

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022



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INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2022**

ELECTED	NAME	TERM EXPIRES
Mayor	Jason Rick	12/31/2024
City Council	Scott Bauer	12/31/2026
City Council	Don Goedtk	12/31/2026
City Council	Tonya Stokka	12/31/2026
City Council	Dawn Stuvland	12/31/2024
City Council	Alyssa Bergman	12/31/2024
City Council	Brad Field	12/31/2024

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 (the City), Minnesota, as of and for the year ended December 31, 2022, 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, 2022, 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.

Responsibilities 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.

Honorable Mayor and
Members of the City Council
City of Barnesville

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.

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.

Honorable Mayor and
Members of the City Council
City of Barnesville

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, budgetary comparison schedule – general fund and parks and recreation special revenue fund, and notes to the required supplementary information 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.

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.

Honorable Mayor and
Members of the City Council
City of Barnesville

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023, 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 24, 2023

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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, 2022. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information. Certain comparative information between the current year (2022) and the prior year (2021) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 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 \$30,428,364 (net position). Of this amount, \$13,031,072 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$701,091 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$3,840,586, an increase of \$129,385, or 3.5% in comparison to the prior year. Approximately 17.59% of this amount, or \$673,834, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$644,032, or 28.17% 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.

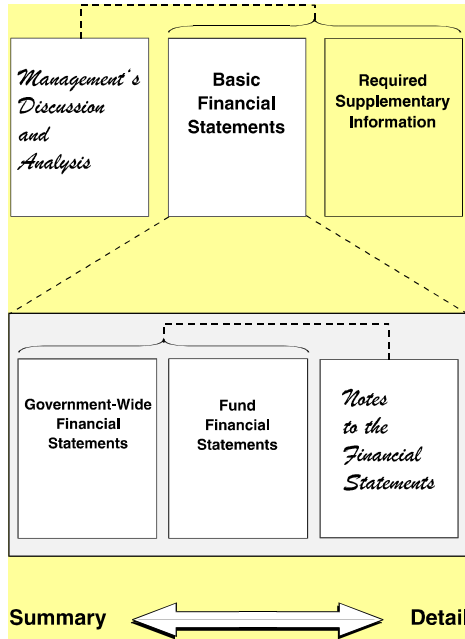
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements				
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	The activities of the City that operate similar to private businesses: water, sewer, telephone, municipal liquor as examples.	Instances in which the City is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of revenues, expenses, and changes in fund net position and statement of cash flows.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset and Deferred Outflow of Resources/ Liability and Deferred Inflow of Resources Information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

City-Wide Statements

The City-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two City-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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, 2022**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$30,428,364 on December 31, 2022 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 9,027,139	\$ 8,926,495	\$ 12,398,512	\$ 12,474,642	\$ 21,425,651	\$ 21,401,137
Capital Assets	6,987,308	7,295,021	16,018,094	16,342,971	23,005,402	23,637,992
Total Assets	16,014,447	16,221,516	28,416,606	28,817,613	44,431,053	45,039,129
Deferred Outflows of Resources	1,094,156	709,718	210,012	192,955	1,304,168	902,673
Current Liabilities	780,170	688,185	1,269,941	1,610,481	2,050,111	2,298,666
Long-Term Liabilities	6,221,387	5,261,730	6,933,666	7,425,678	13,155,053	12,687,408
Total Liabilities	7,001,557	5,949,915	8,203,607	9,036,159	15,205,164	14,986,074
Deferred Inflows of Resources	91,413	979,803	10,280	248,652	101,693	1,228,455
Net Position						
Net Investment in Capital Assets	2,482,394	2,415,884	8,988,205	8,541,601	11,470,599	10,957,485
Restricted	5,643,368	5,848,744	283,325	283,325	5,926,693	6,132,069
Unrestricted	1,889,871	1,736,888	11,141,201	10,900,831	13,031,072	12,637,719
Total Net Position	<u>\$ 10,015,633</u>	<u>\$ 10,001,516</u>	<u>\$ 20,412,731</u>	<u>\$ 19,725,757</u>	<u>\$ 30,428,364</u>	<u>\$ 29,727,273</u>

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$10,738,320 for the year ended December 31, 2022. Property taxes and intergovernmental revenues accounted for 21.4% of total revenue for the year, while user charges accounted for 72.8% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 357,588	\$ 353,802	\$ 7,462,980	\$ 6,848,934	\$ 7,820,568	\$ 7,202,736
Operating Grants and Contributions	97,319	72,073	54,257	175,168	151,576	247,241
Capital Grants and Contributions	238,370	480,949	20,957	52,830	259,327	533,779
<u>General Revenues</u>						
Property Taxes	914,622	812,471	100,000	96,000	1,014,622	908,471
Tax Increments	187,569	184,548	-	-	187,569	184,548
Unrestricted State Aid	870,671	854,235	-	-	870,671	854,235
Investment Earnings	13,544	21,291	9,354	13,696	22,898	34,987
Other	92,836	116,765	318,253	597,828	411,089	714,593
Total Revenues	<u>2,772,519</u>	<u>2,896,134</u>	<u>7,965,801</u>	<u>7,784,456</u>	<u>10,738,320</u>	<u>10,680,590</u>
EXPENSES						
General Government	873,367	680,590	-	-	873,367	680,590
Public Safety	830,391	696,960	-	-	830,391	696,960
Public Works	726,400	547,065	-	-	726,400	547,065
Culture and Recreation	718,103	585,401	-	-	718,103	585,401
Economic Development	346,002	338,597	-	-	346,002	338,597
Interest	97,803	149,524	-	-	97,803	149,524
Water	-	-	443,839	446,845	443,839	446,845
Sewer	-	-	589,893	416,095	589,893	416,095
Electric	-	-	1,868,241	2,262,096	1,868,241	2,262,096
Telephone	-	-	1,104,058	1,026,753	1,104,058	1,026,753
Municipal Liquor	-	-	1,069,587	774,030	1,069,587	774,030
Cable Television	-	-	429,947	364,839	429,947	364,839
Sanitation	-	-	282,589	270,024	282,589	270,024
Storm Sewer	-	-	54,192	33,903	54,192	33,903
Ambulance	-	-	496,517	428,884	496,517	428,884
Broadband Internet	-	-	106,300	92,233	106,300	92,233
Total Expenses	<u>3,592,066</u>	<u>2,998,137</u>	<u>6,445,163</u>	<u>6,115,702</u>	<u>10,037,229</u>	<u>9,113,839</u>
Transfers	<u>833,664</u>	<u>(584,061)</u>	<u>(833,664)</u>	<u>584,061</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	14,117	(686,064)	686,974	2,252,815	701,091	1,566,751
Net Position - Beginning of Year	10,001,516	10,687,580	19,725,757	17,417,211	29,727,273	28,104,791
Restatement	-	-	-	55,731	-	55,731
Net Position - Beginning of Year, As Restated	<u>10,001,516</u>	<u>10,687,580</u>	<u>19,725,757</u>	<u>17,472,942</u>	<u>29,727,273</u>	<u>28,160,522</u>
NET POSITION - END OF YEAR	<u>\$ 10,015,633</u>	<u>\$ 10,001,516</u>	<u>\$ 20,412,731</u>	<u>\$ 19,725,757</u>	<u>\$ 30,428,364</u>	<u>\$ 29,727,273</u>

Total revenues surpassed expenses, increasing City-wide net position by \$701,091 as compared to an increase of \$1,566,751 in 2021.

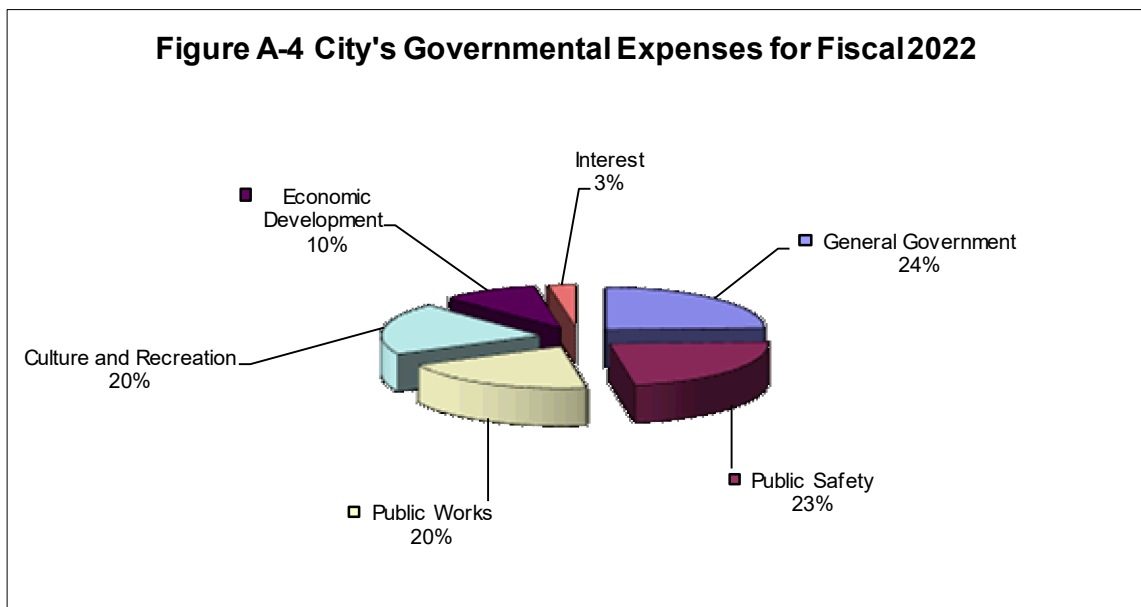
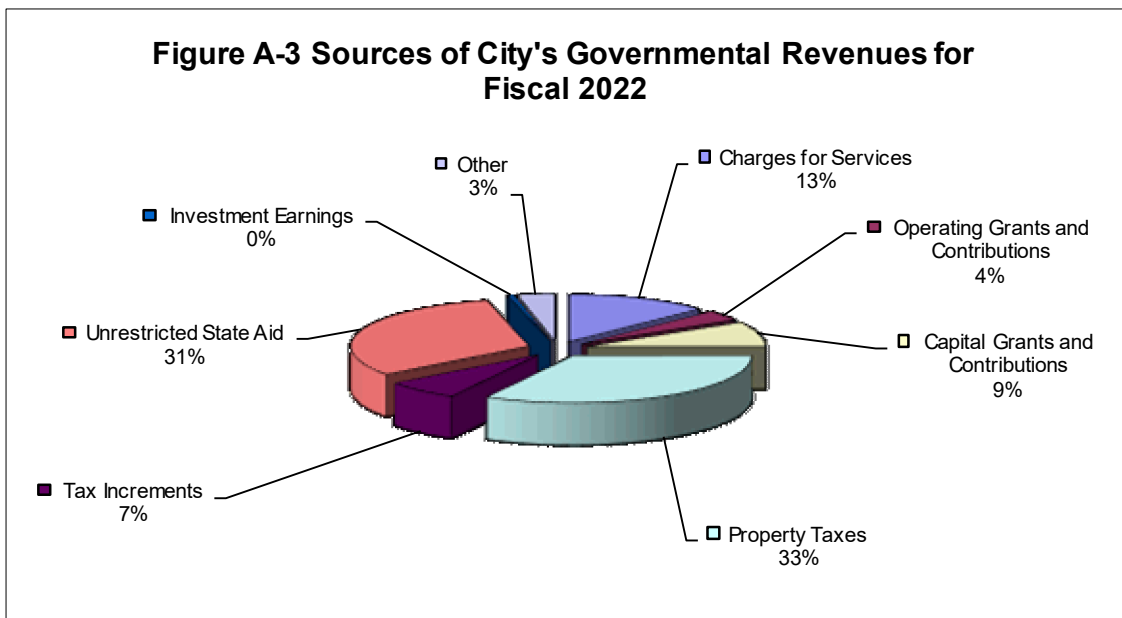
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The City-wide cost of all governmental activities this year was \$3,592,066.

