

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2024



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INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2024**

ELECTED	NAME	TERM EXPIRES
Mayor	Jason Rick	12/31/2026
City Council	Scott Bauer	12/31/2026
City Council	Don Goedtke	12/31/2026
City Council	Tonya Stokka	12/31/2026
City Council	Dawn Stuvland	12/31/2028
City Council	Alyssa Bergman	12/31/2028
City Council	Brad Field	12/31/2028

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, 2024, 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, 2024, 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

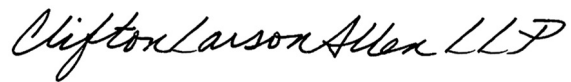
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, 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 May 5, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
May 5, 2025

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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, 2024. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information. Certain comparative information between the current year (2024) and the prior year (2023) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2024 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 \$34,725,840 (net position). Of this amount, \$14,035,231 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$1,445,097 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$4,102,274, an increase of \$346,815 or 9.2% in comparison to the prior year. Approximately 21.16% of this amount, or \$867,867, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$787,404, or 24.84% 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.

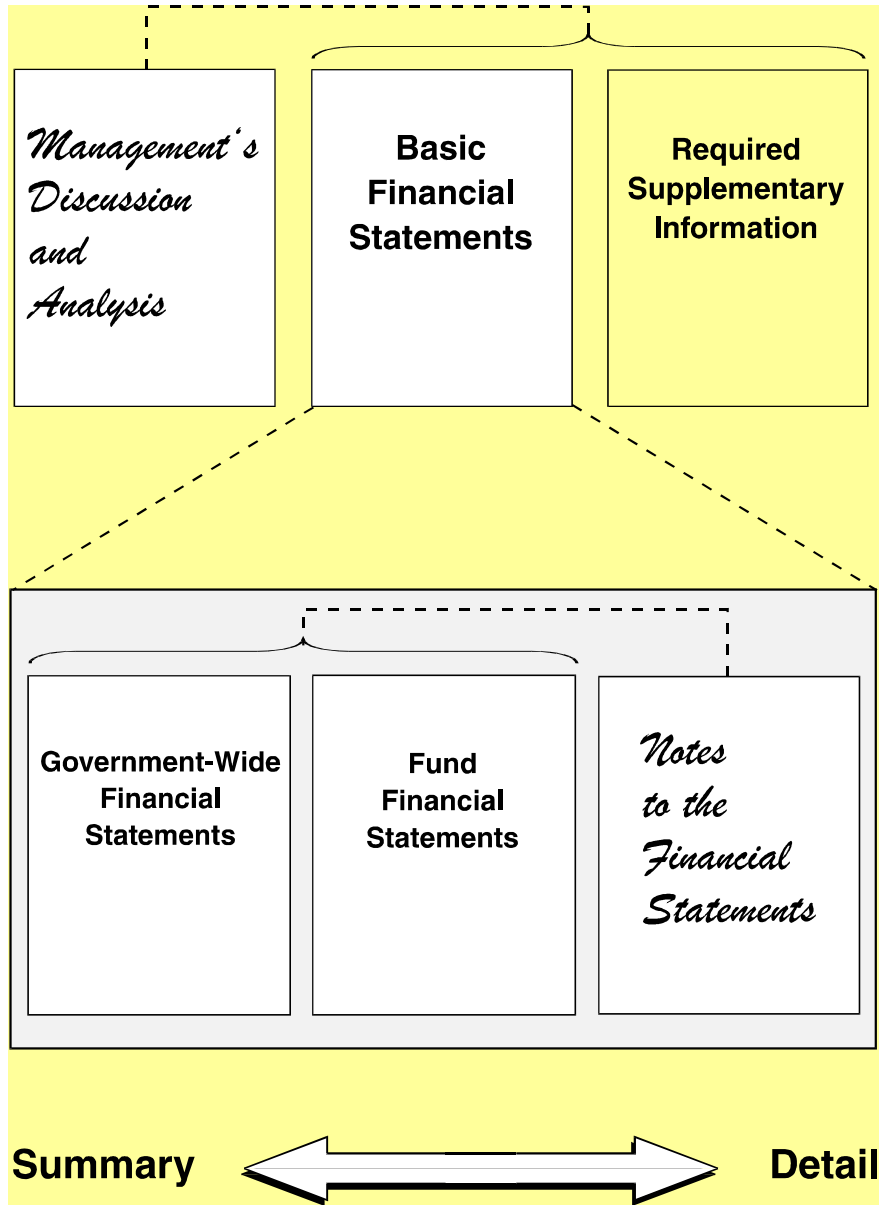
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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, 2024**

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 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 the 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, 2024**

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, 2024**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$34,725,840 on December 31, 2024 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and Other Assets	\$ 9,232,135	\$ 9,202,467	\$ 13,239,622	\$ 12,969,088	\$ 22,471,757	\$ 22,171,555
Capital Assets	9,132,973	9,201,392	16,819,562	16,689,023	25,952,535	25,890,415
Total Assets	18,365,108	18,403,859	30,059,184	29,658,111	48,424,292	48,061,970
Deferred Outflows of Resources	713,925	893,694	83,113	150,409	797,038	1,044,103
Current Liabilities	717,997	650,869	1,255,600	1,271,971	1,973,597	1,922,840
Long-Term Liabilities	6,120,487	6,741,087	5,229,257	6,091,895	11,349,744	12,832,982
Total Liabilities	6,838,484	7,391,956	6,484,857	7,363,866	13,323,341	14,755,822
Deferred Inflows of Resources	956,193	927,687	215,956	141,821	1,172,149	1,069,508
Net Position						
Net Investment in Capital Assets	3,398,498	3,334,962	11,189,678	10,289,202	14,588,176	13,624,164
Restricted	5,819,108	6,022,934	283,325	283,325	6,102,433	6,306,259
Unrestricted	2,066,750	1,620,014	11,968,481	11,730,306	14,035,231	13,350,320
Total Net Position	<u>\$ 11,284,356</u>	<u>\$ 10,977,910</u>	<u>\$ 23,441,484</u>	<u>\$ 22,302,833</u>	<u>\$ 34,725,840</u>	<u>\$ 33,280,743</u>

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$12,025,275 for the year ended December 31, 2024. Property taxes and intergovernmental revenues accounted for 23.9% of total revenue for the year, while user charges accounted for 68.9% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 561,022	\$ 484,119	\$ 7,725,791	\$ 7,656,137	\$ 8,286,813	\$ 8,140,256
Operating Grants and Contributions	189,533	236,064	215,079	115,492	404,612	351,556
Capital Grants and Contributions	248,037	1,821,418	43,840	64,888	291,877	1,886,306
<u>General Revenues</u>						
Property Taxes	1,049,796	978,872	160,000	150,000	1,209,796	1,128,872
Tax Increments	27,596	134,416	-	-	27,596	134,416
Unrestricted State Aid	965,366	870,418	-	-	965,366	870,418
Investment Earnings	157,650	114,387	360,357	273,074	518,007	387,461
Other	136,415	76,767	184,793	96,766	321,208	173,533
Total Revenues	<u>3,335,415</u>	<u>4,716,461</u>	<u>8,689,860</u>	<u>8,356,357</u>	<u>12,025,275</u>	<u>13,072,818</u>
EXPENSES						
General Government	766,690	952,860	-	-	766,690	952,860
Public Safety	909,008	891,051	-	-	909,008	891,051
Public Works	965,653	687,427	-	-	965,653	687,427
Culture and Recreation	961,840	795,663	-	-	961,840	795,663
Economic Development	233,614	289,436	-	-	233,614	289,436
Interest	169,600	202,205	-	-	169,600	202,205
Water	-	-	501,505	419,376	501,505	419,376
Sewer	-	-	490,638	554,846	490,638	554,846
Electric	-	-	2,025,692	2,063,044	2,025,692	2,063,044
Telephone	-	-	955,576	895,577	955,576	895,577
Municipal Liquor	-	-	1,176,470	1,159,012	1,176,470	1,159,012
Cable Television	-	-	337,768	332,137	337,768	332,137
Sanitation	-	-	324,340	336,878	324,340	336,878
Storm Sewer	-	-	50,016	54,340	50,016	54,340
Ambulance	-	-	561,474	537,336	561,474	537,336
Broadband Internet	-	-	150,294	107,933	150,294	107,933
Total Expenses	<u>4,006,405</u>	<u>3,818,642</u>	<u>6,573,773</u>	<u>6,460,479</u>	<u>10,580,178</u>	<u>10,279,121</u>
Transfers	<u>977,436</u>	<u>5,776</u>	<u>(977,436)</u>	<u>(5,776)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>306,446</u>	<u>903,595</u>	<u>1,138,651</u>	<u>1,890,102</u>	<u>1,445,097</u>	<u>2,793,697</u>
Net Position - Beginning of Year	<u>10,977,910</u>	<u>10,074,315</u>	<u>22,302,833</u>	<u>20,412,731</u>	<u>33,280,743</u>	<u>30,487,046</u>
NET POSITION - END OF YEAR	<u>\$ 11,284,356</u>	<u>\$ 10,977,910</u>	<u>\$ 23,441,484</u>	<u>\$ 22,302,833</u>	<u>\$ 34,725,840</u>	<u>\$ 33,280,743</u>

