	109,280
Machinery and Equipment	2,792,915	51,511	-	2,844,426
Vehicles	621,155	-	-	621,155
Total Capital Assets Being Depreciated	<u>22,883,601</u>	<u>4,491,470</u>	<u>-</u>	<u>27,375,071</u>
Less: Accumulated Depreciation for				
Buildings	793,549	35,457	-	829,006
Infrastructure	7,112,069	543,455	-	7,655,524
Improvements	-	1,821	-	1,821
Machinery and Equipment	2,115,260	141,769	-	2,257,029
Vehicles	453,256	55,738	-	508,994
Total Accumulated Depreciation	<u>10,474,134</u>	<u>778,240</u>	<u>-</u>	<u>11,252,374</u>
Total Capital Assets Being Depreciated, Net	<u>12,409,467</u>	<u>3,713,230</u>	<u>-</u>	<u>16,122,697</u>
Business-type Activities Capital Assets, Net	<u>\$ 14,491,503</u>	<u>\$ 4,751,379</u>	<u>\$ (2,899,911)</u>	<u>\$ 16,342,971</u>

The following is a summary of the component unit capital assets at December 31, 2021:

	Beginning Balance (As Restated)	Additions	Disposals	Ending Balance
<b>COMPONENT UNIT</b>				
Capital Assets Being Depreciated				
Buildings	\$ 9,989	\$ -	\$ -	\$ 9,989
Less: Accumulated Depreciation for				
Buildings	4,329	999	-	5,328
Total Capital Assets Being Depreciated	<u>5,660</u>	<u>(999)</u>	<u>-</u>	<u>4,661</u>
Component Unit Capital Assets, Net	<u>\$ 5,660</u>	<u>\$ (999)</u>	<u>\$ -</u>	<u>\$ 4,661</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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	\$ 15,781
Public Safety	14,309
Public Works	214,761
Culture and Recreation	255,749
Total Depreciation Expense - Governmental Activities	<u>\$ 500,600</u>
Business-Type Activities:	
Water	\$ 124,088
Sewer	179,134
Electric	85,890
Telephone	280,500
Municipal Liquor	10,057
Cable Television	30,239
Sanitation	2,632
Storm Sewer	33,903
Ambulance	31,797
Total Depreciation Expense - Business-Type Activities	<u>\$ 778,240</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of December 31, 2021 is as follows:

	Transfers In:			Total
	General Fund	Debt Service Fund	Telephone Enterprise Fund	
Transfer Out:				
Capital Projects Fund	\$ 16,450	\$ 173,840	\$ -	\$ 190,290
Water Enterprise Fund	50,000	-	-	50,000
Sewer Enterprise Fund	55,000	-	-	55,000
Electric Enterprise Fund	206,192	-	-	206,192
Telephone Enterprise Fund	303,956	-	-	303,956
Nonmajor Enterprise Funds	158,317	-	69,706	228,023
Total	<u>\$ 789,915</u>	<u>\$ 173,840</u>	<u>\$ 69,706</u>	<u>\$ 1,033,461</u>

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

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

B. Interfund Receivables, Payables and Transfers (Continued)

The City completed construction on the Commercial Condos project and transferred assets in the amount of \$347,958, \$592,607, and \$416,961 to the Water Fund, Sewer Fund, and Storm Sewer Fund, respectively.

The composition of interfund balances at December 31, 2021, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 148,116

The interfund receivables/payables between the General Fund and Capital Projects 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	Parks and Recreation Fund	14,100
General Fund	Sewer Fund	60,000
Component Unit - EDA	Sewer Fund	32,088
Component Unit - EDA	Water Fund	32,088
Component Unit - EDA	Sanitation Fund	5,581
Total		<u>\$ 148,711</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, 2021**

**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 \$3,329,626 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, 2021**

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

C. Liabilities (Continued)

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

	Authorized and Issued	Outstanding	Due in 2022	
			Principal	Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
General Obligation Bonds, Including Refunding Bonds				
G.O. Refunding Bonds Series 2010A, 1.00% to 4.00%, Issued 01/07/10, Final Maturity 02/01/23.	\$ 1,020,000	\$ 165,000	\$ 80,000	\$ 4,940
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	205,000	25,000	6,656
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	1,040,000	55,000	24,703
G.O. Improvement Bonds Series 2020A, 2.00% to 3.00%, Issued 6/8/20, Final Maturity 2/1/41.	2,440,000	2,440,000	95,000	55,775
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	<u>970,000</u>	<u>970,000</u>	<u>105,000</u>	<u>10,559</u>
Total General Obligation Bonds, Including Refunding Bonds	6,035,000	4,820,000	360,000	102,633
Less: Unamortized Discount	-	(2,119)	-	-
Less: Unamortized Premium	<u>-</u>	<u>108,522</u>	<u>-</u>	<u>-</u>
Total General Obligation Bonds, Including Refunding Bonds - Net	6,035,000	4,926,403	360,000	102,633
Capital Leases	<u>123,582</u>	<u>77,853</u>	<u>18,541</u>	<u>2,536</u>
Total Long-Term Debt - Governmental Activities	6,158,582	5,004,256	378,541	105,169