- Some of the cost was paid by the users of the City's programs (\$357,588).
- Federal and state government payments (\$97,319) subsidized certain programs.
- Ad valorem property taxes (\$914,622) and unrestricted state grants (\$870,671) also helped fund the net costs of governmental services.



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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	
	2022	2021	2022	2021
GOVERNMENTAL ACTIVITIES				
General Government	\$ 873,367	\$ 680,590	\$ (779,633)	\$ (600,835)
Public Safety	830,391	696,960	(702,551)	(539,482)
Public Works	726,400	547,065	(562,933)	(158,643)
Culture and Recreation	718,103	585,401	(409,867)	(304,232)
Economic Development	346,002	338,597	(346,002)	(338,597)
Interest	97,803	149,524	(97,803)	(149,524)
Total	<u>\$ 3,592,066</u>	<u>\$ 2,998,137</u>	<u>\$ (2,898,789)</u>	<u>\$ (2,091,313)</u>
BUSINESS-TYPE ACTIVITIES				
Water	\$ 443,839	\$ 446,845	\$ 75,977	\$ 156,495
Sewer	589,893	416,095	150,476	304,470
Electric	1,868,241	2,262,096	569,874	79,663
Telephone	1,104,058	1,026,753	160,622	142,093
Municipal Liquor	1,069,587	774,030	33,732	(14,086)
Cable Television	429,947	364,839	(94,732)	277
Sanitation	282,589	270,024	41,945	13,377
Storm Sewer	54,192	33,903	(7,256)	10,828
Ambulance	496,517	428,884	(237,262)	(101,623)
Broadband Internet	106,300	92,233	399,655	369,736
Total	<u>\$ 6,445,163</u>	<u>\$ 6,115,702</u>	<u>\$ 1,093,031</u>	<u>\$ 961,230</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 \$3,840,586.

Revenues for the City's governmental funds were \$2,882,823, while total expenditures were \$3,588,825. Expenditures in excess of revenues were covered by a budgeted transfer from the enterprise funds.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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 Increase (Decrease)
	December 31, 2022	December 31, 2021	
Taxes	\$ 437,908	\$ 355,808	\$ 82,100
Special Assessments	593	593	-
Licenses and Permits	55,800	59,929	(4,129)
Intergovernmental	994,682	1,004,561	(9,879)
Charges for Services	3,171	1,986	1,185
Fines and Forfeits	15,411	10,718	4,693
Interest	2,913	13,936	(11,023)
Miscellaneous and Other	27,009	41,438	(14,429)
Total General Fund Revenues	<u>\$ 1,537,487</u>	<u>\$ 1,488,969</u>	<u>\$ 48,518</u>

Total General Fund revenue increased by \$48,518, or 3.3%, from the previous year. The primary reason for the increase is an increase in the property tax levy. The City council approved a 19% increase in the general fund tax levy for 2022.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change Increase (Decrease)
	December 31, 2022	December 31, 2021	
General Government	\$ 840,341	\$ 776,996	\$ 63,345
Public Safety	779,671	778,197	1,474
Public Works	359,214	324,713	34,501
Economic Development	217,954	193,373	24,581
Capital Outlay	81,339	278,301	(196,962)
Debt Service	7,762	6,168	1,594
Total Expenditures	<u>\$ 2,286,281</u>	<u>\$ 2,357,748</u>	<u>\$ (71,467)</u>

The General Fund's expenditures decreased \$71,467 from 2021. The decrease is due largely to asphalt resurfacing during the prior year.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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 \$7,124 less than budget. This is primarily due to a decrease in intergovernmental revenues.
- The actual expenditures were \$178,435 less than budget. This is primarily due to capital outlay expenditures coming in under budget.

Parks and Recreation Fund

The Parks and Recreation Fund had an increase in fund balance of \$130,965. Revenues exceeded budget during 2022 by \$71,510 as a result of charges for services that were not budgeted, specifically higher than expected campground and green fees. Expenditures were under budget by \$69,455 during 2022 primarily due to lower than expected salaries and benefits.

Debt Service Fund

The Debt Service Fund's fund balance decreased \$109,069 as a result of debt payments exceeding taxes and special assessments received.

Capital Projects Fund

The Capital Project Fund's fund balance decreased \$11,947 as a result of project costs exceeding revenues received.

Other Governmental Funds

The Other Governmental Fund's fund balance increased \$22,843 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) of \$76,989 and \$145,438, respectively, for the year ended December 31, 2022, as compared to \$150,990 and \$310,687, respectively, for 2021. No significant changes in operations.

Municipal Liquor Fund

The operations of the Municipal Liquor Fund reported net income (before transfers to other funds) of \$38,347 for the year ended December 31, 2022, as compared to (\$10,751) for 2021.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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) of \$569,435 for the year ended December 31, 2022 compared to \$71,454 in 2021 primarily due to an increase in usage.

Telephone Fund

The Telephone Fund reported sales of \$1,263,424 compared to \$1,167,476 in 2021. Net income (before transfers to other funds) of \$404,802 as compared to \$673,693 in the prior year.

CAPITAL ASSETS

By the end of 2022, the City had invested \$23,005,402 (net of accumulated depreciation/amortization) 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 583,716	\$ 583,716	\$ 185,212	\$ 185,212	\$ 768,928	\$ 768,928
Construction-in-Progress	58,318	45,593	382,873	35,062	441,191	80,655
Buildings	1,680,180	1,680,180	2,492,267	2,427,178	4,172,447	4,107,358
Infrastructure	7,223,708	7,223,708	21,373,032	21,373,032	28,596,740	28,596,740
Improvements	2,679,288	2,523,321	115,250	109,280	2,794,538	2,632,601
Machinery and Equipment	1,052,280	1,016,531	2,931,624	2,844,426	3,983,904	3,860,957
Vehicles	522,228	453,518	659,406	621,155	1,181,634	1,074,673
Right-to-Use Assets	86,872	86,872	-	-	86,872	86,872
Less: Accumulated Depreciation/Amortization	(6,899,282)	(6,307,965)	(12,121,570)	(11,252,374)	(19,020,852)	(17,560,339)
Total	<u>\$ 6,987,308</u>	<u>\$ 7,305,474</u>	<u>\$ 16,018,094</u>	<u>\$ 16,342,971</u>	<u>\$ 23,005,402</u>	<u>\$ 23,648,445</u>

Total depreciation/amortization expense for the year was \$1,528,073 (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, 2022**

LONG-TERM LIABILITIES

At year-end, the City had \$11,657,094 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt decreased \$1,237,935 due primarily to scheduled principal payments.

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

	2022	2021
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 4,460,000	\$ 4,820,000
Lease Liability	66,185	86,872
Plus: Bond Premium	102,715	108,522
Less: Bond Discounts	(1,695)	(2,119)
Total Governmental Activities	4,627,205	5,013,275
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	2,703,000	2,760,000
Direct Borrowing - Revenue Notes	2,933,626	3,329,626
General Obligation Bonds	1,390,000	1,470,000
Equipment Certificates	-	321,000
Note Payable	-	15,333
Plus: Bond Premium	5,142	5,411
Less: Bond Discounts	(1,879)	(19,616)
Total Business-Type Activities	7,029,889	7,881,754
Total City-Wide Long-Term Liabilities	\$ 11,657,094	\$ 12,895,029

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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 4,040,616	\$ 7,101,232	\$ 11,141,848	\$ 383,564
Taxes Receivable				
Current	34,678	-	34,678	-
Special Assessments Receivable				
Delinquent	18,109	3,398	21,507	-
Noncurrent	4,808,703	329,261	5,137,964	-
Accounts Receivable - Net	37,823	781,753	819,576	-
Accrued Interest Receivable	12,019	-	12,019	-
Notes Receivable	22,080	-	22,080	18,432
Lease Receivable	-	-	-	26,958
Due from Other Governments	64,769	-	64,769	-
Internal Balances	(40,000)	40,000	-	-
Inventories	1,200	151,674	152,874	-
Prepays	27,142	91,259	118,401	59
Land Held for Resale	-	-	-	1,794,898
Advances to Primary Government	-	-	-	4,854
Acquisition Costs, Net of Amortization	-	19,440	19,440	-
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	3,597,170	3,597,170	-
Capital Assets not Being Depreciated				
Land	583,716	185,212	768,928	-
Construction-in-Progress	58,318	382,873	441,191	-
Capital Assets Being Depreciated/Amortized				
Buildings	660,445	1,605,608	2,266,053	3,662
Infrastructure	3,344,412	10,219,847	13,564,259	-
Improvements	1,866,175	2,924,883	4,791,058	-
Machinery and Equipment	322,433	576,603	899,036	-
Vehicles	87,235	123,068	210,303	-
Right-to-Use Assets	64,574	-	64,574	12,864
Total Assets	16,014,447	28,416,606	44,431,053	2,245,291
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	1,094,156	210,012	1,304,168	-
LIABILITIES				
Accounts Payable	75,989	299,358	375,347	8,681
Salaries and Benefits Payable	60,057	54,406	114,463	8,442
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	40,884	43,625	84,509	-
Due to Other Governments	136	25,075	25,211	64,376
Advances from Component Unit	4,854	-	4,854	-
Unearned Revenue	124,803	-	124,803	-
Unearned Utility Payments	-	68,979	68,979	-
Bonds Payable - Due Within One Year	325,000	715,639	1,040,639	-
Lease Liability - Due Within One Year	19,894	-	19,894	9,088
Compensated Absences Payable - Due Within One Year	128,553	61,510	190,063	11,190
Special Assessments Payable - Due in More Than One Year	-	-	-	1,498,908
Bonds Payable - Due in More Than One Year	4,236,020	6,314,250	10,550,270	-
Lease Liability - Due in More Than One Year	46,291	-	46,291	3,918
Notes Payable - Due in More Than One Year	-	-	-	133,296
Compensated Absences Payable - Due in More Than One Year	42,851	20,502	63,353	3,730
Net Pension Liability	1,896,225	598,914	2,495,139	-
Total Liabilities	7,001,557	8,203,607	15,205,164	1,741,629
DEFERRED INFLOWS OF RESOURCES				
Pension Related	91,413	10,280	101,693	-
Lease Receivable	-	-	-	29,092
Total Deferred Inflows of Resources	91,413	10,280	101,693	29,092
NET POSITION				
Net Investment in Capital Assets	2,482,394	8,988,205	11,470,599	3,520
Restricted for				
Debt Service	5,351,154	283,325	5,634,479	-
Public Safety	666	-	666	-
Capital Projects	59,945	-	59,945	-
Economic Development	231,603	-	231,603	-
Unrestricted	1,889,871	11,141,201	13,031,072	471,050
Total Net Position	\$ 10,015,633	\$ 20,412,731	\$ 30,428,364	\$ 474,570

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 873,367	\$ 63,443	\$ 30,291	\$ -
Public Safety	830,391	8,300	52,521	67,019
Public Works	726,400	2,639	13,907	146,921
Culture and Recreation	718,103	283,206	600	24,430
Economic Development	346,002	-	-	-
Interest	97,803	-	-	-
Total Governmental Activities	3,592,066	357,588	97,319	238,370
Business-Type Activities				
Water	443,839	514,583	-	5,233
Sewer	589,893	724,645	-	15,724
Electric	1,868,241	2,438,115	-	-
Telephone	1,104,058	1,263,424	1,256	-
Municipal Liquor	1,069,587	1,103,319	-	-
Cable Television	429,947	335,215	-	-
Sanitation	282,589	290,962	33,572	-
Storm Sewer	54,192	46,936	-	-
Ambulance	496,517	239,826	19,429	-
Broadband Internet	106,300	505,955	-	-
Total Business-Type Activities	6,445,163	7,462,980	54,257	20,957
Total Primary Government	\$ 10,037,229	\$ 7,820,568	\$ 151,576	\$ 259,327
Component Unit				
EDA	\$ 340,146	\$ 35,092	\$ 642	\$ -