Total revenues surpassed expenses, increasing City-wide net position by \$1,445,097 as compared to an increase of \$2,793,697 in 2023.

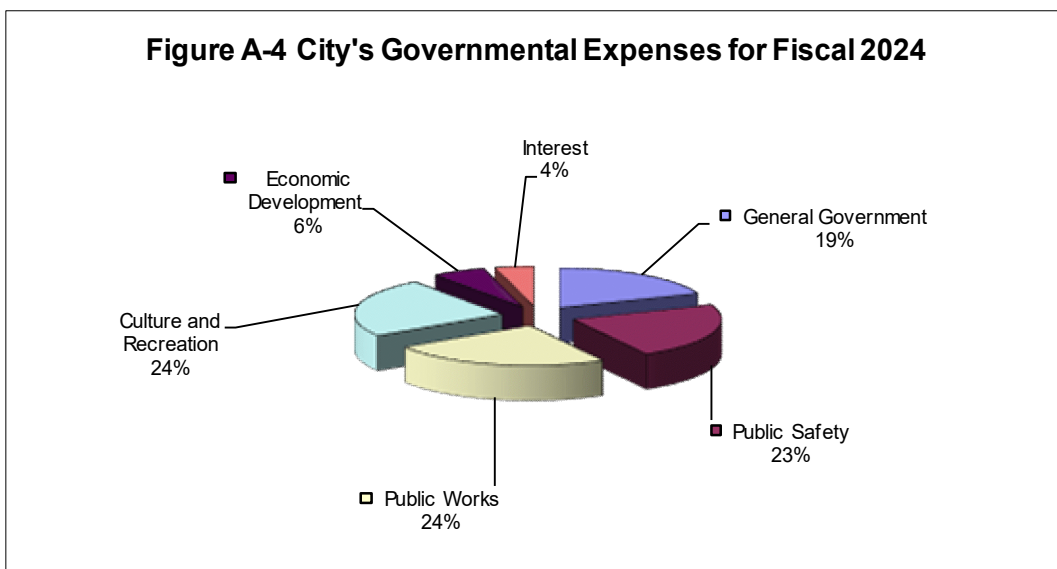
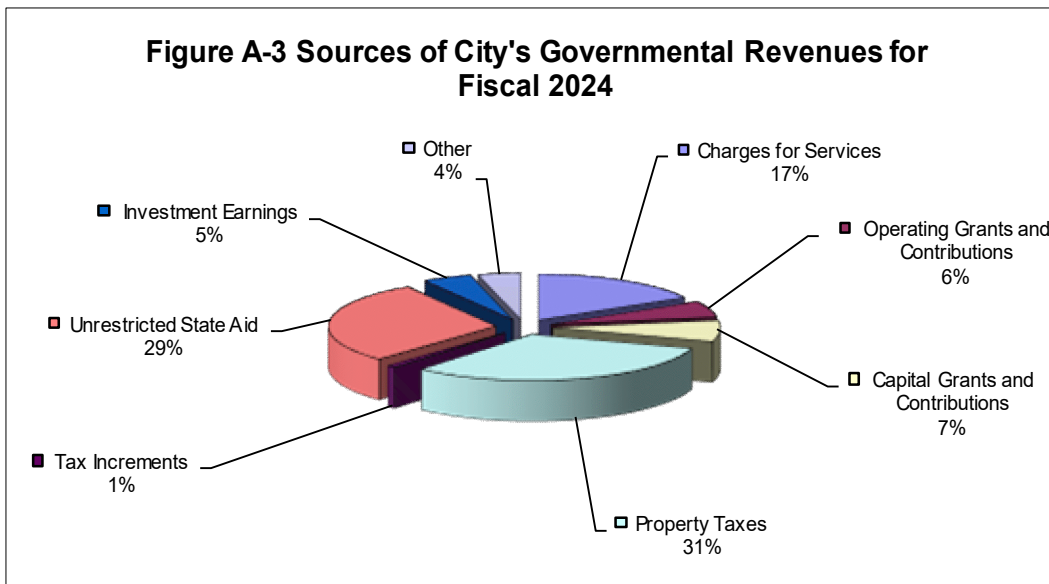
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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 \$4,006,405.

- Some of the cost was paid by the users of the City's programs (\$561,022).
- Federal and state government payments (\$189,533) subsidized certain programs.
- Ad valorem property taxes (\$1,049,796) and unrestricted state grants (\$965,366) also helped fund the net costs of governmental services.



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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	
	2024	2023	2024	2023
GOVERNMENTAL ACTIVITIES				
General Government	\$ 766,690	\$ 952,860	\$ (510,062)	\$ (791,363)
Public Safety	909,008	891,051	(776,652)	(698,856)
Public Works	965,653	687,427	(748,989)	529,417
Culture and Recreation	961,840	795,663	(568,896)	175,402
Economic Development	233,614	289,436	(233,614)	(289,436)
Interest	169,600	202,205	(169,600)	(202,205)
Total	\$ 4,006,405	\$ 3,818,642	\$ (3,007,813)	\$ (1,277,041)
BUSINESS-TYPE ACTIVITIES				
Water	\$ 501,505	\$ 419,376	\$ 37,229	\$ 152,266
Sewer	490,638	554,846	285,298	218,964
Electric	2,025,692	2,063,044	254,856	394,284
Telephone	955,576	895,577	460,301	406,675
Municipal Liquor	1,176,470	1,159,012	74,848	(4,500)
Cable Television	337,768	332,137	(32,848)	(27,343)
Sanitation	324,340	336,878	38,234	36,203
Storm Sewer	50,016	54,340	468	(5,436)
Ambulance	561,474	537,336	(103,508)	(221,619)
Broadband Internet	150,294	107,933	396,059	426,544
Total	\$ 6,573,773	\$ 6,460,479	\$ 1,410,937	\$ 1,376,038

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 \$4,102,274.

Revenues for the City's governmental funds were \$3,447,056, while total expenditures were \$4,430,853. Expenditures in excess of revenues were covered by budgeted transfers from the enterprise funds.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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

General Fund

The General Fund includes the primary operations of the City in providing services to citizens and some capital outlay projects.