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**C. Liabilities (Continued)**

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

	Authorized and Issued	Outstanding	Due in 2022	
			Principal	Interest
<b>BUSINESS-TYPE ACTIVITIES</b>				
<u>Revenue Bonds</u>				
Communication System Revenue Bonds, Series 2014A; 0.75% to 4.6%; Issued 05/13/14; Final Maturity 12/01/34.	\$ 3,870,000	\$ 2,760,000	\$ 170,000	\$ 109,700
Less: Unamortized Discount	-	(17,267)	-	-
Total Revenue Bonds - Net	3,870,000	2,742,733	170,000	109,700
<u>General Obligation Bonds</u>				
G.O. Improvement Bonds Series 2021A, .75% to 2.0%, Issued 8/5/21, Final Maturity 2/1/42.	1,135,000	1,135,000	-	17,108
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	335,000	335,000	80,000	2,913
Total General Obligation Bonds	1,470,000	1,470,000	80,000	20,021
Less: Unamortized Discount	-	(2,349)	-	-
Less: Unamortized Premium	-	5,411	-	-
Total General Obligation Bonds - Net	1,470,000	1,473,062	80,000	20,021
<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	1,025,000	251,000	15,990
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	562,000	53,000	6,032
G.O. Revenue Bonds of 2020, 1.000%, Issued 7/29/20, Final Maturity 8/20/40.	1,961,315	1,742,626	92,000	19,110
Total Direct Borrowing - Net	7,148,240	3,329,626	396,000	41,132
<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	321,000	76,000	8,153
<u>Notes Payable</u>				
Stryker Note Payable of 2020, 0%, Issued 3/27/20	45,997	15,333	15,333	-
Total Long-Term Debt - Business-Type Activities	13,209,237	7,881,754	737,333	179,006
Total Government-Wide Long-Term Liabilities	\$ 19,367,819	\$ 12,886,010	\$ 1,115,874	\$ 284,175
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>				
<u>Notes Payable</u>				
Notes Payable of 2019, 0%, Issued 7/15/19	133,000	46,496	-	-
Notes Payable of 2021, 0%, Issued 8/20/21	115,669	115,669	-	-
Total Discretely Presented Component Unit	\$ 248,669	\$ 162,165	\$ -	\$ -

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**C. Liabilities (Continued)**

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

	December 31, 2020	Additions	Retirements	December 31, 2021	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Debt, Including					
Refunding Bonds	\$ 4,635,000	\$ 970,000	\$ 785,000	\$ 4,820,000	\$ 360,000
Less: Unamortized Discounts	(2,543)	-	(424)	(2,119)	-
Less: Unamortized Premiums	107,641	6,132	5,251	108,522	-
Capital Lease Obligations	14,581	80,018	16,746	77,853	18,541
Compensated Absences Payable	179,695	86,682	113,032	153,345	115,008
Total Governmental Activities	<u>\$ 4,934,374</u>	<u>\$ 1,142,832</u>	<u>\$ 919,605</u>	<u>\$ 5,157,601</u>	<u>\$ 493,549</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds	\$ 2,925,000	-	\$ 165,000	\$ 2,760,000	\$ 170,000
Direct Borrowing - Revenue Notes	3,197,228	482,713	350,315	3,329,626	396,000
Equipment Certificates	397,000	-	76,000	321,000	76,000
General Obligation Bonds	400,000	1,470,000	400,000	1,470,000	80,000
Notes Payable	30,665	-	15,332	15,333	15,333
Less: Unamortized Discounts	(21,414)	-	(1,798)	(19,616)	-
Less: Unamortized Premiums	-	5,523	112	5,411	-
Compensated Absences Payable	64,343	54,377	44,615	74,105	55,578
Total Business-Type Activities	<u>\$ 6,992,822</u>	<u>\$ 2,012,613</u>	<u>\$ 1,049,576</u>	<u>\$ 7,955,859</u>	<u>\$ 792,911</u>
<b>DISCRETELY PRESENTED COMPONENT UNIT</b>					
Notes Payable	\$ 92,848	\$ 115,669	\$ 46,352	\$ 162,165	\$ -
Special Assessments Payable	2,755,130	229,413	1,338,292	1,646,251	-
Compensated Absences Payable	13,664	7,569	6,887	14,346	10,759
Total Discretely Presented Component Unit	<u>\$ 2,861,642</u>	<u>\$ 352,651</u>	<u>\$ 1,391,531</u>	<u>\$ 1,822,762</u>	<u>\$ 10,759</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
2022	\$ 360,000	\$ 102,633	\$ 462,633
2023	325,000	94,295	419,295
2024	250,000	87,389	337,389
2025	260,000	81,766	341,766
2026	255,000	75,824	330,824
2027 - 2031	1,345,000	286,843	1,631,843
2032 - 2036	1,200,000	152,070	1,352,070
2037 - 2041	825,000	37,905	862,905
Total	<u>\$ 4,820,000</u>	<u>\$ 918,725</u>	<u>\$ 5,738,725</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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
2022	\$ 396,000	\$ 41,132	\$ 437,132	\$ 80,000	\$ 20,021	\$ 100,021
2023	401,000	35,728	436,728	105,000	19,175	124,175
2024	407,000	30,255	437,255	115,000	17,738	132,738
2025	412,000	24,700	436,700	110,000	16,488	126,488
2026	152,000	19,073	171,073	120,000	15,469	135,469
2027 - 2031	790,000	71,669	861,669	275,000	67,909	342,909
2032 - 2036	561,600	37,300	598,900	285,000	49,420	334,420
2037 - 2041	434,000	10,900	444,900	315,000	22,550	337,550
2042	-	-	-	65,000	650	65,650
Total	* \$ 3,553,600	\$ 270,757	\$ 3,824,357	\$ 1,470,000	\$ 229,420	\$ 1,699,420