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

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (779,633)	\$ -	\$ (779,633)	\$ -
(702,551)	-	(702,551)	-
(562,933)	-	(562,933)	-
(409,867)	-	(409,867)	-
(346,002)	-	(346,002)	-
(97,803)	-	(97,803)	-
<u>(2,898,789)</u>	<u>-</u>	<u>(2,898,789)</u>	<u>-</u>
-	75,977	75,977	-
-	150,476	150,476	-
-	569,874	569,874	-
-	160,622	160,622	-
-	33,732	33,732	-
-	(94,732)	(94,732)	-
-	41,945	41,945	-
-	(7,256)	(7,256)	-
-	(237,262)	(237,262)	-
-	399,655	399,655	-
<u>-</u>	<u>1,093,031</u>	<u>1,093,031</u>	<u>-</u>
(2,898,789)	1,093,031	(1,805,758)	-
-	-	-	(304,412)
914,622	100,000	1,014,622	-
187,569	-	187,569	-
870,671	-	870,671	177,937
13,544	9,354	22,898	3,085
92,836	318,253	411,089	13,807
833,664	(833,664)	-	-
<u>2,912,906</u>	<u>(406,057)</u>	<u>2,506,849</u>	<u>194,829</u>
14,117	686,974	701,091	(109,583)
<u>10,001,516</u>	<u>19,725,757</u>	<u>29,727,273</u>	<u>584,153</u>
<u>\$ 10,015,633</u>	<u>\$ 20,412,731</u>	<u>\$ 30,428,364</u>	<u>\$ 474,570</u>

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 2,093,306	\$ 899,423	\$ 661,225	\$ 122,291	\$ 264,371	\$ 4,040,616
Taxes Receivable						
Current	32,395	-	2,283	-	-	34,678
Special Assessments Receivable						
Delinquent	-	-	18,109	-	-	18,109
Noncurrent	40,030	-	4,708,834	59,839	-	4,808,703
Accounts Receivable	28,691	9,132	-	-	-	37,823
Due from Other Governments	-	393	-	-	-	393
Accrued Interest Receivable	12,019	-	-	-	-	12,019
Notes Receivable	-	-	-	-	22,080	22,080
Inventory	-	1,200	-	-	-	1,200
Prepays	22,216	4,926	-	-	-	27,142
Due from Other Governments	64,376	-	-	-	-	64,376
Due from Other Funds	160,782	-	-	-	-	160,782
Total Assets	2,453,815	915,074	5,390,451	182,130	286,451	9,227,921
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	19,990	1,817	-	-	54,182	75,989
Salaries and Benefits Payable	54,756	5,301	-	-	-	60,057
Due to Other Funds	-	-	-	160,782	-	160,782
Due to Other Governments	-	136	-	-	-	136
Advance from Other Funds	40,000	-	-	-	-	40,000
Advance from Component Unit	4,854	-	-	-	-	4,854
Unearned Revenue	124,803	-	-	-	-	124,803
Total Liabilities	244,403	7,254	-	160,782	54,182	466,621
Deferred Inflows of Resources						
Unavailable Taxes	17,772	-	1,386	-	-	19,158
Unavailable Special Assessments	40,030	-	4,715,231	59,839	-	4,815,100
Unavailable Grants and Other	64,376	-	-	-	-	64,376
Unavailable Loans Receivable	-	-	-	-	22,080	22,080
Total Deferred Inflows of Resources	122,178	-	4,716,617	59,839	22,080	4,920,714
Fund Balances (Deficit)						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Prepays	22,216	4,926	-	-	-	27,142
Restricted for Capital Projects	-	-	-	122,291	-	122,291
Restricted for Economic Development	-	-	-	-	147,950	147,950
Restricted for Debt Repayment	-	-	675,527	-	-	675,527
Restricted for Small Cities Grant	-	-	-	-	61,573	61,573
Restricted for DARE Program	-	-	-	-	666	666
Committed for Capital Outlay	319,500	75,594	-	-	-	395,094
Committed for Community Projects	1,088,108	-	-	-	-	1,088,108
Committed for Park Operations	-	826,100	-	-	-	826,100
Assigned for Joint Powers	13,378	-	-	-	-	13,378
Unassigned	644,032	-	(1,693)	(160,782)	-	481,557
Total Fund Balances (Deficit)	2,087,234	907,820	673,834	(38,491)	210,189	3,840,586
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 2,453,815	\$ 915,074	\$ 5,390,451	\$ 182,130	\$ 286,451	\$ 9,227,921

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, 2022**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS \$ 3,840,586

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 6,987,308

Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as a deferred inflow of resources in the governmental funds. 4,920,714

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	\$ (1,896,225)	
Deferred Inflows of Resources - Pension Related	(91,413)	
Deferred Outflows of Resources - Pension Related	<u>1,094,156</u>	(893,482)

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	(4,561,020)	
Lease Liability	(66,185)	
Accrued Compensated Absences	(171,404)	
Accrued Interest Payable	<u>(40,884)</u>	<u>(4,839,493)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,015,633

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 437,908	\$ 420,800	\$ 55,415	\$ -	\$ -	\$ 914,123
Tax Increments	-	-	-	-	187,569	187,569
Special Assessments	593	-	296,251	59	-	296,903
Licenses and Permits	55,800	800	-	-	-	56,600
Intergovernmental	994,682	-	-	-	-	994,682
Charges for Services	3,171	282,406	-	-	-	285,577
Fines and Forfeits	15,411	-	-	-	-	15,411
Gifts and Contributions	-	600	-	-	2,251	2,851
Interest Income	2,913	2,169	3,899	719	598	10,298
Miscellaneous	27,009	72,775	-	-	19,025	118,809
Total Revenues	<u>1,537,487</u>	<u>779,550</u>	<u>355,565</u>	<u>778</u>	<u>209,443</u>	<u>2,882,823</u>
EXPENDITURES						
Current						
General Government	840,341	-	-	-	17,335	857,676
Public Safety	779,671	-	-	-	2,505	782,176
Public Works	359,214	-	-	-	-	359,214
Parks and Recreation	-	433,671	-	-	-	433,671
Economic Development	217,954	-	-	-	166,760	384,714
Capital Outlay						
General Government	37,059	-	-	-	-	37,059
Public Safety	44,280	-	-	-	-	44,280
Public Works	-	-	-	12,725	-	12,725
Parks and Recreation	-	189,524	-	-	-	189,524
Debt Service						
Principal	7,439	13,248	360,000	-	-	380,687
Interest and Other Charges	323	2,142	104,634	-	-	107,099
Total Expenditures	<u>2,286,281</u>	<u>638,585</u>	<u>464,634</u>	<u>12,725</u>	<u>186,600</u>	<u>3,588,825</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(748,794)	140,965	(109,069)	(11,947)	22,843	(706,002)
OTHER FINANCING SOURCES (USES)						
Transfers In	843,664	-	-	-	-	843,664
Transfers Out	-	(10,000)	-	-	-	(10,000)
Proceeds from Sale of Capital Assets	1,723	-	-	-	-	1,723
Total Other Financing Sources (Uses)	<u>845,387</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>835,387</u>
NET CHANGE IN FUND BALANCES	96,593	130,965	(109,069)	(11,947)	22,843	129,385
Fund Balances (Deficit) - Beginning of Year	1,990,641	776,855	782,903	(26,544)	187,346	3,711,201
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 2,087,234</u>	<u>\$ 907,820</u>	<u>\$ 673,834</u>	<u>\$ (38,491)</u>	<u>\$ 210,189</u>	<u>\$ 3,840,586</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 129,385

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/amortization expense.

Capital Outlay	\$ 274,585	
Current Year Depreciation/Amortization	<u>(591,317)</u>	(316,732)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(144,418)
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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.		(25,719)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments:		
General Obligation Bonds	360,000	
Lease Liability	<u>20,687</u>	380,687

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	3,590	
Amortization of Premiums	5,807	
Amortization of Discounts	(424)	
Change in Compensated Absences	<u>(18,059)</u>	<u>(9,086)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 14,117

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 1,075,591	\$ 1,811,509	\$ 1,037,221	\$ 1,082,329	\$ 228,581	\$ 1,866,001	\$ 7,101,232
Accounts Receivable - Net	60,742	86,614	327,204	106,150	16,386	184,657	781,753
Special Assessments Receivable							
Delinquent	1,793	1,605	-	-	-	-	3,398
Noncurrent	165,311	163,950	-	-	-	-	329,261
Inventories	-	-	-	-	151,674	-	151,674
Prepays	8,057	17,553	19,382	40,398	1,207	4,662	91,259
Total Current Assets	<u>1,311,494</u>	<u>2,081,231</u>	<u>1,383,807</u>	<u>1,228,877</u>	<u>397,848</u>	<u>2,055,320</u>	<u>8,458,577</u>
Noncurrent Assets							
Investment in Joint Venture	-	-	-	3,597,170	-	-	3,597,170
Restricted Cash	-	-	-	283,325	-	-	283,325
Advances to Other Funds	-	40,000	-	-	-	-	40,000
Acquisition Costs, Net of Amortization	-	-	19,440	-	-	-	19,440
Capital Assets							
Land	-	100,831	-	-	71,304	13,077	185,212
Construction in Progress	-	-	382,873	-	-	-	382,873
Buildings (Net)	284,153	1,867	76,545	23,907	1,060,724	158,412	1,605,608
Infrastructure (Net)	2,206,215	6,431,015	420,502	-	-	1,162,115	10,219,847
Improvements (Net)	-	-	-	2,924,883	-	-	2,924,883
Machinery and Equipment (Net)	163,946	1,796	202,937	7,120	777	200,027	576,603
Vehicles (Net)	-	21,305	26,338	62,681	-	12,744	123,068
Total Capital Assets	<u>2,654,314</u>	<u>6,556,814</u>	<u>1,109,195</u>	<u>3,018,591</u>	<u>1,132,805</u>	<u>1,546,375</u>	<u>16,018,094</u>
Total Noncurrent Assets	<u>2,654,314</u>	<u>6,596,814</u>	<u>1,128,635</u>	<u>6,899,086</u>	<u>1,132,805</u>	<u>1,546,375</u>	<u>19,958,029</u>
Total Assets	<u>3,965,808</u>	<u>8,678,045</u>	<u>2,512,442</u>	<u>8,127,963</u>	<u>1,530,653</u>	<u>3,601,695</u>	<u>28,416,606</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pension Related	19,032	23,977	10,598	64,646	33,206	58,553	210,012
LIABILITIES							
Current Liabilities							
Accounts Payable	2,183	2,985	205,160	24,426	21,828	42,776	299,358
Salaries and Benefits Payable	3,621	3,542	2,544	14,160	8,748	21,791	54,406
Deposits Payable	-	-	1,349	-	-	-	1,349
Accrued Interest Payable	2,030	12,296	-	-	7,208	22,091	43,625
Due to Other Governments	171	-	8,353	1,651	10,589	4,311	25,075
Unearned Utility Payments	-	-	8,195	14,559	-	46,225	68,979
Compensated Absences - Due Within One Year	2,996	7,949	4,522	18,161	7,823	20,059	61,510
Long-Term Debt - Due Within One Year	93,000	378,639	-	204,000	40,000	-	715,639
Total Current Liabilities	<u>104,001</u>	<u>405,411</u>	<u>230,123</u>	<u>276,957</u>	<u>96,196</u>	<u>157,253</u>	<u>1,269,941</u>
Noncurrent Liabilities							
Compensated Absences Payable -							
Due in More than One Year	999	2,649	1,507	6,054	2,608	6,685	20,502
Long-Term Debt - Due in More than One Year	421,121	2,293,987	-	2,499,000	1,100,142	-	6,314,250
Net Pension Liability	54,275	68,379	30,223	184,359	94,698	166,980	598,914
Total Noncurrent Liabilities	<u>476,395</u>	<u>2,365,015</u>	<u>31,730</u>	<u>2,689,413</u>	<u>1,197,448</u>	<u>173,665</u>	<u>6,933,666</u>
Total Liabilities	<u>580,396</u>	<u>2,770,426</u>	<u>261,853</u>	<u>2,966,370</u>	<u>1,293,644</u>	<u>330,918</u>	<u>8,203,607</u>
DEFERRED INFLOWS OF RESOURCES							
Pension Related	932	1,174	519	3,164	1,625	2,866	10,280
NET POSITION							
Net Investment in Capital Assets	2,140,193	3,884,188	1,109,195	315,591	(7,337)	1,546,375	8,988,205
Restricted for Debt Service	-	-	-	283,325	-	-	283,325
Unrestricted	1,263,319	2,046,234	1,151,473	4,624,159	275,927	1,780,089	11,141,201
Total Net Position	<u>\$ 3,403,512</u>	<u>\$ 5,930,422</u>	<u>\$ 2,260,668</u>	<u>\$ 5,223,075</u>	<u>\$ 268,590</u>	<u>\$ 3,326,464</u>	<u>\$ 20,412,731</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, 2022