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

General Fund	Year Ended		Change
	December 31, 2024	December 31, 2023	Increase (Decrease)
Taxes	\$ 714,804	\$ 643,243	\$ 71,561
Special Assessments	617	618	(1)
Licenses and Permits	151,981	70,398	81,583
Intergovernmental	1,176,268	1,218,314	(42,046)
Charges for Services	1,630	82,456	(80,826)
Fines and Forfeits	14,467	9,500	4,967
Interest	101,418	65,368	36,050
Miscellaneous and Other	80,990	25,765	55,225
Total General Fund Revenues	<u>\$ 2,242,175</u>	<u>\$ 2,115,662</u>	<u>\$ 126,513</u>

Total General Fund revenue increased by \$126,513, or 6.0%, from the previous year. The primary reason for the increase is an increase in the property tax levy. The City council approved an 8% increase in the general fund tax levy for 2024.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change
	December 31, 2024	December 31, 2023	Increase (Decrease)
General Government	\$ 1,176,371	\$ 870,383	\$ 305,988
Public Safety	887,241	819,916	67,325
Public Works	341,364	348,585	(7,221)
Economic Development	262,959	236,463	26,496
Capital Outlay	478,599	725,597	(246,998)
Debt Service	23,210	7,101	16,109
Total Expenditures	<u>\$ 3,169,744</u>	<u>\$ 3,008,045</u>	<u>\$ 161,699</u>

The General Fund's expenditures increased \$161,699 from 2023. The increase is due to hail damage expenditures and increased building inspection expenditures. These expenditures were offset with decreased expenditures related to the Event Center Renovation project as that project was completed in 2023.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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 \$333,266 greater than budget. This is primarily due to increased investment earnings, unanticipated building permit revenue, and increase in Federal Grant revenue.
- The actual expenditures were \$298,119 greater than budget. This is primarily due to unanticipated expenditures for hail damage.

Parks and Recreation Fund

The Parks and Recreation Fund had a decrease in fund balance of \$66,531. Actual revenue was greater than budgeted revenues during 2024 by \$7,793 as a result of unanticipated investment earnings. Expenditures were over budget by \$74,325 during 2024 primarily due to higher capital outlay expenditures.

Debt Service Fund

The Debt Service Fund's fund balance increased \$116,644 as a result of a transfer related to the closing of the Capital Projects Fund.

Capital Projects Fund

The Capital Project Fund's fund balance decreased \$23,732 as a result of the closing of the fund.

Other Governmental Funds

The Other Governmental Fund's fund balance increased \$19,859 as a result of decreased expenditures related to economic development.

Business-Type Funds

Water and Sewer Funds

The Water and Sewer Funds reported net income (before transfers and contributions) of \$55,767 and \$345,573, respectively, for the year ended December 31, 2024, as compared to \$153,947 and \$251,951, respectively, for 2023. Decrease in Water Fund net income (before transfers and contributions) from 2023 is due to increased expense related to wages, salaries, and compensation due to a 2023 vacant employment position filled in 2024. Increase in the Sewer Fund net income (before transfers and contributions) is due to decrease in wages, salaries, and compensation due to a prior vacant position being filled in the Fall of 2024.

Municipal Liquor Fund

The operations of the Municipal Liquor Fund reported net income (before transfers and contributions) of \$83,625 for the year ended December 31, 2024, as compared to \$2,717 for 2023. Increase in net income (before transfers and contributions) is due to increased sales and decreased operating expenses.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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

Business-Type Funds (Continued)

Electric Fund

The Electric Fund reported net income (before transfers and contributions) of \$347,875 for the year ended December 31, 2024 compared to \$446,772 in 2023. The decrease from 2023 is primarily due to decreased electric charges for services.

Telephone Fund

The Telephone Fund reported sales of \$1,192,931 compared to \$1,301,567 in 2023. The Telephone fund reported net income (before transfers and contributions) of \$555,743 as compared to \$480,258 in the prior year.

CAPITAL ASSETS

By the end of 2024, the City had invested \$25,952,535 (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	
	2024	2023	2024	2023	2024	2023
Land	\$ 658,016	\$ 658,016	\$ 185,212	\$ 185,212	\$ 843,228	\$ 843,228
Construction-in-Progress	-	219,607	-	-	-	219,607
Buildings	2,266,719	2,255,180	2,517,718	2,510,240	4,784,437	4,765,420
Infrastructure	8,802,272	8,802,272	23,547,894	22,984,326	32,350,166	31,786,598
Improvements	3,319,993	2,816,838	310,044	310,044	3,630,037	3,126,882
Machinery and Equipment	1,172,789	1,116,812	3,257,642	3,104,678	4,430,431	4,221,490
Vehicles	751,276	581,362	1,000,026	638,906	1,751,302	1,220,268
Right-to-Use Assets	129,144	119,569	-	-	129,144	119,569
Subscription Assets	24,410	-	-	-	24,410	-
Less: Accumulated Depreciation/Amortization	(7,991,646)	(7,368,264)	(13,998,974)	(13,044,383)	(21,990,620)	(20,412,647)
Total	<u>\$ 9,132,973</u>	<u>\$ 9,201,392</u>	<u>\$ 16,819,562</u>	<u>\$ 16,689,023</u>	<u>\$ 25,952,535</u>	<u>\$ 25,890,415</u>

Total depreciation/amortization expense for the year was \$1,762,298 (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, 2024**

LONG-TERM LIABILITIES

At year-end, the City had \$11,364,359 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt decreased \$980,743 due primarily to current year scheduled payments.

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

	2024	2023
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 5,505,000	\$ 5,755,000
Lease Liability	72,759	88,114
Subscription Liability	23,667	-
Plus: Bond Premium	133,049	149,516
Total Governmental Activities	5,734,475	5,992,630
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	2,292,000	2,499,000
Direct Borrowing - Revenue Notes	2,163,000	2,562,000
General Obligation Bonds	1,170,000	1,285,000
Plus: Bond Premium	4,884	6,472
Total Business-Type Activities	5,629,884	6,352,472
Total City-Wide Long-Term Liabilities	\$ 11,364,359	\$ 12,345,102