Year	G.O. Revenue Bonds			G.O. Equipment Certificates		
	Principal	Interest	Total	Principal	Interest	Total
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	195,000	88,325	283,325	-	-	-
2027 - 2031	1,085,000	321,115	1,406,115	-	-	-
2032 - 2036	770,000	71,745	841,745	-	-	-
Total	\$ 2,760,000	\$ 891,335	\$ 3,651,335	\$ 321,000	\$ 20,674	\$ 341,674

Year	Notes Payable			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 15,333	\$ -	\$ 15,333	\$ 737,333	\$ 179,006	\$ 916,339
2023	-	-	-	760,000	166,576	926,576
2024	-	-	-	786,000	152,409	938,409
2025	-	-	-	789,000	138,070	927,070
2026	-	-	-	467,000	122,867	589,867
2027 - 2031	-	-	-	2,150,000	460,693	2,610,693
2032 - 2036	-	-	-	1,616,600	158,465	1,775,065
2037 - 2041	-	-	-	749,000	33,450	782,450
2042	-	-	-	65,000	650	65,650
Total	\$ 15,333	\$ -	\$ 15,333	\$ 8,119,933	\$ 1,412,186	\$ 9,532,119

\*The outstanding direct borrowing principal includes the full \$7,148,240 of debt funding authorized by PFA agreements, which is comprised of \$6,979,866 that has been drawn by the City as of December 31, 2021 and \$168,374 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, 2021**

**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, 2021, the City has assets under this capital lease of \$25,213 with related accumulated depreciation of \$16,809.

The future minimum lease payments are as follows:

<b>Capital Leases</b>	
Year	Minimum Payments
2022	\$ 21,077
2023	19,655
2024	15,390
2025	15,390
2026	12,825
Total Minimum Lease Payments	84,337
Less: Amounts Representing Interest	(6,484)
Present Value of Minimum Lease Payments	\$ 77,853

**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, 2021.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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. 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, 2021**

**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 2021. 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, 2021, were \$78,888. 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, 2021**

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

C. Contributions (Continued)

**2. Police and Fire Fund Contributions**

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$62,659. 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, 2021, the City reported a liability of \$614,945 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 \$18,729. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0144% at the end of the measurement period and 0.0145% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 614,945
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	18,729
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 633,674

For the year ended December 31, 2021, the City recognized pension expense of \$(9,231) for its proportionate share of the General Employee Plan's pension expense. In addition, the City recognized an additional \$1,511 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, 2021**

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

D. Pension Costs (Continued)

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

At December 31, 2021, 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	\$ 3,778	\$ 18,819
Changes in Actuarial Assumptions	375,472	13,603
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	532,568
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	25,482	17,007
City Contributions Subsequent to the Measurement Date	40,262	-
Total	<u>\$ 444,994</u>	<u>\$ 581,997</u>

The \$40,262 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, 2022. 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
2022	\$ (27,681)
2023	1,986
2024	(6,311)
2025	(145,259)

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

D. Pension Costs (Continued)

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

At December 31, 2021, the City reported a liability of \$245,463 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0318% at the end of the measurement period and 0.0338% for the beginning of the period.

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 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 \$9 million direct state aid was paid on October 1, 2020. 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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 \$9 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 June 30, 2021, the City recognized pension expense of \$(24,457) for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$2,008 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9 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 \$2,862 for the year ended December 31, 2021 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, 2021**

**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	\$	245,463
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		11,025
Total Proportionate Share of the Net Pension Liability Associated with the City	\$	<u>256,488</u>

At December 31, 2021, 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	\$ 47,144	\$ -
Changes in Actuarial Assumptions	360,765	134,866
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	469,016
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	17,032	42,576
City Contributions Subsequent to the Measurement Date	29,902	-
Total	<u>\$ 454,843</u>	<u>\$ 646,458</u>

The \$29,902 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, 2022. 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
2022	\$ (168,237)
2023	(33,721)
2024	(35,230)
2025	(57,765)
2026	73,436

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**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	\$ 614,945	\$ 245,463	\$ 860,408
Deferred Outflows of Resources			
Related to Pensions	444,994	454,843	899,837
Deferred Inflows of Resources			
Related to Pensions	581,997	646,458	1,228,455
Pension Expense	(7,720)	(22,449)	(30,169)

E. Long-Term Expected Return on Investment

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	33.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
International Equity	16.5	5.30
Totals	100.0 %	



**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for 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 studies for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50%. 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, 2021**

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

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	5.50%	6.50%	7.50%
City's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,254,173	\$ 614,945	\$ 90,419

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	5.50%	6.50%	7.50%
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 779,301	\$ 245,463	\$ (192,153)

I. Pension Plan Fiduciary Net Position

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

**NOTE 5 DEFINED CONTRIBUTION PLAN – FIRE RELIEF ASSOCIATION**

A. Plan Description

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

The District provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with state statute, and vest after 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  
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**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 2021 contribution to the plan was as follows:

State Aid flowed through City to District	\$ 34,831
Voluntary (Nonrequired) Contribution from City	-
Total Contribution	<u>\$ 34,831</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, 2021 totals \$53,334.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021, the City paid excess tax increment in the amount of \$171,739.