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
OPERATING REVENUES							
Sales	\$ -	\$ -	\$ -	\$ -	\$ 1,103,319	\$ -	\$ 1,103,319
Cost of Goods Sold	-	-	-	-	(804,116)	-	(804,116)
Charges for Services	514,583	724,645	2,438,115	1,263,424	-	1,418,894	6,359,661
Total Operating Revenues	514,583	724,645	2,438,115	1,263,424	299,203	1,418,894	6,658,864
OPERATING EXPENSES							
Professional Services	26,499	35,266	356,474	107,873	-	261,588	787,700
Wages, Salaries, and Compensation	107,729	145,506	40,970	300,108	181,033	432,749	1,208,095
Repairs and Maintenance	121,512	44,516	32,858	17,627	1,760	36,686	254,959
Insurance	5,876	9,771	6,933	6,117	4,235	10,968	43,900
Utilities	-	-	4,921	-	-	-	4,921
Depreciation	155,057	290,762	80,871	268,922	22,217	118,927	936,756
Amortization	1,250	3,125	5,910	1,875	-	-	12,160
Materials and Supplies	5,475	140	34,319	72,362	4,457	46,405	163,158
Miscellaneous Expenses	10,999	26,208	46,777	169,232	41,503	133,588	428,307
Purchased Power	-	-	1,278,341	-	-	-	1,278,341
License Fees	3,405	-	-	-	-	289,968	293,373
Total Operating Expenses	437,802	555,294	1,888,374	944,116	255,205	1,330,879	5,411,670
OPERATING INCOME (LOSS)	76,781	169,351	549,741	319,308	43,998	88,015	1,247,194
NONOPERATING REVENUES (EXPENSES)							
Taxes	-	-	-	-	-	100,000	100,000
Interest Income (Loss)	4,751	9,682	(4,985)	249	1,446	(1,789)	9,354
Joint Venture Income	-	-	-	242,217	-	-	242,217
Intergovernmental Grants	-	-	-	1,256	-	53,001	54,257
Miscellaneous - Nonoperating	1,494	1,004	4,546	1,714	3,169	64,109	76,036
Interest Expense and Fiscal Charges	(6,037)	(34,599)	-	(159,942)	(10,266)	(38,666)	(249,510)
Gain (Loss) on Sale of Capital Assets	-	-	20,133	-	-	-	20,133
Total Nonoperating Revenues (Expenses)	208	(23,913)	19,694	85,494	(5,651)	176,655	252,487
Income before Transfers and Contributions	76,989	145,438	569,435	404,802	38,347	264,670	1,499,681
Capital Contributions	5,233	15,724	-	-	-	-	20,957
Transfers In	-	-	-	86,376	-	408,000	494,376
Transfers Out	(65,000)	(80,000)	(201,748)	(727,054)	-	(254,238)	(1,328,040)
CHANGE IN NET POSITION	17,222	81,162	367,687	(235,876)	38,347	418,432	686,974
Net Position - Beginning of Year	3,386,290	5,849,260	1,892,981	5,458,951	230,243	2,908,032	19,725,757
NET POSITION - END OF YEAR	<u>\$ 3,403,512</u>	<u>\$ 5,930,422</u>	<u>\$ 2,260,668</u>	<u>\$ 5,223,075</u>	<u>\$ 268,590</u>	<u>\$ 3,326,464</u>	<u>\$ 20,412,731</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 514,603	\$ 724,847	\$ 2,434,457	\$ 1,251,295	\$ 1,100,138	\$ 1,787,149	\$ 7,812,489
Payments to Suppliers	(180,580)	(130,820)	(1,823,959)	(354,852)	(927,959)	(1,065,884)	(4,484,054)
Payments to Employees	(85,672)	(108,073)	(51,870)	(308,409)	(151,781)	(417,983)	(1,123,788)
Net Cash Provided (Used) by Operating Activities	248,351	485,954	558,628	588,034	20,398	303,282	2,204,647
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds	(65,000)	(80,000)	(201,748)	(727,054)	-	(254,238)	(1,328,040)
Transfers from Other Funds	-	-	-	86,376	-	408,000	494,376
Advance from (to) Component Unit	32,088	32,088	-	-	-	5,581	69,757
Interfund Borrowings	-	20,000	-	-	-	-	20,000
Taxes	-	-	-	-	-	100,000	100,000
Intergovernmental Grants	-	-	-	1,256	-	53,001	54,257
Net Cash Provided (Used) by Noncapital Financing Activities	(32,912)	(27,912)	(201,748)	(639,422)	-	312,344	(589,650)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(87,000)	(389,000)	-	(2,979,000)	-	(336,333)	(3,791,333)
Interest Paid on Debt	(5,795)	(36,566)	-	(151,817)	(17,583)	(17,136)	(228,897)
Bond Proceeds	-	-	-	2,922,000	-	-	2,922,000
Special Assessments	20,373	19,899	-	-	-	-	40,272
Proceeds from Disposal of Capital Assets	-	-	20,133	-	-	-	20,133
Acquisition of Capital Assets	(91,752)	(2,837)	(412,791)	(56,984)	(296,585)	(5,972)	(866,921)
Net Cash Provided (Used) by Capital and Related Financing Activities	(164,174)	(408,504)	(392,658)	(265,801)	(314,168)	(359,441)	(1,904,746)
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts from Joint Venture	-	-	-	189,476	-	-	189,476
Interest and Dividends Received	4,751	9,682	(4,985)	249	1,446	(1,747)	9,396
Net Cash Provided by Investing Activities	4,751	9,682	(4,985)	189,725	1,446	(1,747)	198,872
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,016	59,220	(40,763)	(127,464)	(292,324)	254,438	(90,877)
Cash and Cash Equivalents - Beginning of Year	1,019,575	1,752,289	1,077,984	1,493,118	520,905	1,611,563	7,475,434
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,075,591</u>	<u>\$ 1,811,509</u>	<u>\$ 1,037,221</u>	<u>\$ 1,365,654</u>	<u>\$ 228,581</u>	<u>\$ 1,866,001</u>	<u>\$ 7,384,557</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating Income (Loss)	\$ 76,781	\$ 169,351	\$ 549,741	\$ 319,308	\$ 43,998	\$ 88,015	\$ 1,247,194
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Depreciation Expense	155,057	290,762	80,871	268,922	22,217	118,927	936,756
Miscellaneous - Nonoperating	1,494	1,004	4,546	1,718	3,169	64,109	76,040
(Increase) Decrease in Assets and Deferred Outflows							
Accounts Receivable - Net	(1,474)	(802)	(4,025)	(12,590)	(6,350)	2,233	(23,008)
Inventory	-	-	-	-	(49,852)	-	(49,852)
Prepays	(1,390)	(886)	2,778	7,149	(1,207)	(4,662)	1,782
Deferred Outflows of Resources - Pension	(9,230)	(13,983)	7,334	10,320	(12,118)	(2,216)	(19,893)
Increase (Decrease) in Liabilities and Deferred Inflows							
Accounts Payable	(4,104)	(10,908)	(60,174)	13,225	(25,251)	18,040	(69,172)
Salaries and Benefits Payable	487	502	207	112	(891)	(1,936)	(1,519)
Due to Other Governments	(70)	-	(30)	(140)	4,422	244	4,426
Compensated Absences Payable	1,957	8,243	(949)	(4,613)	2,661	608	7,907
Net Pension Liability	40,730	54,568	5,442	80,762	65,556	89,126	336,184
Deferred Inflows of Resources - Pension	(11,887)	(11,897)	(22,934)	(94,882)	(25,956)	(70,816)	(238,372)
Unearned Utility Payments	-	-	(4,179)	(1,257)	-	1,610	(3,826)
Total Adjustments	171,570	316,603	8,887	268,726	(23,600)	215,267	957,453
Net Cash Provided (Used) by Operating Activities	<u>\$ 248,351</u>	<u>\$ 485,954</u>	<u>\$ 558,628</u>	<u>\$ 588,034</u>	<u>\$ 20,398</u>	<u>\$ 303,282</u>	<u>\$ 2,204,647</u>
NONCASH CAPITAL ACTIVITIES							
Amortization of Premiums and Discounts	\$ 470	\$ -	\$ -	\$ 17,267	\$ (269)	\$ -	\$ 17,468
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position							
Cash and Cash Equivalents	\$ 1,075,591	\$ 1,811,509	\$ 1,037,221	\$ 1,082,329	\$ 228,581	\$ 1,866,001	\$ 7,101,232
Restricted Cash	-	-	-	283,325	-	-	283,325
Total Cash and Cash Equivalents	<u>\$ 1,075,591</u>	<u>\$ 1,811,509</u>	<u>\$ 1,037,221</u>	<u>\$ 1,365,654</u>	<u>\$ 228,581</u>	<u>\$ 1,866,001</u>	<u>\$ 7,384,557</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2022**

	Custodial Fund
ASSETS	
Cash and Investments	\$ 147,861
Other Assets	48
Total Assets	147,909
LIABILITIES	
Accounts Payable	509
NET POSITION	
Restricted for Fire Department	\$ 147,400

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Custodial Fund
ADDITIONS	
Intergovernmental	\$ 7,500
Charges for Services	90,346
Investment Income	661
Miscellaneous Revenue	18,482
Contributions and Donations	2,196
Total Additions	119,185
DEDUCTIONS	
Payments to Other Entities	95,920
NET INCREASE IN NET POSITION	23,265
Net Position - Beginning of Year	124,135
NET POSITION - END OF YEAR	\$ 147,400

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

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, 2022**

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022**

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. Prepaids

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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)

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.

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. Leases

For lease receivables, the City determines if an arrangement is a lease at inception. Leases for periods that exceed twelve months are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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)

9. Leases (Continued)

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

For lease payables, the City determines if an arrangement is a lease at inception. Leases for periods that exceed twelve months are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Entity will exercise that option.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the City has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

10. 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, 2022**

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)

11. 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.

Leave and compensatory 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. Accrued commitments are recorded 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.

12. 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. 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.

13. 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, 2022**

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)

14. 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 and leases are reported in the government-wide and proprietary fund statement of net position. The pension deferred inflow results from differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments.