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, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 4,074,093	\$ 8,259,709	\$ 12,333,802	\$ 373,441
Taxes Receivable:				
Current	46,801	-	46,801	-
Special Assessments Receivable:				
Delinquent	11,483	5,504	16,987	-
Noncurrent	4,880,185	344,562	5,224,747	-
Accounts Receivable - Net	36,750	831,908	868,658	-
Accrued Interest Receivable	3,709	-	3,709	-
Notes Receivable	40,826	-	40,826	1,764
Lease Receivable	3,234	-	3,234	13,808
Due from Other Governments	91,235	-	91,235	-
Internal Balances	4,772	(4,772)	-	-
Inventories	1,200	147,464	148,664	-
Prepays	37,847	81,208	119,055	479
Land Held for Resale	-	-	-	1,693,410
Acquisition Costs, Net of Amortization	-	15,120	15,120	-
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	3,275,594	3,275,594	-
Capital Assets not Being Depreciated:				
Land	658,016	185,212	843,228	11,802
Capital Assets Being Depreciated/Amortized:				
Buildings	1,161,672	1,540,147	2,701,819	1,665
Infrastructure	4,359,027	13,749,834	18,108,861	-
Improvements	2,193,937	271,302	2,465,239	-
Machinery and Equipment	356,659	629,778	986,437	-
Vehicles	309,433	443,289	752,722	-
Right-to-Use Assets	69,819	-	69,819	30,564
Subscription Assets	24,410	-	24,410	-
Total Assets	<u>18,365,108</u>	<u>30,059,184</u>	<u>48,424,292</u>	<u>2,126,933</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	713,925	83,113	797,038	-
LIABILITIES				
Accounts Payable	66,057	288,033	354,090	9,885
Salaries and Benefits Payable	74,536	76,536	151,072	10,164
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	62,298	19,792	82,090	-
Due to Other Governments	38	24,781	24,819	72,999
Unearned Utility Payments	-	56,134	56,134	-
Bonds Payable - Due Within One Year	315,000	725,000	1,040,000	-
Lease Liability - Due Within One Year	26,792	-	26,792	8,154
Subscription Liability - Due Within One Year	11,691	-	11,691	-
Notes Payable - Due Within One Year	-	-	-	18,685
Compensated Absences Payable - Due Within One Year	161,585	63,975	225,560	18,128
Special Assessments Payable - Due in More Than One Year	-	-	-	1,422,089
Bonds Payable - Due in More Than One Year	5,323,049	4,904,884	10,227,933	-
Lease Liability - Due in More Than One Year	45,967	-	45,967	23,090
Subscription Liability - Due in More Than One Year	11,976	-	11,976	-
Notes Payable - Due in More Than One Year	-	-	-	119,429
Compensated Absences Payable - Due in More Than One Year	53,862	21,323	75,185	6,043
Net Pension Liability	685,633	303,050	988,683	-
Total Liabilities	<u>6,838,484</u>	<u>6,484,857</u>	<u>13,323,341</u>	<u>1,708,666</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	953,282	215,956	1,169,238	-
Lease Receivable	2,911	-	2,911	15,664
Total Deferred Inflows of Resources	<u>956,193</u>	<u>215,956</u>	<u>1,172,149</u>	<u>15,664</u>
NET POSITION				
Net Investment in Capital Assets	3,398,498	11,189,678	14,588,176	12,787
Restricted for:				
Debt Service	5,559,630	283,325	5,842,955	-
Economic Development	259,478	-	259,478	-
Unrestricted	2,066,750	11,968,481	14,035,231	389,816
Total Net Position	<u>\$ 11,284,356</u>	<u>\$ 23,441,484</u>	<u>\$ 34,725,840</u>	<u>\$ 402,603</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 766,690	\$ 158,415	\$ 98,213	\$ -
Public Safety	909,008	8,613	74,336	49,407
Public Works	965,653	1,050	16,984	198,630
Culture and Recreation	961,840	392,944	-	-
Economic Development	233,614	-	-	-
Interest	169,600	-	-	-
Total Governmental Activities	4,006,405	561,022	189,533	248,037
Business-Type Activities:				
Water	501,505	513,176	1,171	24,387
Sewer	490,638	755,490	993	19,453
Electric	2,025,692	2,279,475	1,073	-
Telephone	955,576	1,410,658	5,219	-
Municipal Liquor	1,176,470	1,249,475	1,843	-
Cable Television	337,768	304,585	335	-
Sanitation	324,340	323,292	39,282	-
Storm Sewer	50,016	50,484	-	-
Ambulance	561,474	293,221	164,745	-
Broadband Internet	150,294	545,935	418	-
Total Business-Type Activities	6,573,773	7,725,791	215,079	43,840
Total Primary Government	\$ 10,580,178	\$ 8,286,813	\$ 404,612	\$ 291,877
Component Unit:				
EDA	\$ 326,456	\$ 42,885	\$ 2,335	\$ -

GENERAL REVENUES AND TRANSFERS

Property Taxes
Tax Increments
Grants and Contributions not Restricted for a Particular Purpose
Interest Income
Miscellaneous
Gain on Sale of Capital Assets
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, 2024**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (510,062)	\$ -	\$ (510,062)	\$ -
(776,652)	-	(776,652)	-
(748,989)	-	(748,989)	-
(568,896)	-	(568,896)	-
(233,614)	-	(233,614)	-
(169,600)	-	(169,600)	-
<u>(3,007,813)</u>	<u>-</u>	<u>(3,007,813)</u>	<u>-</u>
-	37,229	37,229	-
-	285,298	285,298	-
-	254,856	254,856	-
-	460,301	460,301	-
-	74,848	74,848	-
-	(32,848)	(32,848)	-
-	38,234	38,234	-
-	468	468	-
-	(103,508)	(103,508)	-
-	396,059	396,059	-
<u>-</u>	<u>1,410,937</u>	<u>1,410,937</u>	<u>-</u>
(3,007,813)	1,410,937	(1,596,876)	-
-	-	-	(281,236)
1,049,796	160,000	1,209,796	-
27,596	-	27,596	-
965,366	-	965,366	222,876
157,650	360,357	518,007	15,541
136,415	169,793	306,208	27,601
-	15,000	15,000	-
977,436	(977,436)	-	-
<u>3,314,259</u>	<u>(272,286)</u>	<u>3,041,973</u>	<u>266,018</u>
306,446	1,138,651	1,445,097	(15,218)
<u>10,977,910</u>	<u>22,302,833</u>	<u>33,280,743</u>	<u>417,821</u>
<u>\$ 11,284,356</u>	<u>\$ 23,441,484</u>	<u>\$ 34,725,840</u>	<u>\$ 402,603</u>

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 2,447,424	\$ 645,702	\$ 734,102	\$ -	\$ 246,865	\$ 4,074,093
Taxes Receivable:						
Current	40,946	-	1,967	-	3,888	46,801
Special Assessments Receivable:						
Delinquent	34	-	11,449	-	-	11,483
Noncurrent	94,433	-	4,785,752	-	-	4,880,185
Accounts Receivable	22,932	13,818	-	-	-	36,750
Lease Receivable	3,234	-	-	-	-	3,234
Due from Other Governments	-	552	-	-	-	552
Accrued Interest Receivable	3,709	-	-	-	-	3,709
Notes Receivable	32,101	-	-	-	8,725	40,826
Inventory	-	1,200	-	-	-	1,200
Prepays	28,131	9,716	-	-	-	37,847
Due from Other Governments	90,683	-	-	-	-	90,683
Due from Other Funds	4,943	-	-	-	-	4,943
Total Assets	\$ 2,768,570	\$ 670,988	\$ 5,533,270	\$ -	\$ 259,478	\$ 9,232,306
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts Payable	34,101	2,978	28,205	-	773	66,057
Salaries and Benefits Payable	64,945	9,591	-	-	-	74,536
Due to Other Funds	-	-	-	-	171	171
Due to Other Governments	-	38	-	-	-	38
Total Liabilities	99,046	12,607	28,205	-	944	140,802
DEFERRED INFLOWS OF RESOURCES						
Unavailable Taxes	23,966	-	1,358	-	-	25,324
Unavailable Special Assessments	94,467	-	4,752,703	-	-	4,847,170
Unavailable Grants and Other	72,999	-	-	-	-	72,999
Lease Receivable	2,911	-	-	-	-	2,911
Unavailable Notes Receivable	32,101	-	-	-	8,725	40,826
Total Deferred Inflows of Resources	226,444	-	4,754,061	-	8,725	4,989,230
FUND BALANCE (DEFICIT)						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Prepays	28,131	9,716	-	-	-	37,847
Restricted for Economic Development	-	-	-	-	187,052	187,052
Restricted for Debt Repayment	-	-	867,867	-	-	867,867
Restricted for Small Cities Grant	-	-	-	-	63,701	63,701
Committed for Capital Outlay	452,000	25,594	-	-	-	477,594
Committed for Community Projects	1,165,247	-	-	-	-	1,165,247
Committed for Park Operations	-	621,871	-	-	-	621,871
Assigned for Joint Powers	10,298	-	-	-	-	10,298
Unassigned	787,404	-	(116,863)	-	(944)	669,597
Total Fund Balances	2,443,080	658,381	751,004	-	249,809	4,102,274
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,768,570	\$ 670,988	\$ 5,533,270	\$ -	\$ 259,478	\$ 9,232,306

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, 2024**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS \$ 4,102,274

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. 9,132,973

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. 4,986,319

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	\$ (685,633)	
Deferred Inflows of Resources - Pension Related	(953,282)	
Deferred Outflows of Resources - Pension Related	<u>713,925</u>	(924,990)

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 Premiums	(5,638,049)	
Lease Liability	(72,759)	
Subscription Liability	(23,667)	
Accrued Compensated Absences	(215,447)	
Accrued Interest Payable	<u>(62,298)</u>	<u>(6,012,220)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,284,356