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, 2021, the City abated property taxes totaling \$24,034. 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 and Telephone Fund were restated by \$55,731, to properly state net position and revenue that was understated in previously issued financial statements. Beginning net position of the Economic Development Authority Fund was restated by \$65,581 to properly state net position and revenue that was overstated in the previously issued financial statements.

	Business-Type Activities	Telephone Fund	Component Unit
Net Position - Beginning of Year	\$ 17,417,211	\$ 4,963,777	\$ 324,702
Restatement - Correction of an Error	55,731	55,731	(65,581)
Net Position - Beginning of Year, as Restated	<u>\$ 17,472,942</u>	<u>\$ 5,019,508</u>	<u>\$ 259,121</u>

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 10 SUBSEQUENT EVENT**

On March 16, 2022, the City Council authorized issuance of \$2,922,000 in Communication System Revenue Refunding Bonds, Series 2022A. The Bonds were issued for the purpose of effecting current refundings of certain outstanding general obligations of the City. The bond carries an interest rate between 1.2% and 2.5% and is set to mature in 2034. The refunding was undertaken to reduce total debt service payments in the amount of \$354,189 over the next 13 years and resulted in economic gain of \$371,290.

**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, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019
<b>PERA - General Employees Plan</b>			
City's Proportion of the Net Pension Liability	0.0144%	0.0145%	0.0137%
City's Proportionate Share of the Net Pension Liability	\$ 614,945	\$ 869,341	\$ 757,442
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 18,729	\$ 26,723	\$ 23,499
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 633,674	\$ 896,064	\$ 780,941
City's Covered Payroll	\$ 1,032,629	\$ 1,033,069	\$ 967,993
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	59.55%	84.15%	78.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.06%	80.20%
<b>PERA - Police and Fire Plan</b>			
City's Proportion of the Net Pension Liability	0.0318%	0.0338%	0.0351%
City's Proportionate Share of the Net Pension Liability	\$ 245,462	\$ 445,521	\$ 373,675
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 11,025	\$ 10,497	\$ -
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 256,487	\$ 456,018	\$ 373,675
City's Covered Payroll	\$ 375,515	\$ 383,098	\$ 370,318
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	65.37%	116.29%	100.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.70%	87.19%	89.30%