15. 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, 2022**

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, 2022**

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, 2022**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Balance

The City has deficit fund balance as of December 31, 2022 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, 2022, 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, 2022**

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, 2022, the City had the following investments:

<u>Type</u>	<u>Maturity Date</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Money Market Account	N/A	NR	\$ 162,969	10.3 %
<u>Negotiable Certificates of Deposit</u>				
Toyota Financial Saving Bank	7/22/2026	NR	219,573	13.9
<u>Government/Agency Obligations</u>				
U.S. Treasury	12/31/2022	NR	74,000	4.7
U.S. Treasury	6/1/2023	NR	184,498	11.7
Robla Calif School Dist	8/1/2023	NR	10,028	0.6
Kern Cnty Calif Pension Oblig	8/15/2023	NR	9,988	0.6
U.S. Treasury	8/15/2023	NR	98,203	6.2
Clayton Boro Sch Dist Red	9/1/2023	NR	100,647	6.4
Federal Home Loan Mortgage Corp	12/4/2023	NR	184,049	11.6
Porter Cnty In Jail Bldg Corp	1/10/2024	NR	65,794	4.2
West Cortra Costa Calif Uni Sch	8/1/2024	NR	157,999	10.0
U.S. Treasury	8/15/2025	NR	190,890	12.1
SBAP 2012-20G	7/1/2032	NR	122,305	7.7
			<u>\$ 1,580,943</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, 2022**

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, 2022**

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	\$ 10,375,655
Investments	1,580,943
Total Cash and Investments	\$ 11,956,598
Governmental Funds	
Cash and Investments	\$ 4,040,616
Enterprise Funds	
Cash and Investments	7,101,232
Restricted Cash and Investments	283,325
Component Unit	383,564
Custodial Funds	147,861
Total Cash and Investments	\$ 11,956,598

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, 2022**

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:

	<u>12/31/2022</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Negotiable Certificates of Deposit	\$ 219,573	\$ -	\$ 219,573	\$ -
Government/Agency Obligations	1,198,401	-	1,198,401	-
Total Investments by Fair Value Level	<u>1,417,974</u>	<u>\$ -</u>	<u>\$ 1,417,974</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Money Market Funds	162,969			
Total Investments	<u>\$ 1,580,943</u>			

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 2022 is as follows:

Balance, January 1, 2022	\$ 3,544,429
Cash Distributions	(189,476)
Net Income	242,217
Balance, December 31, 2022	<u>\$ 3,597,170</u>

Separate financial statements for Val-Ed Joint Venture, LLP, can be obtained through its main office at 702 Main Avenue, Moorhead, Minnesota, 56560 or by calling 218-236-3297.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, is as follows:

	Beginning Balance, as Restated	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 583,716	\$ -	\$ -	\$ 583,716
Construction in Progress	45,593	12,725	-	58,318
Total Capital Assets Not Being Depreciated	<u>629,309</u>	<u>12,725</u>	<u>-</u>	<u>642,034</u>
Capital Assets Being Depreciated/Amortized				
Buildings	1,680,180	-	-	1,680,180
Infrastructure	7,223,708	-	-	7,223,708
Improvements	2,523,321	155,967	-	2,679,288
Machinery and Equipment	* 1,016,531	35,749	-	1,052,280
Vehicles	453,518	68,710	-	522,228
Right-to-Use Assets	* 86,872	-	-	86,872
Total Capital Assets Being Depreciated/Amortized	<u>12,984,130</u>	<u>260,426</u>	<u>-</u>	<u>13,244,556</u>
Less: Accumulated Depreciation/Amortization for				
Buildings	987,252	32,483	-	1,019,735
Infrastructure	3,642,534	236,762	-	3,879,296
Improvements	672,943	140,170	-	813,113
Machinery and Equipment	* 604,228	125,619	-	729,847
Vehicles	401,008	33,985	-	434,993
Right-to-Use Assets	* -	22,298	-	22,298
Total Accumulated Depreciation/Amortization	<u>6,307,965</u>	<u>591,317</u>	<u>-</u>	<u>6,899,282</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>6,676,165</u>	<u>(330,891)</u>	<u>-</u>	<u>6,345,274</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,305,474</u>	<u>\$ (318,166)</u>	<u>\$ -</u>	<u>\$ 6,987,308</u>

* The beginning balance of capital assets was restated to record right-to-use assets due to the implementation of GASB Statement No. 87.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 185,212	\$ -	\$ -	\$ 185,212
Construction in Progress	35,062	347,811	-	382,873
Total Capital Assets Not Being Depreciated	220,274	347,811	-	568,085
Capital Assets Being Depreciated				
Buildings	2,427,178	65,089	-	2,492,267
Infrastructure	21,373,032	-	-	21,373,032
Improvements	109,280	5,970	-	115,250
Machinery and Equipment	2,844,426	153,045	(65,847)	2,931,624
Vehicles	621,155	62,681	(24,430)	659,406
Total Capital Assets Being Depreciated	27,375,071	286,785	(90,277)	27,571,579
Less: Accumulated Depreciation for				
Buildings	829,006	48,347	-	877,353
Infrastructure	7,655,524	688,028	-	8,343,552
Improvements	1,821	7,485	-	9,306
Machinery and Equipment	2,257,029	132,535	(45,980)	2,343,584
Vehicles	508,994	60,361	(21,580)	547,775
Total Accumulated Depreciation	11,252,374	936,756	(67,560)	12,121,570
Total Capital Assets Being Depreciated, Net	16,122,697	(649,971)	(22,717)	15,450,009
Business-Type Activities Capital Assets, Net	\$ 16,342,971	\$ (302,160)	\$ (22,717)	\$ 16,018,094

The following is a summary of the component unit capital assets at December 31, 2022:

	Beginning Balance, as Restated	Additions	Disposals	Ending Balance
COMPONENT UNIT				
Capital Assets Being Depreciated/Amortized				
Buildings	\$ 9,989	\$ -	\$ -	\$ 9,989
Right-to-Use Assets	21,903	-	-	21,903
Total Capital Assets Being Depreciated/Amortized	31,892	-	-	31,892
Less: Accumulated Depreciation/Amortization for				
Buildings	5,328	999	-	6,327
Right-to-Use Assets	-	9,039	-	9,039
Total Accumulated Depreciation/Amortization	5,328	10,038	-	15,366
Total Capital Assets Being Depreciated/Amortized, Net	26,564	(10,038)	-	16,526
Component Unit Capital Assets, Net	\$ 26,564	\$ (10,038)	\$ -	\$ 16,526

* The beginning balance of capital assets was restated to record right-to-use assets due to the implementation of GASB Statement No. 87.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Governmental Activities:	
General Government	\$ 19,025
Public Safety	23,134
Public Works	287,794
Culture and Recreation	261,364
Total Depreciation/Amortization Expense - Governmental Activities	\$ 591,317
Business-Type Activities:	
Water	\$ 155,057
Sewer	290,762
Electric	80,871
Telephone	268,922
Municipal Liquor	22,217
Cable Television	30,438
Sanitation	2,632
Storm Sewer	54,060
Ambulance	31,797
Total Depreciation/Amortization Expense - Business-Type Activities	\$ 936,756

4. Long-Term Lease Receivable

The City, acting as lessor, leases space for land under long-term, noncancelable lease agreement. The lease expires in 2026. During the year ended December 31, 2022, the City recognized \$4,476 and \$490 in lease revenue and interest revenue, respectively, pursuant the contracts.

Total future minimum lease payments to be received under the lease agreement are as follows:

Year Ending December 31,	Lease Receivable Component Unit	
	Principal	Interest
2023	\$ 6,495	\$ 605
2024	6,655	445
2025	6,820	280
2026	6,988	112
Total	\$ 26,958	\$ 1,442

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Long-Term Lease Receivable (Continued)

Changes in the component unit lease receivable for the year is as follows:

COMPONENT UNIT	Beginning Balance, as Restated	Additions	Reductions	Ending Balance
Grunewald Farm	* \$ 1,664	\$ -	\$ 327	\$ 1,337
Ramacher Farm	* 31,904	-	6,283	25,621
Total Component Unit	<u>\$ 33,568</u>	<u>\$ -</u>	<u>\$ 6,610</u>	<u>\$ 26,958</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of December 31, 2022 is as follows:

	Transfers In:			Total
	General Fund	Telephone Enterprise Fund	Nonmajor Enterprise Funds	
Transfer Out:				
Parks and Recreation Fund	\$ -	\$ 10,000	\$ -	\$ 10,000
Water Enterprise Fund	60,000	5,000	-	65,000
Sewer Enterprise Fund	75,000	5,000	-	80,000
Electric Enterprise Fund	201,748	-	-	201,748
Telephone Enterprise Fund	319,054	-	408,000	727,054
Nonmajor Enterprise Funds	187,862	66,376	-	254,238
Total	<u>\$ 843,664</u>	<u>\$ 86,376</u>	<u>\$ 408,000</u>	<u>\$ 1,338,040</u>

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

The composition of interfund balances at December 31, 2022, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 160,782

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
General Fund	Sewer Fund	40,000
Total		\$ 44,854

The advance 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 advance does 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 until paid off.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

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

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

The City's outstanding notes from direct borrowings related to proprietary fund debt of \$2,933,626 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.

In 2022, the City issued communication system revenue refunding bonds, series 2022A for the purpose of refunding the City's outstanding communication system revenue bonds, series 2014A for an interest cost savings and general obligation equipment certificate, series 2017A to extend maturities to better match the resources available for their payment. The bonds carry an interest rate between 1.2% and 2.5% and will mature in 2034. The refunding was undertaken to reduce total debt service payments in the amount of \$587,559 and resulted in an economic gain of \$370,660.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt

	Authorized and Issued	Outstanding	Due in 2023	
			Principal	Interest
GOVERNMENTAL ACTIVITIES				
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	\$ 85,000	\$ 85,000	\$ 1,700
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	345,000	180,000	25,000	5,944
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	985,000	55,000	23,891
G.O. Improvement Bonds Series 2020A, 2.00% to 3.00%, Issued 6/8/20, Final Maturity 2/1/41.	2,440,000	2,345,000	95,000	52,925
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	970,000	865,000	65,000	9,835
Total General Obligation Bonds, Including Refunding Bonds	6,035,000	4,460,000	325,000	94,295
Less: Unamortized Discount	-	(1,695)	-	-
Less: Unamortized Premium	-	102,715	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	6,035,000	4,561,020	325,000	94,295
Lease Liability	86,871	66,185	19,894	1,837
Total Long-Term Debt - Governmental Activities	6,121,871	4,627,205	344,894	96,132