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 714,804	\$ 275,000	\$ 54,910	\$ -	\$ -	\$ 1,044,714
Tax Increments	-	-	-	-	27,596	27,596
Special Assessments	617	-	368,100	-	-	368,717
Licenses and Permits	151,981	591	-	-	-	152,572
Intergovernmental	1,176,268	-	-	-	-	1,176,268
Charges for Services	1,630	392,216	-	-	-	393,846
Fines and Forfeits	14,467	-	-	-	-	14,467
Gifts and Contributions	-	-	-	-	1,994	1,994
Interest Income	101,418	26,720	18,087	4,371	2,080	152,676
Miscellaneous	80,990	27,689	-	-	5,527	114,206
Total Revenues	<u>2,242,175</u>	<u>722,216</u>	<u>441,097</u>	<u>4,371</u>	<u>37,197</u>	<u>3,447,056</u>
EXPENDITURES						
Current:						
General Government	1,176,371	-	-	-	2,544	1,178,915
Public Safety	887,241	-	-	-	1,414	888,655
Public Works	341,364	-	-	-	-	341,364
Parks and Recreation	-	591,994	-	-	-	591,994
Economic Development	262,959	-	-	-	13,380	276,339
Capital Outlay:						
General Government	224,670	-	-	-	-	224,670
Public Safety	13,890	-	-	-	-	13,890
Public Works	240,039	-	-	-	-	240,039
Parks and Recreation	-	181,363	-	-	-	181,363
Debt Service:						
Principal	21,485	14,929	250,000	-	-	286,414
Interest and Other Charges	1,725	461	205,024	-	-	207,210
Total Expenditures	<u>3,169,744</u>	<u>788,747</u>	<u>455,024</u>	<u>-</u>	<u>17,338</u>	<u>4,430,853</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(927,569)	(66,531)	(13,927)	4,371	19,859	(983,797)
OTHER FINANCING SOURCES (USES)						
Transfers In	977,436	-	130,571	102,468	-	1,210,475
Transfers Out	(102,468)	-	-	(130,571)	-	(233,039)
Lease Proceeds	9,575	-	-	-	-	9,575
Subscription Based Information Technology						
Arrangement Proceeds	35,151	-	-	-	-	35,151
Proceeds from Insurance Recovery	295,920	-	-	-	-	295,920
Proceeds from Sale of Capital Assets	12,530	-	-	-	-	12,530
Total Other Financing Sources (Uses)	<u>1,228,144</u>	<u>-</u>	<u>130,571</u>	<u>(28,103)</u>	<u>-</u>	<u>1,330,612</u>
NET CHANGE IN FUND BALANCES						
	300,575	(66,531)	116,644	(23,732)	19,859	346,815
Fund Balances - Beginning of Year	<u>2,142,505</u>	<u>724,912</u>	<u>634,360</u>	<u>23,732</u>	<u>229,950</u>	<u>3,755,459</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,443,080</u>	<u>\$ 658,381</u>	<u>\$ 751,004</u>	<u>\$ -</u>	<u>\$ 249,809</u>	<u>\$ 4,102,274</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, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 346,815

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	\$ 693,294	
Current Year Depreciation/Amortization	(721,615)	
Net Book Value of Asset Disposals	<u>(40,098)</u>	(68,419)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (298,285)

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

Lease Proceeds	(9,575)	
Subscription Liability Proceeds	<u>(35,151)</u>	(44,726)

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. 75,812

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

Principal Repayments:		
General Obligation Bonds	250,000	
Lease Liability	24,930	
Subscription Liability	<u>11,484</u>	286,414

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	23,990	
Amortization of Premiums	16,467	
Change in Compensated Absences	<u>(31,622)</u>	<u>8,835</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 306,446

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2024

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 1,065,486	\$ 1,808,423	\$ 775,039	\$ 1,958,013	\$ 260,373	\$ 2,392,375	\$ 8,259,709
Accounts Receivable - Net	62,614	93,545	350,565	97,219	11,463	216,502	831,908
Special Assessments Receivable:							
Delinquent	2,865	2,639	-	-	-	-	5,504
Noncurrent	173,878	170,684	-	-	-	-	344,562
Inventories	-	-	-	-	147,464	-	147,464
Prepays	5,358	10,922	11,834	40,485	2,256	10,353	81,208
Total Current Assets	<u>1,310,201</u>	<u>2,086,213</u>	<u>1,137,438</u>	<u>2,095,717</u>	<u>421,556</u>	<u>2,619,230</u>	<u>9,670,355</u>
Noncurrent Assets:							
Investment in Joint Venture	-	-	-	3,275,594	-	-	3,275,594
Restricted Cash	-	-	-	283,325	-	-	283,325
Acquisition Costs, Net of Amortization	-	-	15,120	-	-	-	15,120
Capital Assets:							
Land	-	100,831	-	-	71,304	13,077	185,212
Buildings (Net)	280,954	1,708	52,000	17,326	1,017,046	171,113	1,540,147
Infrastructure (Net)	2,560,794	6,398,780	1,295,834	2,453,317	-	1,041,109	13,749,834
Improvements (Net)	85,602	-	-	176,960	3,764	4,976	271,302
Machinery and Equipment (Net)	247,340	10,050	150,761	18,105	-	203,522	629,778
Vehicles (Net)	-	-	241,119	26,117	-	176,053	443,289
Total Capital Assets	<u>3,174,690</u>	<u>6,511,369</u>	<u>1,739,714</u>	<u>2,691,825</u>	<u>1,092,114</u>	<u>1,609,850</u>	<u>16,819,562</u>
Total Noncurrent Assets	<u>3,174,690</u>	<u>6,511,369</u>	<u>1,754,834</u>	<u>6,250,744</u>	<u>1,092,114</u>	<u>1,609,850</u>	<u>20,393,601</u>
Total Assets	<u>4,484,891</u>	<u>8,597,582</u>	<u>2,892,272</u>	<u>8,346,461</u>	<u>1,513,670</u>	<u>4,229,080</u>	<u>30,063,956</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pension Related	6,979	5,920	6,394	20,879	10,987	31,954	83,113
LIABILITIES							
Current Liabilities:							
Accounts Payable	7,278	2,204	198,368	14,694	24,105	41,384	288,033
Salaries and Benefits Payable	3,223	7,152	2,831	15,706	11,847	35,777	76,536
Deposits Payable	-	-	1,349	-	-	-	1,349
Accrued Interest Payable	1,400	7,893	-	3,947	6,552	-	19,792
Due to Other Governments	239	-	7,968	1,248	10,967	4,359	24,781
Due to Other Funds	-	-	-	-	-	4,772	4,772
Unearned Utility Payments	-	-	5,112	10,056	-	40,966	56,134
Compensated Absences - Due Within One Year	1,159	1,321	5,259	24,531	7,031	24,674	63,975
Long-Term Debt - Due Within One Year	88,000	376,000	-	211,000	50,000	-	725,000
Total Current Liabilities	<u>101,299</u>	<u>394,570</u>	<u>220,887</u>	<u>281,182</u>	<u>110,502</u>	<u>151,932</u>	<u>1,260,372</u>
Noncurrent Liabilities:							
Compensated Absences Payable - Due in More than One Year	386	440	1,753	8,177	2,344	8,223	21,323
Long-Term Debt - Due in More than One Year	242,614	1,582,000	-	2,081,000	999,270	-	4,904,884
Net Pension Liability	25,444	21,586	23,315	76,130	40,061	116,514	303,050
Total Noncurrent Liabilities	<u>268,444</u>	<u>1,604,026</u>	<u>25,068</u>	<u>2,165,307</u>	<u>1,041,675</u>	<u>124,737</u>	<u>5,229,257</u>
Total Liabilities	<u>369,743</u>	<u>1,998,596</u>	<u>245,955</u>	<u>2,446,489</u>	<u>1,152,177</u>	<u>276,669</u>	<u>6,489,629</u>
DEFERRED INFLOWS OF RESOURCES							
Pension Related	18,132	15,382	16,614	54,250	28,548	83,030	215,956
NET POSITION							
Net Investment in Capital Assets	2,844,076	4,553,369	1,739,714	399,825	42,844	1,609,850	11,189,678
Restricted for Debt Service	-	-	-	283,325	-	-	283,325
Unrestricted	1,259,919	2,036,155	896,383	5,183,451	301,088	2,291,485	11,968,481
Total Net Position	<u>\$ 4,103,995</u>	<u>\$ 6,589,524</u>	<u>\$ 2,636,097</u>	<u>\$ 5,866,601</u>	<u>\$ 343,932</u>	<u>\$ 3,901,335</u>	<u>\$ 23,441,484</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
OPERATING REVENUES							
Sales	\$ -	\$ -	\$ -	\$ -	\$ 1,249,475	\$ -	\$ 1,249,475
Cost of Goods Sold	-	-	-	-	(942,703)	-	(942,703)
Charges for Services	513,176	755,490	2,279,475	1,192,931	-	1,517,517	6,258,589
Other Operating Revenues	-	-	-	217,727	-	-	217,727
Total Operating Revenues	513,176	755,490	2,279,475	1,410,658	306,772	1,517,517	6,783,088
OPERATING EXPENSES							
Professional Services	30,176	40,745	274,686	110,746	-	310,447	766,800
Wages, Salaries, and Compensation	110,707	64,488	84,662	292,929	143,076	498,418	1,194,280
Repairs and Maintenance	120,464	16,856	83,451	19,469	2,542	71,911	314,693
Insurance	8,544	9,951	17,028	8,608	5,146	11,834	61,111
Utilities	-	-	4,478	-	-	685	5,163
Depreciation	202,450	301,130	118,264	273,265	22,112	123,462	1,040,683
Materials and Supplies	7,670	3,133	15,011	16,942	3,475	28,236	74,467
Miscellaneous Expenses	14,957	34,122	80,376	183,501	42,020	133,855	488,831
Purchased Power	-	-	1,347,736	-	-	-	1,347,736
License Fees	3,875	-	-	-	-	245,044	248,919
Total Operating Expenses	498,843	470,425	2,025,692	905,460	218,371	1,423,892	5,542,683
OPERATING INCOME	14,333	285,065	253,783	505,198	88,401	93,625	1,240,405
NONOPERATING REVENUES (EXPENSES)							
Taxes	-	-	-	-	-	160,000	160,000
Interest Income	42,152	79,420	42,011	93,563	5,666	97,545	360,357
Intergovernmental Grants	1,171	993	1,073	5,219	1,843	204,780	215,079
Miscellaneous - Nonoperating	773	308	51,008	1,879	3,111	112,714	169,793
Interest Expense and Fiscal Charges	(2,662)	(20,213)	-	(50,116)	(15,396)	-	(88,387)
Gain on Sale of Capital Assets	-	-	-	-	-	15,000	15,000
Total Nonoperating Revenues (Expenses)	41,434	60,508	94,092	50,545	(4,776)	590,039	831,842
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	55,767	345,573	347,875	555,743	83,625	683,664	2,072,247
Capital Contributions	24,387	19,453	-	-	-	-	43,840
Transfers In	-	-	-	64,929	-	-	64,929
Transfers Out	(120,000)	(150,000)	(217,036)	(301,392)	(5,000)	(248,937)	(1,042,365)
CHANGE IN NET POSITION	(39,846)	215,026	130,839	319,280	78,625	434,727	1,138,651
Net Position - Beginning of Year	4,143,841	6,374,498	2,505,258	5,547,321	265,307	3,466,608	22,302,833
NET POSITION - END OF YEAR	\$ 4,103,995	\$ 6,589,524	\$ 2,636,097	\$ 5,866,601	\$ 343,932	\$ 3,901,335	\$ 23,441,484