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



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

Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.0145%	0.0152%	0.0153%	0.0162%
\$ 804,401	\$ 970,358	\$ 1,242,284	\$ 839,568
\$ 26,429	\$ 12,170	\$ 16,225	\$ -
\$ 830,830	\$ 982,528	\$ 1,258,509	\$ 839,568
\$ 972,532	\$ 976,694	\$ 951,245	\$ 950,430
82.71%	99.35%	130.60%	88.34%
79.50%	75.90%	68.91%	78.20%
0.0335%	0.0330%	0.0330%	0.0350%
\$ 357,075	\$ 445,539	\$ 1,324,347	\$ 397,682
\$ -	\$ -	\$ -	\$ -
\$ 357,075	\$ 445,539	\$ 1,324,347	\$ 397,682
\$ 352,668	\$ 338,298	\$ 322,142	\$ 320,101
101.25%	131.70%	411.11%	124.24%
88.80%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>PERA - General Employees Plan</b>				
Contractually Required Contribution	\$ 78,888	\$ 78,306	\$ 75,146	\$ 72,474
Contributions in Relation to the Contractually Required Contribution	(78,888)	(78,306)	(75,146)	(72,474)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,051,840	\$ 1,044,080	\$ 1,001,947	\$ 966,320
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
<b>PERA - Police and Fire Plan</b>				
Contractually Required Contribution	\$ 62,659	\$ 68,692	\$ 63,493	\$ 58,511
Contributions in Relation to the Contractually Required Contribution	(62,659)	(68,692)	(63,493)	(58,511)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 354,006	\$ 388,087	\$ 374,591	\$ 361,179
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	16.95%	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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 70,677	\$ 72,123	\$ 73,020	\$ 68,395
<u>(70,677)</u>	<u>(72,123)</u>	<u>(73,020)</u>	<u>(68,395)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 942,360	\$ 961,636	\$ 973,605	\$ 943,183
7.50%	7.50%	7.50%	7.25%
\$ 54,145	\$ 52,873	\$ 54,333	\$ 47,791
<u>(54,145)</u>	<u>(52,873)</u>	<u>(54,333)</u>	<u>(47,791)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 334,231	\$ 326,375	\$ 335,388	\$ 301,363
16.20%	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, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 352,750	\$ 352,750	\$ 355,808	\$ 3,058
Special Assessments	5,000	5,000	593	(4,407)
Licenses and Permits	44,150	44,150	59,929	15,779
Intergovernmental	909,427	909,427	1,004,561	95,134
Charges for Services	290	290	1,986	1,696
Fines and Forfeits	8,700	8,700	10,718	2,018
Interest Income	14,550	14,550	13,936	(614)
Miscellaneous	34,739	34,739	41,438	6,699
Total Revenues	<u>1,369,606</u>	<u>1,369,606</u>	<u>1,488,969</u>	<u>119,363</u>
<b>EXPENDITURES</b>				
Current				
General Government	756,565	831,565	776,996	(54,569)
Public Safety	740,768	783,362	778,197	(5,165)
Public Works	309,171	309,171	324,713	15,542
Economic Development	198,584	198,584	193,373	(5,211)
Capital Outlay				
General Government	75,000	-	5,700	5,700
Public Safety	38,000	11,406	11,405	(1)
Public Works	189,070	189,070	261,196	72,126
Debt Service				
Principal	-	-	5,072	5,072
Interest and Other Charges	-	-	1,096	1,096
Total Expenditures	<u>2,307,158</u>	<u>2,323,158</u>	<u>2,357,748</u>	<u>34,590</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(937,552)	(953,552)	(868,779)	84,773
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	773,465	773,465	789,915	16,450
Transfers Out	(20,000)	(20,000)	-	20,000
Total Other Financing Sources and (Uses)	<u>753,465</u>	<u>753,465</u>	<u>789,915</u>	<u>36,450</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (184,087)</u>	<u>\$ (200,087)</u>	<u>(78,864)</u>	<u>\$ 121,223</u>
Fund Balance - Beginning of Year			<u>2,069,505</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,990,641</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, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 401,200	\$ 401,200	\$ 401,200	\$ -
Licenses and Permits	500	500	745	245
Charges for Services	217,275	217,275	280,424	63,149
Interest on Investments	3,000	3,000	1,083	(1,917)
Miscellaneous	2,250	2,250	35,402	33,152
Total Revenues	<u>624,225</u>	<u>624,225</u>	<u>718,854</u>	<u>94,629</u>
<b>EXPENDITURES</b>				
Current				
Parks and Recreation	560,525	560,525	410,506	(150,019)
Capital Outlay				
Parks and Recreation	63,700	63,700	130,958	67,258
Debt service				
Principal	-	-	11,674	11,674
Interest and Other Charges	-	-	3,508	3,508
Total Expenditures	<u>624,225</u>	<u>624,225</u>	<u>556,646</u>	<u>(67,579)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	162,208	162,208
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	-	-	80,018	80,018
Proceeds of Sale of Capital Assets	-	-	64,900	64,900
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>144,918</u>	<u>144,918</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>307,126</u>	<u>\$ 307,126</u>
Fund Balance - Beginning of Year			<u>469,729</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 776,855</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, 2021**

**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  
2021  
Changes in Actuarial Assumptions
  - The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
  - The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2021**

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

A. General Employees Fund (Continued)

2021 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.
- 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.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2021**

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

A. General Employees Fund (Continued)

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA load are now 0.0% for active member liability, 15% for vested deferred member liability, and 3.0% for nonvested 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%.



**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2021**

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

A. General Employees Fund (Continued)

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

B. Police and Fire Fund

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2021**

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

B. Police and Fire Fund (Continued)

2021 (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

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.

**CITY OF BARNESVILLE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**DECEMBER 31, 2021**

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

B. Police and Fire Fund (Continued)

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 nonvested, deferred members. The CSA has been changed to 33% for vested members and 2.0% for nonvested 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.

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.