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2023	
			Principal	Interest
BUSINESS-TYPE ACTIVITIES				
<u>Revenue Bonds</u>				
Communication System Revenue Refunding Bonds, Series 2022A; 1.2% to 2.5%; Issued 03/16/22; Final Maturity 12/01/34.	\$ 2,922,000	\$ 2,703,000	\$ 204,000	\$ 53,018
<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	40,000	16,950
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	<u>335,000</u>	<u>255,000</u>	<u>65,000</u>	<u>2,225</u>
Total General Obligation Bonds	1,470,000	1,390,000	105,000	19,175
Less: Unamortized Discount	-	(1,879)	-	-
Less: Unamortized Premium	-	5,142	-	-
Total General Obligation Bonds - Net	<u>1,470,000</u>	<u>1,393,263</u>	<u>105,000</u>	<u>19,175</u>
<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	774,000	254,000	12,074
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	509,000	54,000	5,463
G.O. Revenue Bonds of 2020, 1.000%, Issued 7/29/20, Final Maturity 8/20/40.	<u>1,961,315</u>	<u>1,650,626</u>	<u>98,639</u>	<u>17,182</u>
Total Direct Borrowing - Net	<u>7,148,240</u>	<u>2,933,626</u>	<u>406,639</u>	<u>34,719</u>
Total Long-Term Debt - Business-Type Activities	<u>11,540,240</u>	<u>7,029,889</u>	<u>715,639</u>	<u>106,912</u>
Total Government-Wide Long-Term Liabilities	<u>\$ 17,662,111</u>	<u>\$ 11,657,094</u>	<u>\$ 1,060,533</u>	<u>\$ 203,044</u>
DISCRETELY PRESENTED COMPONENT UNIT				
<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	<u>115,669</u>	<u>86,800</u>	<u>-</u>	<u>-</u>
Total Discretely Presented Component Unit	<u>\$ 248,669</u>	<u>\$ 133,296</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2021	Additions	Retirements	December 31, 2022	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Debt, Including					
Refunding Bonds	\$ 4,820,000	\$ -	\$ 360,000	\$ 4,460,000	\$ 325,000
Less: Unamortized Discounts	(2,119)	-	(424)	(1,695)	-
Less: Unamortized Premiums	108,522	-	5,807	102,715	-
Lease Liability	86,872	-	20,687	66,185	19,894
Compensated Absences Payable	153,345	93,359	75,300	171,404	128,553
Total Governmental Activities	<u>\$ 5,166,620</u>	<u>\$ 93,359</u>	<u>\$ 461,370</u>	<u>\$ 4,798,609</u>	<u>\$ 473,447</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	\$ 2,760,000	\$ 2,922,000	\$ 2,979,000	\$ 2,703,000	\$ 204,000
Direct Borrowing - Revenue Notes	3,329,626	-	396,000	2,933,626	406,639
Equipment Certificates	321,000	-	321,000	-	-
General Obligation Bonds	1,470,000	-	80,000	1,390,000	105,000
Notes Payable	15,333	-	15,333	-	-
Less: Unamortized Discounts	(19,616)	-	(17,737)	(1,879)	-
Less: Unamortized Premiums	5,411	-	269	5,142	-
Compensated Absences Payable	74,105	74,962	67,055	82,012	61,510
Total Business-Type Activities	<u>\$ 7,955,859</u>	<u>\$ 2,996,962</u>	<u>\$ 3,840,920</u>	<u>\$ 7,111,901</u>	<u>\$ 777,149</u>
DISCRETELY PRESENTED COMPONENT UNIT					
Notes Payable	\$ 162,165	\$ -	\$ 28,869	\$ 133,296	\$ -
Special Assessments Payable	1,646,251	-	147,343	1,498,908	-
Lease Liability	21,903	-	8,897	13,006	9,088
Compensated Absences Payable	14,346	7,872	7,298	14,920	11,190
Total Discretely Presented Component Unit	<u>\$ 1,844,665</u>	<u>\$ 7,872</u>	<u>\$ 192,407</u>	<u>\$ 1,660,130</u>	<u>\$ 20,278</u>

* The beginning balance of the lease liability was restated due to the implementation of GASB Standard No. 87.

Right-to-use assets acquired through outstanding leases are shown below by underlying asset class.

	Governmental Activities	Component Unit
Buildings	\$ -	\$ 15,296
Machinery and Equipment	18,328	6,607
Vehicles	68,544	-
Less: Accumulated Amortization		
Buildings	-	(7,648)
Machinery and Equipment	(14,430)	(1,391)
Vehicles	(7,868)	-
Total	<u>\$ 64,574</u>	<u>\$ 12,864</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences, are as follows:

Year	Governmental Activities					
	G.O. Bonds			Lease Liability		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 325,000	\$ 94,295	\$ 419,295	\$ 19,894	\$ 1,837	\$ 21,731
2024	250,000	87,389	337,389	16,194	1,273	17,467
2025	260,000	81,766	341,766	16,748	718	17,466
2026	255,000	75,824	330,824	13,349	169	13,518
2027	265,000	69,751	334,751	-	-	-
2028 - 2032	1,350,000	257,791	1,607,791	-	-	-
2033 - 2037	1,175,000	125,775	1,300,775	-	-	-
2038 - 2041	580,000	23,500	603,500	-	-	-
Total	<u>\$ 4,460,000</u>	<u>\$ 816,091</u>	<u>\$ 5,276,091</u>	<u>\$ 66,185</u>	<u>\$ 3,997</u>	<u>\$ 70,182</u>

Year	Business-Type Activities					
	Direct Borrowing - Revenue Notes			G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 406,639	\$ 34,719	\$ 441,358	\$ 105,000	\$ 19,175	\$ 124,175
2024	407,000	30,199	437,199	115,000	17,738	132,738
2025	412,000	24,644	436,644	110,000	16,488	126,488
2026	152,000	19,017	171,017	120,000	15,469	135,469
2027	154,000	17,455	171,455	55,000	14,731	69,731
2028 - 2032	727,000	63,376	790,376	275,000	64,733	339,733
2033 - 2037	522,000	31,858	553,858	290,000	44,865	334,865
2038 - 2042	321,361	6,391	327,752	320,000	16,200	336,200
Total	* <u>\$ 3,102,000</u>	<u>\$ 227,659</u>	<u>\$ 3,329,659</u>	<u>\$ 1,390,000</u>	<u>\$ 209,399</u>	<u>\$ 1,599,399</u>

Year	G.O. Revenue Bonds			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2023	\$ 204,000	\$ 53,018	\$ 257,018	\$ 715,639	\$ 106,912
2024	207,000	50,366	257,366	729,000	98,303	827,303
2025	211,000	47,364	258,364	733,000	88,496	821,496
2026	213,000	43,988	256,988	485,000	78,474	563,474
2027	218,000	40,367	258,367	427,000	72,553	499,553
2028 - 2032	1,152,000	137,029	1,289,029	2,154,000	265,138	2,419,138
2033 - 2037	498,000	18,504	516,504	1,310,000	95,227	1,405,227
2038 - 2042	-	-	-	641,361	22,591	663,952
Total	<u>\$ 2,703,000</u>	<u>\$ 390,636</u>	<u>\$ 3,093,636</u>	<u>\$ 7,195,000</u>	<u>\$ 827,694</u>	<u>\$ 8,022,694</u>

* 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, 2022 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, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. 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, 2022.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. 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, 2022**

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 fiscal year 2022 and 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, 2022, were \$97,859. 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, 2022**

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 2022 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, 2022, were \$63,463. 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, 2022, the City reported a liability of \$1,259,285 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 \$36,995.

The net pension liability was measured as of June 30, 2022, 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 contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0159% at the end of the measurement period and 0.0144% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 1,259,285
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	36,995
	36,995
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 1,296,280

For the year ended December 31, 2022, the City recognized pension expense of \$185,440 for its proportionate share of the General Employee Plan’s pension expense. In addition, the City recognized an additional \$5,514 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, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2022, 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	\$ 10,519	\$ 13,452
Changes in Actuarial Assumptions	284,999	5,122
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	21,843	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	75,294	3,042
City Contributions Subsequent to the Measurement Date	48,917	-
Total	<u>\$ 441,572</u>	<u>\$ 21,616</u>

The \$48,917 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expenses Amount</u>
2023	\$ 142,135
2024	134,301
2025	(19,279)
2026	113,882

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,235,854 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0284% at the end of the measurement period and 0.0318% 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, 2022. 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, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$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, 2022, the City recognized pension expense of \$82,297 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$10,493 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 \$2,556 for the year ended December 31, 2022 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, 2022**

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	\$ 1,235,854
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>54,097</u>
Total Proportionate Share of the Net Pension Liability Associated with the City	<u><u>\$ 1,289,951</u></u>

At December 31, 2022, 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	\$ 75,484	\$ -
Changes in Actuarial Assumptions	727,492	7,429
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,565	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	10,852	72,648
City Contributions Subsequent to the Measurement Date	<u>32,203</u>	-
Total	<u><u>\$ 862,596</u></u>	<u><u>\$ 80,077</u></u>

The \$32,203 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expenses Amount</u>
2023	\$ 145,890
2024	144,381
2025	123,756
2026	241,327
2027	94,962

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$ 1,259,285	\$ 1,235,854	\$ 2,495,139
Deferred Outflows of Resources			
Related to Pensions	441,572	862,596	1,304,168
Deferred Inflows of Resources			
Related to Pensions	21,616	80,077	101,693
Pension Expense	190,954	92,790	283,744

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	<u>100.0 %</u>	

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, 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 27 years of service. 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 2022:

General Employees Fund:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021
- The single discount rate changed from 6.50% to 5.40%

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 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 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.

In the Police and Fire fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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	\$ 1,989,107	\$ 1,259,285	\$ 660,719

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	4.40%	5.40%	6.40%
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 779,301	\$ 1,235,854	\$ (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.

NOTE 5 DEFINED CONTRIBUTION PLAN – FIRE RELIEF ASSOCIATION

A. Plan Description

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

The District provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with state statute, and vest after 10 years of credited service. Retirement benefits are based on a member's years of service. Benefit provisions can be amended by the District within the parameters provided by state statutes.

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2022 contribution to the plan was as follows:

State Aid flowed through City to District	\$ 30,519
Voluntary (Nonrequired) Contribution from City	-
Total Contribution	\$ 30,519

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, 2022 totals \$43,334.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, the City paid excess tax increment in the amount of \$112,578.

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, 2022, the City abated property taxes totaling \$37,617. No other commitments were made by the City as part of these agreements.

NOTE 9 SUBSEQUENT EVENT

On March 13, 2023, the City Council authorized the issuance of \$1,620,000 in General Obligation Improvement Bonds, Series 2023A. The Bonds were issued for the purpose to finance the construction of various water and sewer improvements. The bond carries an interest rate of 4.0% and is set to mature in 2044.

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, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020
PERA - General Employees Plan			
City's Proportion of the Net Pension Liability	0.0159%	0.0144%	0.0145%
City's Proportionate Share of the Net Pension Liability	\$ 1,259,285	\$ 614,945	\$ 869,341
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>36,995</u>	<u>18,729</u>	<u>26,723</u>
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 1,296,280	\$ 633,674	\$ 896,064
City's Covered Payroll	\$ 1,189,371	\$ 1,032,629	\$ 1,033,069
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	105.88%	59.55%	84.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.70%	87.00%	79.06%
PERA - Police and Fire Plan			
City's Proportion of the Net Pension Liability	0.0284%	0.0318%	0.0338%
City's Proportionate Share of the Net Pension Liability	\$ 1,235,854	\$ 245,462	\$ 445,521
State's Proportionate Share of the Net Pension Liability Associated with the City	<u>54,097</u>	<u>11,025</u>	<u>10,497</u>
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 1,289,951	\$ 256,487	\$ 456,018
City's Covered Payroll	\$ 345,451	\$ 375,515	\$ 383,098
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	357.75%	65.37%	116.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.50%	93.70%	87.19%