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 516,177	\$ 755,011	\$ 2,305,606	\$ 1,203,111	\$ 1,258,778	\$ 1,925,758	\$ 7,964,441
Receipts from Others	-	-	-	185,076	-	-	185,076
Payments to Suppliers	(206,795)	(102,796)	(1,802,795)	(365,044)	(999,793)	(1,148,910)	(4,626,133)
Payments to Employees	(101,454)	(84,172)	(87,622)	(288,353)	(152,681)	(440,376)	(1,154,658)
Net Cash Provided by Operating Activities	207,928	568,043	415,189	734,790	106,304	336,472	2,368,726
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds	(120,000)	(150,000)	(217,036)	(301,392)	(5,000)	(248,937)	(1,042,365)
Transfers from Other Funds	-	-	-	64,929	-	-	64,929
Interfund Borrowings	-	20,000	-	-	-	(15,119)	4,881
Taxes	-	-	-	-	-	-	160,000
Intergovernmental Grants	1,171	993	1,073	5,219	1,843	204,780	215,079
Net Cash Provided (Used) by Noncapital Financing Activities	(118,829)	(129,007)	(215,963)	(231,244)	(3,157)	100,724	(597,476)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(93,000)	(371,000)	-	(207,000)	(50,000)	-	(721,000)
Interest Paid on Debt	(4,238)	(22,146)	-	(50,366)	(16,163)	-	(92,913)
Special Assessments	24,854	20,649	-	-	-	-	45,503
Proceeds from Disposal of Capital Assets	-	-	-	-	-	15,000	15,000
Acquisition of Capital Assets	(212,964)	(151,085)	(593,040)	(16,755)	-	(197,378)	(1,171,222)
Net Cash Used by Capital and Related Financing Activities	(285,348)	(523,582)	(593,040)	(274,121)	(66,163)	(182,378)	(1,924,632)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and Dividends Received	42,152	79,420	42,011	93,563	5,665	97,546	360,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(154,097)	(5,126)	(351,803)	322,988	42,649	352,364	206,975
Cash and Cash Equivalents - Beginning of Year	1,219,583	1,813,549	1,126,842	1,918,350	217,724	2,040,011	8,336,059
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,065,486</u>	<u>\$ 1,808,423</u>	<u>\$ 775,039</u>	<u>\$ 2,241,338</u>	<u>\$ 260,373</u>	<u>\$ 2,392,375</u>	<u>\$ 8,543,034</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating Income	\$ 14,333	\$ 285,065	\$ 253,783	\$ 505,198	\$ 88,401	\$ 93,625	\$ 1,240,405
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation Expense	202,450	301,130	118,264	273,265	22,112	123,462	1,040,683
Miscellaneous - Nonoperating	773	308	51,008	1,879	3,111	112,714	169,793
(Increase) Decrease in Assets and Deferred Outflows:							
Investment in Joint Venture	-	-	-	(32,651)	-	-	(32,651)
Accounts Receivable - Net	2,228	(787)	(22,307)	11,645	6,192	(30,011)	(33,040)
Inventory	-	-	-	-	(7,200)	-	(7,200)
Prepays	504	1,791	2,826	(1,194)	(649)	(490)	2,788
Deferred Outflows of Resources - Pension	1,907	12,240	6,682	18,167	13,281	15,019	67,296
Increase (Decrease) in Liabilities and Deferred Inflows:							
Accounts Payable	(21,609)	220	17,532	(24,178)	3,805	(16,251)	(40,481)
Salaries and Benefits Payable	(1,397)	626	(6)	2,431	2,452	17,806	21,912
Due to Other Governments	(4)	-	(387)	(406)	137	7	(653)
Compensated Absences Payable	(272)	1,118	1,297	5,470	444	8,381	16,438
Net Pension Liability	(739)	(31,927)	(15,217)	(38,926)	(31,448)	(21,902)	(140,159)
Deferred Inflows of Resources - Pension	9,754	(1,741)	4,284	17,434	5,666	38,738	74,135
Unearned Utility Payments	-	-	(2,570)	(3,344)	-	(4,626)	(10,540)
Total Adjustments	193,595	282,978	161,406	229,592	17,903	242,847	1,128,321
Net Cash Provided by Operating Activities	<u>\$ 207,928</u>	<u>\$ 568,043</u>	<u>\$ 415,189</u>	<u>\$ 734,790</u>	<u>\$ 106,304</u>	<u>\$ 336,472</u>	<u>\$ 2,368,726</u>
NONCASH CAPITAL ACTIVITIES							
Capital Assets Contributed	\$ 24,387	\$ 19,453	\$ -	\$ -	\$ -	\$ -	\$ 43,840
Amortization of Premiums and Discounts	(1,185)	-	-	-	(403)	-	(1,588)
Purchase of Capital Assets through Contracts and Retainage Payable	-	-	-	-	-	-	-
Income from Investment in Joint Venture	-	-	-	217,727	-	-	217,727
Total Noncash Capital Activities	<u>\$ 23,202</u>	<u>\$ 19,453</u>	<u>\$ -</u>	<u>\$ 217,727</u>	<u>\$ (403)</u>	<u>\$ -</u>	<u>\$ 259,979</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION							
Cash and Cash Equivalents	\$ 1,065,486	\$ 1,808,423	\$ 775,039	\$ 1,958,013	\$ 260,373	\$ 2,392,375	\$ 8,259,709
Restricted Cash	-	-	-	283,325	-	-	283,325
Total Cash and Cash Equivalents	<u>\$ 1,065,486</u>	<u>\$ 1,808,423</u>	<u>\$ 775,039</u>	<u>\$ 2,241,338</u>	<u>\$ 260,373</u>	<u>\$ 2,392,375</u>	<u>\$ 8,543,034</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUND
DECEMBER 31, 2024**