**CITY OF BARNESVILLE, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A  
DECEMBER 31, 2021**

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

B. Police and Fire Fund (Continued)

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, 2021**

<b>ASSETS</b>	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 917	\$ 106,229	\$ 118,923	\$ 226,069
Taxes Receivable	-	-	27	27
Notes Receivable	-	28,385	-	28,385
Total Assets	<u>917</u>	<u>134,614</u>	<u>118,950</u>	<u>254,481</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	-	38,750	-	38,750
Deferred Inflows of Resources				
Unavailable Loans Receivable	-	28,385	-	28,385
Fund Balances				
Restricted for DARE Program	917	-	-	917
Restricted for Economic Development	-	-	118,950	118,950
Restricted for Small Cities Grant	-	67,479	-	67,479
Total Fund Balances	<u>917</u>	<u>67,479</u>	<u>118,950</u>	<u>187,346</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 917</u>	<u>\$ 134,614</u>	<u>\$ 118,950</u>	<u>\$ 254,481</u>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
<b>REVENUES</b>				
Tax Increments	\$ -	\$ -	\$ 184,548	\$ 184,548
Gifts and Contributions	25	-	-	25
Interest Income	3	238	28	269
Miscellaneous	-	20,203	-	20,203
Total Revenues	28	20,441	184,576	205,045
<b>EXPENDITURES</b>				
Current				
General Government	-	39,490	-	39,490
Public Safety	619	-	-	619
Economic Development	-	-	171,739	171,739
Total Expenditures	619	39,490	171,739	211,848
<b>NET CHANGE IN FUND BALANCES</b>	(591)	(19,049)	12,837	(6,803)
Fund Balances - Beginning of Year	1,508	86,528	106,113	194,149
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 917</b>	<b>\$ 67,479</b>	<b>\$ 118,950</b>	<b>\$ 187,346</b>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
DECEMBER 31, 2021**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 245,671	\$ 508,278	\$ 825,685	\$ 1,579,634
Accounts Receivable - Net	37,341	5,454	49,001	91,796
Total Current Assets	283,012	513,732	874,686	1,671,430
Noncurrent Assets				
Advance to Component Unit	5,581	-	-	5,581
Capital Assets				
Land	-	13,077	-	13,077
Buildings (Net)	83,060	-	-	83,060
Infrastructure (Net)	-	915,597	-	915,597
Machinery and Equipment (Net)	-	11,268	-	11,268
Net Capital Assets	83,060	939,942	-	1,023,002
Total Noncurrent	88,641	939,942	-	1,028,583
Total Assets	371,653	1,453,674	874,686	2,700,013
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	8,105	-	8,643	16,748
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	17,293	-	45	17,338
Salaries and Benefits Payable	3,741	-	946	4,687
Due to Other Governments	2,014	-	-	2,014
Unearned Utility Payments	-	-	27,266	27,266
Compensated Absences - Due Within One Year	1,023	-	3,325	4,348
Total Current Liabilities	24,071	-	31,582	55,653
Noncurrent Liabilities				
Compensated Absences - Due in More than One Year	342	-	1,109	1,451
Net Pension Liability	11,200	-	11,944	23,144
Total Noncurrent Liabilities	11,542	-	13,053	24,595
Total Liabilities	35,613	-	44,635	80,248
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	10,600	-	11,304	21,904
<b>NET POSITION</b>				
Net Investment in Capital Assets	83,060	939,942	-	1,023,002
Unrestricted	250,485	513,732	827,390	1,591,607
Total Net Position	\$ 333,545	\$ 1,453,674	\$ 827,390	\$ 2,614,609



**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 251,347	\$ 44,731	\$ 461,969	\$ 758,047
<b>OPERATING EXPENSES</b>				
Professional Services	203,178	-	680	203,858
Wages, Salaries, and Compensation	32,971	-	33,493	66,464
Repairs and Maintenance	619	-	8,283	8,902
Insurance	1,678	-	-	1,678
Depreciation	2,632	33,903	-	36,535
Materials and Supplies	1,207	-	1,363	2,570
Miscellaneous Expenses	27,739	-	48,414	76,153
Total Operating Expenses	<u>270,024</u>	<u>33,903</u>	<u>92,233</u>	<u>396,160</u>
<b>OPERATING INCOME (LOSS)</b>	(18,677)	10,828	369,736	361,887
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	525	668	1,262	2,455
Intergovernmental Grants	32,054	-	-	32,054
Total Nonoperating Revenues (Expenses)	<u>32,579</u>	<u>668</u>	<u>1,262</u>	<u>34,509</u>
Income before Transfers and Contributions	13,902	11,496	370,998	396,396
Capital Contributions	-	416,961	-	416,961
Transfers Out	<u>(18,000)</u>	<u>(7,500)</u>	<u>(202,523)</u>	<u>(228,023)</u>
<b>CHANGE IN NET POSITION</b>	(4,098)	420,957	168,475	585,334
Net Position - Beginning of Year	<u>337,643</u>	<u>1,032,717</u>	<u>658,915</u>	<u>2,029,275</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 333,545</u>	<u>\$ 1,453,674</u>	<u>\$ 827,390</u>	<u>\$ 2,614,609</u>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 259,670	\$ 44,651	\$ 460,554	\$ 764,875
Payments to Suppliers	(234,401)	-	(58,726)	(293,127)
Payments to Employees	(30,921)	-	(32,138)	(63,059)
Net Cash Provided (Used) by Operating Activities	<u>(5,652)</u>	<u>44,651</u>	<u>369,690</u>	<u>408,689</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to Other Funds	(18,000)	(7,500)	(202,523)	(228,023)
Advance from Component Unit	19,147	-	-	19,147
Grant Receipts	32,054	-	-	32,054
Net Cash Provided (Used) by Noncapital Financing Activities	<u>33,201</u>	<u>(7,500)</u>	<u>(202,523)</u>	<u>(176,822)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Dividends Received	525	668	1,262	2,455
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>28,074</u>	<u>37,819</u>	<u>168,429</u>	<u>234,322</u>
Cash and Cash Equivalents - Beginning of Year	<u>217,597</u>	<u>470,459</u>	<u>657,256</u>	<u>1,345,312</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 245,671</u>	<u>\$ 508,278</u>	<u>\$ 825,685</u>	<u>\$ 1,579,634</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (18,677)	\$ 10,828	\$ 369,736	\$ 361,887
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	2,632	33,903	-	36,535
(Increase) Decrease in Assets and Deferred Outflows				
Accounts Receivable	8,323	(80)	(3,393)	4,850
Deferred Outflows of Resources	(6,703)	-	(6,745)	(13,448)
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	(102)	-	14	(88)
Salaries and Benefits Payable	2,174	-	230	2,404
Due to Other Governments	122	-	-	122
Compensated Absences Payable	(2,045)	-	2,458	413
Net Pension Liability	(980)	-	(4,543)	(5,523)
Unearned Utility Payments	-	-	1,978	1,978
Deferred Inflows of Resources	9,604	-	9,955	19,559
Total Adjustments	<u>13,025</u>	<u>33,823</u>	<u>(46)</u>	<u>46,802</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,652)</u>	<u>\$ 44,651</u>	<u>\$ 369,690</u>	<u>\$ 408,689</u>
<b>NONCASH CAPITAL ACTIVITIES</b>				
Capital Assets Contributed	<u>\$ -</u>	<u>\$ 416,961</u>	<u>\$ -</u>	<u>\$ 416,961</u>