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, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
0.0137%	0.0145%	0.0152%	0.0153%	0.0162%
\$ 757,442	\$ 804,401	\$ 970,358	\$ 1,242,284	\$ 839,568
\$ 23,499	\$ 26,429	\$ 12,170	\$ 16,225	\$ -
\$ 780,941	\$ 830,830	\$ 982,528	\$ 1,258,509	\$ 839,568
\$ 967,993	\$ 972,532	\$ 976,694	\$ 951,245	\$ 950,430
78.25%	82.71%	99.35%	130.60%	88.34%
80.20%	79.50%	75.90%	68.91%	78.20%
0.0351%	0.0335%	0.0330%	0.0330%	0.0350%
\$ 373,675	\$ 357,075	\$ 445,539	\$ 1,324,347	\$ 397,682
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 373,675	\$ 357,075	\$ 445,539	\$ 1,324,347	\$ 397,682
\$ 370,318	\$ 352,668	\$ 338,298	\$ 322,142	\$ 320,101
100.91%	101.25%	131.70%	411.11%	124.24%
89.30%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
PERA - General Employees Plan				
Contractually Required Contribution	\$ 97,859	\$ 78,888	\$ 78,306	\$ 75,146
Contributions in Relation to the Contractually Required Contribution	(97,859)	(78,888)	(78,306)	(75,146)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,304,787	\$ 1,051,840	\$ 1,044,080	\$ 1,001,947
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
PERA - Police and Fire Plan				
Contractually Required Contribution	\$ 63,463	\$ 62,659	\$ 68,692	\$ 63,493
Contributions in Relation to the Contractually Required Contribution	(63,463)	(62,659)	(68,692)	(63,493)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 358,548	\$ 354,006	\$ 388,087	\$ 374,591
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	16.95%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 72,474	\$ 70,677	\$ 72,123	\$ 73,020	\$ 68,395
<u>(72,474)</u>	<u>(70,677)</u>	<u>(72,123)</u>	<u>(73,020)</u>	<u>(68,395)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 966,320	\$ 942,360	\$ 961,636	\$ 973,605	\$ 943,183
7.50%	7.50%	7.50%	7.50%	7.25%
\$ 58,511	\$ 54,145	\$ 52,873	\$ 54,333	\$ 47,791
<u>(58,511)</u>	<u>(54,145)</u>	<u>(52,873)</u>	<u>(54,333)</u>	<u>(47,791)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 361,179	\$ 334,231	\$ 326,375	\$ 335,388	\$ 301,363
16.20%	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, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 409,000	\$ 409,000	\$ 437,908	\$ 28,908
Special Assessments	-	-	593	593
Licenses and Permits	43,900	43,900	55,800	11,900
Intergovernmental	1,061,911	1,061,911	994,682	(67,229)
Charges for Services	2,350	2,350	3,171	821
Fines and Forfeits	7,400	7,400	15,411	8,011
Interest Income	13,550	13,550	2,913	(10,637)
Miscellaneous	6,500	6,500	27,009	20,509
Total Revenues	<u>1,544,611</u>	<u>1,544,611</u>	<u>1,537,487</u>	<u>(7,124)</u>
EXPENDITURES				
Current				
General Government	840,054	840,054	840,341	287
Public Safety	755,794	755,794	779,671	23,877
Public Works	439,037	439,037	359,214	(79,823)
Economic Development	213,237	213,237	217,954	4,717
Capital Outlay				
General Government	111,000	111,000	37,059	(73,941)
Public Safety	56,594	56,594	44,280	(12,314)
Public Works	49,000	49,000	-	(49,000)
Debt Service				
Principal	-	-	7,439	7,439
Interest and Other Charges	-	-	323	323
Total Expenditures	<u>2,464,716</u>	<u>2,464,716</u>	<u>2,286,281</u>	<u>(178,435)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(920,105)	(920,105)	(748,794)	171,311
OTHER FINANCING SOURCES (USES)				
Transfers In	843,664	843,664	843,664	-
Transfers Out	(20,000)	(20,000)	-	20,000
Proceeds From Sale of Capital Assets	-	-	1,723	1,723
Total Other Financing Sources and (Uses)	<u>823,664</u>	<u>823,664</u>	<u>845,387</u>	<u>21,723</u>
NET CHANGE IN FUND BALANCE	<u>\$ (96,441)</u>	<u>\$ (96,441)</u>	96,593	<u>\$ 193,034</u>
Fund Balance - Beginning of Year			<u>1,990,641</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,087,234</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, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 420,800	\$ 420,800	\$ 420,800	\$ -
Licenses and Permits	700	700	800	100
Charges for Services	262,000	262,000	282,406	20,406
Gifts and Contributions	-	-	600	600
Interest on Investments	1,500	1,500	2,169	669
Miscellaneous	23,040	23,040	72,775	49,735
Total Revenues	<u>708,040</u>	<u>708,040</u>	<u>779,550</u>	<u>71,510</u>
EXPENDITURES				
Current				
Parks and Recreation	524,761	524,761	433,671	(91,090)
Capital Outlay				
Parks and Recreation	155,000	155,000	189,524	34,524
Debt service				
Principal	24,200	24,200	13,248	(10,952)
Interest and Other Charges	4,079	4,079	2,142	(1,937)
Total Expenditures	<u>708,040</u>	<u>708,040</u>	<u>638,585</u>	<u>(69,455)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	140,965	140,965
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(10,000)	(10,000)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	130,965	<u>\$ 130,965</u>
Fund Balance - Beginning of Year			<u>776,855</u>	
FUND BALANCE - END OF YEAR			<u>\$ 907,820</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, 2022**

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
2022
Changes in Actuarial Assumptions
 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.Changes in Plan Provisions
 - There were no changes in plan provisions since the previous valuation.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2022

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

A. General Employees Fund (Continued)
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.

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2022

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

A. General Employees Fund (Continued)
2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2022

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

A. General Employees Fund (Continued)
2017 (Continued)

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2022

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

B. Police and Fire Fund
2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021
- The single discount rate changed from 6.50% to 5.40%

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2022

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

B. Police and Fire Fund (Continued)
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, 2022

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, 2022**

**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, 2022**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ 666	\$ 61,573	\$ 202,132	\$ 264,371
Notes Receivable	-	22,080	-	22,080
Total Assets	<u>666</u>	<u>83,653</u>	<u>202,132</u>	<u>286,451</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	-	-	54,182	54,182
Deferred Inflows of Resources				
Unavailable Loans Receivable	-	22,080	-	22,080
Fund Balances				
Restricted for DARE Program	666	-	-	666
Restricted for Economic Development	-	-	147,950	147,950
Restricted for Small Cities Grant	-	61,573	-	61,573
Total Fund Balances	<u>666</u>	<u>61,573</u>	<u>147,950</u>	<u>210,189</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 666</u>	<u>\$ 83,653</u>	<u>\$ 202,132</u>	<u>\$ 286,451</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022**

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
REVENUES				
Tax Increments	\$ -	\$ -	\$ 187,569	\$ 187,569
Gifts and Contributions	2,251	-	-	2,251
Interest Income	3	439	156	598
Miscellaneous	-	10,990	8,035	19,025
Total Revenues	2,254	11,429	195,760	209,443
EXPENDITURES				
Current				
General Government	-	17,335	-	17,335
Public Safety	2,505	-	-	2,505
Economic Development	-	-	166,760	166,760
Total Expenditures	2,505	17,335	166,760	186,600
NET CHANGE IN FUND BALANCES	(251)	(5,906)	29,000	22,843
Fund Balances - Beginning of Year	917	67,479	118,950	187,346
FUND BALANCES - END OF YEAR	\$ 666	\$ 61,573	\$ 147,950	\$ 210,189

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2022**

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 41,528	\$ 184	\$ 265,628	\$ 544,807	\$ 1,013,854	\$ 1,866,001
Accounts Receivable - Net	28,710	45,781	50,528	5,749	53,889	184,657
Prepays	2,831	1,077	754	-	-	4,662
Total Current Assets	73,069	47,042	316,910	550,556	1,067,743	2,055,320
Noncurrent Assets						
Capital Assets						
Land	-	-	-	13,077	-	13,077
Buildings (Net)	55,982	22,002	80,428	-	-	158,412
Infrastructure (Net)	300,108	-	-	862,007	-	1,162,115
Machinery and Equipment (Net)	150,314	38,957	-	10,756	-	200,027
Vehicles (Net)	-	12,744	-	-	-	12,744
Net Capital Assets	506,404	73,703	80,428	885,840	-	1,546,375
Total Noncurrent	506,404	73,703	80,428	885,840	-	1,546,375
Total Assets	579,473	120,745	397,338	1,436,396	1,067,743	3,601,695
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	4,107	42,391	4,769	-	7,286	58,553
LIABILITIES						
Current Liabilities						
Accounts Payable	16,558	4,157	22,037	-	24	42,776
Salaries and Benefits Payable	3,798	15,850	1,242	-	901	21,791
Accrued Interest Payable	22,091	-	-	-	-	22,091
Due to Other Governments	1,858	-	2,453	-	-	4,311
Unearned Utility Payments	16,159	-	-	-	30,066	46,225
Compensated Absences - Due Within One Year	3,240	12,974	1,146	-	2,699	20,059
Total Current Liabilities	63,704	32,981	26,878	-	33,690	157,253
Noncurrent Liabilities						
Compensated Absences - Due in More than One Year	1,079	4,323	383	-	900	6,685
Net Pension Liability	11,711	120,891	13,600	-	20,778	166,980
Total Noncurrent Liabilities	12,790	125,214	13,983	-	21,678	173,665
Total Liabilities	76,494	158,195	40,861	-	55,368	330,918
DEFERRED INFLOWS OF RESOURCES						
Pension Related	201	2,075	233	-	357	2,866
NET POSITION						
Net Investment in Capital Assets	506,404	73,703	80,428	885,840	-	1,546,375
Unrestricted	481	(70,837)	280,585	550,556	1,019,304	1,780,089
Total Net Position	\$ 506,885	\$ 2,866	\$ 361,013	\$ 1,436,396	\$ 1,019,304	\$ 3,326,464