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ 157,499
Other Assets	<u>59</u>
Total Assets	<u>157,558</u>
LIABILITIES	
Accounts Payable	<u>1,632</u>
NET POSITION	
Restricted for Fire Department	<u><u>\$ 155,926</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUND
DECEMBER 31, 2024**

	Custodial Fund
ADDITIONS	
Intergovernmental	\$ 2,000
Charges for Services	97,132
Investment Income	2,612
Miscellaneous Revenue	57,637
Total Additions	159,381
DEDUCTIONS	
Payments to Other Entities	171,426
NET INCREASE (DECREASE) IN NET POSITION	(12,045)
Net Position - Beginning of Year	167,971
NET POSITION - END OF YEAR	\$ 155,926

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 2024**

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.

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.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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 leases are reported as other financing sources.

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. All funds were expended during 2024 resulting in the closing of this fund.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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.

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, 2024**

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. Interfund Balances

Activity between funds that is representative of lending or borrowing arrangements is reported as either “due to/from other funds” (current portion) or “advances to/from other funds (noncurrent portion).” 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. Prepays

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, 2024**

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:

<u>Assets</u>	<u>Years</u>
Buildings	25 to 75
Infrastructure and Improvements	15 to 75
Machinery, Equipment, and Vehicles	3 to 15

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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. Deferred Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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.

10. Compensated Absences

City and component unit employees are granted annual leave and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated annual leave, compensatory time and a minimum of 15% increased by 1% for each additional year of service based upon whether it is more-likely-than-not to be used for time off 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 based upon whether it is more-likely-than-not to be used for time off are reflected under the accrual basis of accounting.

11. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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)

12. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the governmental funds balance sheet includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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.

14. Fund Balance and Net Position

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. The city council is the delegated authority to assign fund balance at year-end. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. When restricted and unrestricted fund balance is available for use, it is the City's policy to first use restricted fund balance.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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. Fund Balance and Net Position (Continued)

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.

15. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption.

16. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expense (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.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Deficit Fund Equity

The City has a deficit fund balance as of December 31, 2024, in the DARE Fund. The City intends to fund this deficit through future operating revenue.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following funds:

	Expenditures	Budget	Excess
General Fund	\$ 3,169,744	\$ 2,871,625	\$ 298,119
Park and Recreation Fund	788,747	714,422	74,325

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

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, 2024, 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, 2024**

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, 2024, 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	\$ 291,709	19.0 %
<u>Negotiable Certificates of Deposit</u>				
Toyota Financial Saving Bank	7/22/2026	NR	237,374	15.4
<u>Government/Agency Obligations</u>				
United States Treasury	1/23/2025	A-1+	435,921	28.3
United States Treasury	2/13/2025	A-1+	184,086	12.0
United States Treasury	2/18/2025	A-1+	100,448	6.5
United States Treasury	8/15/2025	Aaa/AA+	106,501	6.9
United States Treasury	8/15/2025	Aaa/AA+	92,695	6.0
Small Business Admin Gtd	7/1/2032	AAA/AA+	89,171	5.8
			<u>\$ 1,537,905</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, 2024**

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.

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

Deposits	\$ 11,610,162
Investments	1,537,905
Total Cash and Investments	\$ 13,148,067
Governmental Funds:	
Cash and Investments	\$ 4,074,093
Enterprise Funds:	
Cash and Investments	8,259,709
Restricted Cash and Investments	283,325
Component Unit	373,441
Custodial Funds	157,499
Total Cash and Investments	\$ 13,148,067

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

Investments are measured as follows:

	<u>12/31/2024</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	\$ 237,374	\$ -	\$ 237,374	\$ -
Government/Agency Obligations	<u>1,008,822</u>	<u>-</u>	<u>1,008,822</u>	<u>-</u>
Total Investments by Fair Value Level	1,246,196	<u>\$ -</u>	<u>\$ 1,246,196</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
Money Market Funds	<u>291,709</u>			
Total Investments	<u>\$ 1,537,905</u>			

2. 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 2024 is as follows:

Balance, January 1, 2024	\$ 3,242,943
Cash Distributions	(185,076)
Net Income	<u>217,727</u>
Balance, December 31, 2024	<u>\$ 3,275,594</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, 2024**

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, 2024, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 658,016	\$ -	\$ -	\$ 658,016
Construction in Progress	219,607	100,321	(319,928)	-
Total Capital Assets Not Being Depreciated	877,623	100,321	(319,928)	658,016
Capital Assets Being Depreciated:				
Buildings	2,255,180	11,539	-	2,266,719
Infrastructure	8,802,272	-	-	8,802,272
Improvements	2,816,838	503,155	-	3,319,993
Machinery and Equipment	1,116,812	154,255	(98,278)	1,172,789
Vehicles	581,362	199,226	(29,312)	751,276
Total Capital Assets Being Depreciated	15,572,464	868,175	(127,590)	16,313,049
Less Accumulated Depreciation for:				
Buildings	1,062,285	42,762	-	1,105,047
Infrastructure	4,125,049	318,196	-	4,443,245
Improvements	966,227	159,829	-	1,126,056
Machinery and Equipment	769,740	104,570	(58,180)	816,130
Vehicles	411,373	59,782	(29,312)	441,843
Total Accumulated Depreciation	7,334,674	685,139	(87,492)	7,932,321
Total Capital Assets Being Depreciated, Net	8,237,790	183,036	(40,098)	8,380,728
Right-to-Use Assets:				
Machinery and Equipment	51,025	-	-	51,025
Vehicles	68,544	9,575	-	78,119
Total Right-to-Use Assets Being Amortized	119,569	9,575	-	129,144
Less Accumulated Amortization for:				
Machinery and Equipment	4,730	10,507	-	15,237
Vehicles	28,860	15,228	-	44,088
Total Accumulated Amortization	33,590	25,735	-	59,325
Total Right-to-Use Assets Being Amortized, Net	85,979	(16,160)	-	69,819
Subscription Based Information Technology Assets:				
Subscription Based Information Technology Arrangements	-	35,151	-	35,151
Less Accumulated Amortization for:				
Subscription Based Information Technology Arrangements	-	10,741	-	10,741
Total Subscription Based Information Technology Arrangements, Net	-	24,410	-	24,410
Governmental Activities Capital Assets, Net	<u>\$ 9,201,392</u>	<u>\$ 291,607</u>	<u>\$ (360,026)</u>	<u>\$ 9,132,973</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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, 2024:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 185,212	\$ -	\$ -	\$ 185,212
Capital Assets Being Depreciated:				
Buildings	2,510,240	7,478	-	2,517,718
Infrastructure	22,984,326	563,568	-	23,547,894
Improvements	310,044	-	-	310,044
Machinery and Equipment	3,104,678	152,964	-	3,257,642
Vehicles	638,906	447,212	(86,092)	1,000,026
Total Capital Assets Being Depreciated	29,548,194	1,171,222	(86,092)	30,633,324
Less Accumulated Depreciation for:				
Buildings	927,153	50,418	-	977,571
Infrastructure	9,038,488	759,572	-	9,798,060
Improvements	18,072	20,670	-	38,742
Machinery and Equipment	2,474,842	153,022	-	2,627,864
Vehicles	585,828	57,001	(86,092)	556,737
Total Accumulated Depreciation	13,044,383	1,040,683	(86,092)	13,998,974
Total Capital Assets Being Depreciated, Net	16,503,811	130,539	-	16,634,350
Business-Type Activities Capital Assets, Net	<u>\$ 16,689,023</u>	<u>\$ 130,539</u>	<u>\$ -</u>	<u>\$ 16,819,562</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