## **OTHER COMBINING SCHEDULES**

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING BALANCE SHEET  
DEBT SERVICE FUND – BY BOND ISSUE  
DECEMBER 31, 2021**

	<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>
<b>ASSETS</b>				
Cash and Investments	\$ 75,052	\$ 61,945	\$ 157,168	\$ 204,263
Taxes Receivable				
Current	-	-	-	-
Special Assessments Receivable				
Delinquent	-	-	-	-
Noncurrent	48,079	-	33,006	436,192
Total Assets	<u>123,131</u>	<u>61,945</u>	<u>190,174</u>	<u>640,455</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Deferred Inflows of Resources				
Unavailable Taxes	-	-	-	-
Unavailable Special Assessments	48,079	-	33,006	436,192
Total Deferred Inflows of Resources	<u>48,079</u>	<u>-</u>	<u>33,006</u>	<u>436,192</u>
Fund Balances				
Restricted	<u>75,052</u>	<u>61,945</u>	<u>157,168</u>	<u>204,263</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 123,131</u>	<u>\$ 61,945</u>	<u>\$ 190,174</u>	<u>\$ 640,455</u>

**CITY OF BARNESVILLE, MINNESOTA  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)  
 DECEMBER 31, 2021**

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	G.O. 2021A Improvement Bonds	Total Debt Service Fund
\$ 25,174	\$ 101,187	\$ 22,708	\$ 24,752	\$ 104,210	\$ 5,287	\$ 781,746
335	1,857	-	-	-	-	2,192
-	1,050	-	-	-	-	1,050
<u>228,220</u>	<u>143,778</u>	<u>256,253</u>	<u>1,073,763</u>	<u>2,336,709</u>	<u>276,841</u>	<u>4,832,841</u>
253,729	247,872	278,961	1,098,515	2,440,919	282,128	5,617,829
-	1,482	-	-	-	-	1,482
<u>228,220</u>	<u>144,381</u>	<u>256,253</u>	<u>1,073,763</u>	<u>2,336,709</u>	<u>276,841</u>	<u>4,833,444</u>
<u>228,220</u>	<u>145,863</u>	<u>256,253</u>	<u>1,073,763</u>	<u>2,336,709</u>	<u>276,841</u>	<u>4,834,926</u>
<u>25,509</u>	<u>102,009</u>	<u>22,708</u>	<u>24,752</u>	<u>104,210</u>	<u>5,287</u>	<u>782,903</u>
<u>\$ 253,729</u>	<u>\$ 247,872</u>	<u>\$ 278,961</u>	<u>\$ 1,098,515</u>	<u>\$ 2,440,919</u>	<u>\$ 282,128</u>	<u>\$ 5,617,829</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, 2021**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	18,176	1,131	18,826	111,680
Interest Income	198	176	399	306
Total Revenues	<u>18,374</u>	<u>1,307</u>	<u>19,225</u>	<u>111,986</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	-	-	-	75,000
Interest and Other Charges	-	-	-	2,309
Bond Issue Costs	-	-	-	3,112
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,421</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>18,374</u>	<u>1,307</u>	<u>19,225</u>	<u>31,565</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(30,000)	(16,000)	(24,000)	-
Issuance of Bonds	-	-	-	74,600
Premium on Bonds Issued	-	-	-	632
Payment to Refunded Bond Escrow Agent	-	-	-	(70,076)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(16,000)</u>	<u>(24,000)</u>	<u>5,156</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(11,626)</u>	<u>(14,693)</u>	<u>(4,775)</u>	<u>36,721</u>
Fund Balances - Beginning of Year	<u>86,678</u>	<u>76,638</u>	<u>161,943</u>	<u>167,542</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 75,052</u>	<u>\$ 61,945</u>	<u>\$ 157,168</u>	<u>\$ 204,263</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, 2021**