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES						
Charges for Services	\$ 335,215	\$ 239,826	\$ 290,962	\$ 46,936	\$ 505,955	\$ 1,418,894
OPERATING EXPENSES						
Professional Services	18,689	8,057	234,489	-	353	261,588
Wages, Salaries, and Compensation	21,237	360,459	15,487	-	35,566	432,749
Repairs and Maintenance	3,943	11,108	238	-	21,397	36,686
Insurance	6,335	2,744	1,889	-	-	10,968
Depreciation	30,438	31,797	2,632	54,060	-	118,927
Materials and Supplies	13,925	30,958	1,522	-	-	46,405
Miscellaneous Expenses	6,746	51,394	26,332	132	48,984	133,588
License Fees	289,968	-	-	-	-	289,968
Total Operating Expenses	391,281	496,517	282,589	54,192	106,300	1,330,879
OPERATING INCOME (LOSS)	(56,066)	(256,691)	8,373	(7,256)	399,655	88,015
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	100,000	-	-	-	100,000
Interest Income (Loss)	(369)	82	1,523	(2,522)	(503)	(1,789)
Intergovernmental Grants	-	19,429	33,572	-	-	53,001
Miscellaneous - Nonoperating	1,519	62,590	-	-	-	64,109
Interest Expense and Fiscal Charges	(38,666)	-	-	-	-	(38,666)
Total Nonoperating Revenues (Expenses)	(37,516)	182,101	35,095	(2,522)	(503)	176,655
Income before Transfers	(93,582)	(74,590)	43,468	(9,778)	399,152	264,670
Transfers In	408,000	-	-	-	-	408,000
Transfers Out	(23,500)	-	(16,000)	(7,500)	(207,238)	(254,238)
CHANGE IN NET POSITION	290,918	(74,590)	27,468	(17,278)	191,914	418,432
Net Position - Beginning of Year	215,967	77,456	333,545	1,453,674	827,390	2,908,032
NET POSITION - END OF YEAR	<u>\$ 506,885</u>	<u>\$ 2,866</u>	<u>\$ 361,013</u>	<u>\$ 1,436,396</u>	<u>\$ 1,019,304</u>	<u>\$ 3,326,464</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 338,123	\$ 620,743	\$ 277,775	\$ 46,641	\$ 503,867	\$ 1,787,149
Payments to Suppliers	(327,932)	(407,024)	(260,041)	(132)	(70,755)	(1,065,884)
Payments to Employees	(23,939)	(334,389)	(22,453)	-	(37,202)	(417,983)
Net Cash Provided (Used) by Operating Activities	(13,748)	(120,670)	(4,719)	46,509	395,910	303,282
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES AND RELATED FINANCING ACTIVITIES						
Transfers from Other Funds	408,000	-	-	-	-	408,000
Transfers to Other Funds	(23,500)	-	(16,000)	(7,500)	(207,238)	(254,238)
Taxes	-	100,000	-	-	-	100,000
Advance from Component Unit	-	-	5,581	-	-	5,581
Grant Receipts	-	19,429	33,572	-	-	53,001
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	384,500	119,429	23,153	(7,500)	(207,238)	312,344
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal Paid on Debt	(321,000)	(15,333)	-	-	-	(336,333)
Interest Paid on Debt	(17,136)	-	-	-	-	(17,136)
Acquisition of Capital Assets	(5,972)	-	-	-	-	(5,972)
Net Cash Provided (Used) by Capital and Related Financing Activities	(344,108)	(15,333)	-	-	-	(359,441)
CASH FLOWS FROM INVESTING ACTIVITIES ACTIVITIES						
Interest and Dividends Received	(369)	82	1,523	(2,480)	(503)	(1,747)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,275	(16,492)	19,957	36,529	188,169	254,438
Cash and Cash Equivalents - Beginning of Year	15,253	16,676	245,671	508,278	825,685	1,611,563
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 41,528	\$ 184	\$ 265,628	\$ 544,807	\$ 1,013,854	\$ 1,866,001
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (56,066)	\$ (256,691)	\$ 8,373	\$ (7,256)	\$ 399,655	\$ 88,015
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation Expense	30,438	31,797	2,632	54,060	-	118,927
Miscellaneous - Nonoperating	1,519	62,590	-	-	-	64,109
(Increase) Decrease in Assets and Deferred Outflows						
Accounts Receivable	2,579	18,024	(13,187)	(295)	(4,888)	2,233
Prepays	(2,831)	(1,077)	(754)	-	-	(4,662)
Deferred Outflows of Resources - Pension	1,595	(8,504)	3,336	-	1,357	(2,216)
Increase (Decrease) in Liabilities and Deferred Inflows						
Accounts Payable	14,700	(1,383)	4,744	-	(21)	18,040
Salaries and Benefits Payable	(67)	675	(2,499)	-	(45)	(1,936)
Due to Other Governments	(195)	-	439	-	-	244
Compensated Absences Payable	(805)	2,084	164	-	(835)	608
Net Pension Liability	3,831	74,061	2,400	-	8,834	89,126
Unearned Utility Payments	(1,190)	-	-	-	2,800	1,610
Deferred Inflows of Resources - Pension	(7,256)	(42,246)	(10,367)	-	(10,947)	(70,816)
Total Adjustments	42,318	136,021	(13,092)	53,765	(3,745)	215,267
Net Cash Provided (Used) by Operating Activities	\$ (13,748)	\$ (120,670)	\$ (4,719)	\$ 46,509	\$ 395,910	\$ 303,282

OTHER COMBINING SCHEDULES

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2022**

	<u>Series 2004A Refunding Bonds</u>	<u>G.O. Taxable Bonds</u>	<u>G.O. 2005 Bond Refinance</u>	<u>G.O. 2006 Bonds (Refunded by 2012A)</u>
ASSETS				
Cash and Investments	\$ 59,030	\$ 32,224	\$ 155,472	\$ 208,131
Taxes Receivable				
Current	-	-	-	-
Special Assessments Receivable				
Delinquent	-	-	-	3,412
Noncurrent	45,134	-	23,633	401,900
Total Assets	<u>104,164</u>	<u>32,224</u>	<u>179,105</u>	<u>613,443</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources				
Unavailable Taxes	-	-	-	-
Unavailable Special Assessments	45,134	-	23,633	402,092
Total Deferred Inflows of Resources	<u>45,134</u>	<u>-</u>	<u>23,633</u>	<u>402,092</u>
Fund Balances (Deficit)				
Restricted	59,030	32,224	155,472	211,351
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	<u>59,030</u>	<u>32,224</u>	<u>155,472</u>	<u>211,351</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 104,164</u>	<u>\$ 32,224</u>	<u>\$ 179,105</u>	<u>\$ 613,443</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)
 DECEMBER 31, 2022**

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
\$ 16,281	\$ 110,162	\$ 25,495	\$ 51,911	\$ (6,407)	\$ 8,926	\$ 661,225
408	1,875	-	-	-	-	2,283
865	1,723	-	2,401	9,137	571	18,109
<u>221,084</u>	<u>131,140</u>	<u>241,598</u>	<u>1,035,450</u>	<u>2,321,491</u>	<u>287,404</u>	<u>4,708,834</u>
238,638	244,900	267,093	1,089,762	2,324,221	296,901	5,390,451
-	1,386	-	-	-	-	1,386
<u>221,365</u>	<u>132,070</u>	<u>241,598</u>	<u>1,035,450</u>	<u>2,325,914</u>	<u>287,975</u>	<u>4,715,231</u>
<u>221,365</u>	<u>133,456</u>	<u>241,598</u>	<u>1,035,450</u>	<u>2,325,914</u>	<u>287,975</u>	<u>4,716,617</u>
17,273	111,444	25,495	54,312	-	8,926	675,527
-	-	-	-	(1,693)	-	(1,693)
<u>17,273</u>	<u>111,444</u>	<u>25,495</u>	<u>54,312</u>	<u>(1,693)</u>	<u>8,926</u>	<u>673,834</u>
<u>\$ 238,638</u>	<u>\$ 244,900</u>	<u>\$ 267,093</u>	<u>\$ 1,089,762</u>	<u>\$ 2,324,221</u>	<u>\$ 296,901</u>	<u>\$ 5,390,451</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, 2022

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	13,572	-	27,341	76,327
Interest Income	406	279	963	1,103
Total Revenues	<u>13,978</u>	<u>279</u>	<u>28,304</u>	<u>77,430</u>
EXPENDITURES				
Debt Service				
Principal	-	-	-	70,000
Interest and Other Charges	-	-	-	342
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,978	279	28,304	7,088
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(16,022)	(29,721)	(1,696)	7,088
Fund Balances - Beginning of Year	<u>75,052</u>	<u>61,945</u>	<u>157,168</u>	<u>204,263</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 59,030</u>	<u>\$ 32,224</u>	<u>\$ 155,472</u>	<u>\$ 211,351</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, 2022

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
\$ 25,189	\$ 30,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,415
21,511	18,381	24,925	79,543	25,347	9,304	-	296,251
6	576	93	194	-	279	-	3,899
<u>46,706</u>	<u>49,183</u>	<u>25,018</u>	<u>79,737</u>	<u>25,347</u>	<u>9,583</u>	<u>-</u>	<u>355,565</u>
80,000	35,000	25,000	55,000	95,000	-	-	360,000
4,942	4,748	7,231	25,177	56,250	5,944	-	104,634
<u>84,942</u>	<u>39,748</u>	<u>32,231</u>	<u>80,177</u>	<u>151,250</u>	<u>5,944</u>	<u>-</u>	<u>464,634</u>
(38,236)	9,435	(7,213)	(440)	(125,903)	3,639	-	(109,069)
30,000	-	10,000	30,000	20,000	-	(90,000)	-
-	-	-	-	-	-	90,000	-
<u>30,000</u>	<u>-</u>	<u>10,000</u>	<u>30,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(8,236)	9,435	2,787	29,560	(105,903)	3,639	-	(109,069)
25,509	102,009	22,708	24,752	104,210	5,287	-	782,903
<u>\$ 17,273</u>	<u>\$ 111,444</u>	<u>\$ 25,495</u>	<u>\$ 54,312</u>	<u>\$ (1,693)</u>	<u>\$ 8,926</u>	<u>\$ -</u>	<u>\$ 673,834</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND – BY PROJECT
 DECEMBER 31, 2022**

	<u>C.S.A.H. 52 Project</u>	<u>Commercial Park Extension</u>	<u>Commercial Park Condos</u>	<u>Total Capital Projects Fund</u>
ASSETS				
Cash and Investments	\$ -	\$ -	\$ 122,291	\$ 122,291
Special Assessments - Noncurrent	-	59,839	-	59,839
Total Assets	<u>-</u>	<u>59,839</u>	<u>122,291</u>	<u>182,130</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS				
Liabilities				
Due to Other Funds	\$ 58,314	\$ 102,468	\$ -	\$ 160,782
Deferred Inflows of Resources				
Unavailable Special Assessments	-	59,839	-	59,839
Fund Balances (Deficits)				
Restricted	-	-	122,291	122,291
Unassigned	<u>(58,314)</u>	<u>(102,468)</u>	<u>-</u>	<u>(160,782)</u>
Total Fund Balances (Deficits)	<u>(58,314)</u>	<u>(102,468)</u>	<u>122,291</u>	<u>(38,491)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ -</u>	<u>\$ 59,839</u>	<u>\$ 122,291</u>	<u>\$ 182,130</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
CAPITAL PROJECTS FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2022

	C.S.A.H. 52 Project	Commercial Park Extension	Commercial Park Condos	Total Capital Projects Fund
REVENUES				
Special Assessments	\$ -	\$ 59	\$ -	\$ 59
Interest Income	-	-	719	719
Total Revenues	-	59	719	778
EXPENDITURES				
CURRENT				
Capital Outlay				
Public Works	12,725	-	-	12,725
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,725)	59	719	(11,947)
NET CHANGE IN FUND BALANCES	(12,725)	59	719	(11,947)
Fund Balances (Deficit) - Beginning of Year	(45,589)	(102,527)	121,572	(26,544)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (58,314)	\$ (102,468)	\$ 122,291	\$ (38,491)

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, 2022, 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 24, 2023.

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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 through 2022-003 that we consider to be material weaknesses.

Honorable Mayor and Members of the City Council
City of Barnesville

Report on Compliance and Other Matters

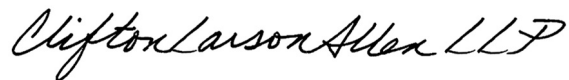
As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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 24, 2023



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, 2022 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 24, 2023.

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws of *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and responses as item 2022-004. Also, 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 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 City's written response to the legal compliance findings identified in our audit are described in the schedule of findings and responses. 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 the response.

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.

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

CliftonLarsonAllen LLP

Alexandria, Minnesota
April 24, 2023

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS

2022-01 LACK OF SEGREGATION OF DUTIES

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria or Specific Requirement: 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 a 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 adjustment 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 2021-001.

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. Management 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 RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022-02 MATERIAL AUDIT ADJUSTMENTS

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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

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

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

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2021-002.

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. Management 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 RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2022-03 FINANCIAL STATEMENT PREPARATION

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria or Specific Requirement: 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 council and management of the City share the ultimate responsibility for the City's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The City engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the City's internal control system. As part of its internal control over the preparation of the financial statements, including disclosures, the City has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of GAAP and knowledge of the city activities and operation.

Cause: City personnel have not monitored recent accounting developments to the extent necessary to prepare the financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2021-003.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

Recommendation: Management should continue to evaluate its internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The City will continue to evaluate whether an internal control policy over financial reporting would be beneficial.

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

MINNESOTA LEGAL COMPLIANCE

2022-04 CONTRACTING – BID LAW

Criteria or Specific Requirement: Minnesota Statute §471.345 subd. 4 states if the amount of the contract is estimated to exceed \$25,000 but not to exceed \$175,000, a contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale when possible, and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations obtained shall be kept on file for a period of at least one year after receipt thereof.

Condition: The City did not obtain quotes from multiple sources. Documentation was not retained to support the process of inquiring with multiple vendors.

Cause: Limited response from vendors.

Repeat Finding: Not applicable.

Effect: The City is not compliant with Minnesota Statute regarding contracting – bid laws.

Recommendation: Management should obtain multiple quotes when possible. If unable to do so, written documentation as to why not and attempts made should be retained.

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



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