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	G.O. 2021B Improvement Bonds	Internal Eliminations	Total Debt Service Fund
\$ 25,113	\$ 28,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,237
32,787	17,887	24,925	89,186	-	2,165	-	316,763
1	185	21	-	-	419	-	1,705
57,901	46,196	24,946	89,186	-	2,584	-	371,705
80,000	35,000	20,000	55,000	-	-	-	265,000
7,960	12,984	7,873	25,921	62,442	-	-	119,489
-	19,413	-	-	-	-	-	22,525
87,960	67,397	27,873	80,921	62,442	-	-	407,014
(30,059)	(21,201)	(2,927)	8,265	(62,442)	2,584	-	(35,309)
25,000	-	8,000	44,188	166,652	-	(70,000)	173,840
-	-	-	-	-	-	70,000	-
-	465,400	-	-	-	2,703	-	542,703
-	3,946	-	-	-	-	-	4,578
-	(450,490)	-	-	-	-	-	(520,566)
25,000	18,856	8,000	44,188	166,652	2,703	-	200,555
(5,059)	(2,345)	5,073	52,453	104,210	5,287	-	165,246
30,568	104,354	17,635	(27,701)	-	-	-	617,657
<u>\$ 25,509</u>	<u>\$ 102,009</u>	<u>\$ 22,708</u>	<u>\$ 24,752</u>	<u>\$ 104,210</u>	<u>\$ 5,287</u>	<u>\$ -</u>	<u>\$ 782,903</u>

**CITY OF BARNESVILLE, MINNESOTA  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND – BY PROJECT  
DECEMBER 31, 2021**

	C.S.A.H. 52 Project	Commercial Park Extension	Del Acres Gilbertson Second Addition	Del Acres Gilbertson Third Addition	Commercial Park Condos	Total Capital Projects Fund
<b>ASSETS</b>						
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ 125,119	\$ 125,119
Special Assessments - Noncurrent	-	63,205	-	-	-	63,205
Total Assets	-	63,205	-	-	125,119	188,324
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS</b>						
Liabilities						
Due to Other Funds	\$ 45,589	\$ 102,527	\$ -	\$ -	\$ -	\$ 148,116
Accounts Payable	-	-	-	-	3,547	3,547
Total Liabilities	45,589	102,527	-	-	3,547	151,663
Deferred Inflows of Resources						
Unavailable Special Assessments	-	63,205	-	-	-	63,205
Fund Balances (Deficits)						
Restricted	-	-	-	-	121,572	121,572
Unassigned	(45,589)	(102,527)	-	-	-	(148,116)
Total Fund Balances (Deficits)	(45,589)	(102,527)	-	-	121,572	(26,544)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ -	\$ 63,205	\$ -	\$ -	\$ 125,119	\$ 188,324



**CITY OF BARNESVILLE, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**CAPITAL PROJECTS FUND – BY PROJECT**  
**YEAR ENDED DECEMBER 31, 2021**

	C.S.A.H. 52 Project	Commercial Park Extension	Del Acres Gilbertson Second Addition	Del Acres Gilbertson Third Addition	Commercial Park Condos	Total Capital Projects Fund
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 47,000	\$ 47,000
Special Assessments	-	2,440	-	-	-	2,440
Interest Income	-	-	24	738	-	762
Miscellaneous	-	-	-	26,366	-	26,366
Total Revenues	-	2,440	24	27,104	47,000	76,568
<b>EXPENDITURES</b>						
<b>CURRENT</b>						
Capital Outlay						
Public Works	45,589	-	-	130,694	331,145	507,428
Debt Service						
Bond Issue Costs	-	-	-	-	15,184	15,184
Total Expenditures	45,589	-	-	130,694	346,329	522,612
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(45,589)	2,440	24	(103,590)	(299,329)	(446,044)
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Bonds	-	-	-	-	427,297	427,297
Premium on Bonds Issued	-	-	-	-	1,554	1,554
Transfers Out	-	-	(9,188)	(173,152)	(7,950)	(190,290)
Total Other Financing Sources (Uses)	-	-	(9,188)	(173,152)	420,901	238,561
<b>NET CHANGE IN FUND BALANCES</b>	(45,589)	2,440	(9,164)	(276,742)	121,572	(207,483)
Fund Balances (Deficit) - Beginning of Year	-	(104,967)	9,164	276,742	-	180,939
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ (45,589)	\$ (102,527)	\$ -	\$ -	\$ 121,572	\$ (26,544)

## **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, 2021, 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 29, 2022.

***Report on 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2021-001 through 2021-003 that we consider to be material weaknesses.

***Report on 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City’s response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Alexandria, Minnesota  
April 29, 2022



## 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 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 and for the year ended December 31, 2021 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 29, 2022.

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 – bid laws, depositories of public funds and public 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**

Alexandria, Minnesota  
April 29, 2022

**CITY OF BARNESVILLE, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2021**

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

2021-001

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 2020-001.

**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 RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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

2021-002

**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 \$55,731 was reported by the Telephone Fund for an understatement of revenues in prior year. There was also a restatement in the amount of \$65,581 reported by the Economic Development Authority Fund for an overstatement of revenues in the 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 2020-002.

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

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

**Views of Responsible Officials and Planned Corrective Actions:** There is no disagreement with the audit finding. The City will continue to pursue additional training and knowledge with a long-term goal of recording all adjusting and closing entries prior to the audit.

**CITY OF BARNESVILLE, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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

2021-003      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 2020-003.

**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.

**MINNESOTA LEGAL COMPLIANCE:**

None noted.



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