The following is a summary of the component unit capital assets at December 31, 2024:

COMPONENT UNIT	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 11,802	\$ -	\$ -	\$ 11,802
Capital Assets Being Depreciated:				
Buildings	9,989	-	-	9,989
Less Accumulated Depreciation for:				
Buildings	<u>7,326</u>	<u>998</u>	<u>-</u>	<u>8,324</u>
Total Capital Assets Being Depreciated, Net	<u>2,663</u>	<u>(998)</u>	<u>-</u>	<u>1,665</u>
Right-to-Use Assets:				
Machinery and Equipment	6,607	35,162	-	41,769
Less Accumulated Amortization for:				
Machinery and Equipment	<u>2,782</u>	<u>8,423</u>	<u>-</u>	<u>11,205</u>
Total Right-to-Use Assets Being Amortized, Net	<u>3,825</u>	<u>26,739</u>	<u>-</u>	<u>30,564</u>
Component Unit Capital Assets, Net	<u>\$ 18,290</u>	<u>\$ 25,741</u>	<u>\$ -</u>	<u>\$ 44,031</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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	\$ 45,382
Public Safety	24,482
Public Works	340,310
Culture and Recreation	311,441
Total Depreciation/Amortization	<u>311,441</u>
Expense - Governmental Activities	<u>\$ 721,615</u>

Business-Type Activities:	
Water	\$ 202,450
Sewer	301,130
Electric	118,264
Telephone	273,265
Municipal Liquor	22,112
Cable Television	29,814
Sanitation	2,633
Storm Sewer	49,641
Ambulance	27,390
Broadband Internet	13,984
Total Depreciation/Amortization	<u>13,984</u>
Expense - Business-Type Activities	<u>\$ 1,040,683</u>

4. Long-Term Lease Receivable

The City, acting as lessor, leases space for land under long-term, noncancelable lease agreement. The lease expires in 2025. During the year ended December 31, 2024, the City recognized \$6,989 and \$199 in lease revenue and interest revenue, respectively, pursuant the contracts.

The EDA, acting as lessor, leases space for land under long-term, noncancelable lease agreement. The lease expires in 2026. During the year ended December 31, 2024, the EDA recognized \$6,714 and \$445 in lease revenue and interest revenue, respectively, pursuant the contracts.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Long-Term Lease Receivable (Continued)

Total future principal and interest payments to be received under the lease agreement are as follows:

Lease Receivable		
Year Ending December 31,	General Fund Principal	Interest
2025	\$ 3,234	\$ 16

Lease Receivable		
Year Ending December 31,	Component Unit Principal	Interest
2025	\$ 6,819	\$ 281
2026	6,989	113
Total	\$ 13,808	\$ 394

Changes in the General Fund and Component Unit lease receivable for the year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
GENERAL FUND				
Firehall Property	\$ 10,335	\$ -	\$ 7,101	\$ 3,234
 COMPONENT UNIT				
Grunewald Farm	\$ 1,015	\$ -	\$ 330	\$ 685
Ramacher Farm	19,448	-	6,325	13,123
Total Component Unit	\$ 20,463	\$ -	\$ 6,655	\$ 13,808

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers

The composition of interfund transfers as of December 31, 2024, is as follows:

	Transfers In:				Total
	General Fund	Debt Service Fund	Capital Projects Fund	Telephone Enterprise Fund	
Transfer Out:					
General Fund	\$ -	\$ -	\$ 102,468	\$ -	\$ 102,468
Capital Projects Fund	-	130,571	-	-	130,571
Water Enterprise Fund	120,000	-	-	-	120,000
Sewer Enterprise Fund	150,000	-	-	-	150,000
Electric Enterprise Fund	217,036	-	-	-	217,036
Telephone Enterprise Fund	301,392	-	-	-	301,392
Municipal Liquor Enterprise Fund	5,000	-	-	-	5,000
Nonmajor Enterprise Funds	184,008	-	-	64,929	248,937
Total	<u>\$ 977,436</u>	<u>\$ 130,571</u>	<u>\$ 102,468</u>	<u>\$ 64,929</u>	<u>\$ 1,275,404</u>

Transfers between funds were used to (1) provide funding for operating purposes, (2) make scheduled debt payments, (3) fund the deficit and close the Commercial Park Extension Fund, and (4) close the Commercial Park Condos Fund.

The composition of interfund balances at December 31, 2024, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	DARE Fund	\$ 171
General Fund	Ambulance Fund	4,772
Total		<u>\$ 4,943</u>

The interfund receivables/payables between the General Fund, DARE Fund, and Ambulance Fund are related to the elimination of negative cash balances at year-end.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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 \$2,163,000 contain (1) a provision that if the City is unable to make a payment when due, an interest penalty may be imposed and one or more of the following remedies may be exercised: (a) withhold approval of any disbursement request; (b) reject any pending application by the City for financial assistance; (c) to the extent permitted by law, demand immediate payment of the note in full and upon such demand, the outstanding principal amount of the note will be immediately due and payable with interest accrued thereon to the date of payment; (d) exercise any other remedy availability under law; and (2) a provision that if the City fails to comply with any other provision within the note agreement an immediate increase in the interest rate on the loan by eliminating all interest rate discounts that were originally applied, in addition, the default remedies for failure to make a payment as listed above may be exercised.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

Pledged Revenues

The City has pledged future telephone utility revenues to repay revenue bonds. The bonds were issued for the purpose of refunding the previous Communication System Revenue Bonds, Series 2014A and General Obligation Equipment Certificates, Series 2017A, which were originally issued to finance improvements to the City's broadband communication infrastructure system. At December 31, 2024, \$2,292,000 remains outstanding to be repaid by future telephone revenues. For the year ended December 31, 2024, the net revenue available for service of this debt was \$562,611. The debt principal and interest paid during 2024 equaled \$257,366 (45% of available pledged net revenues).

2. Components of Long-Term Debt

	Authorized and Issued	Outstanding	Due in 2025	
			Principal	Interest
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds, Including Refunding Bonds:				
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	\$ 345,000	\$ 130,000	\$ 25,000	\$ 4,406
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	875,000	60,000	21,975
G.O. Improvement Bonds Series 2020A, 2.00% to 3.00%, Issued 6/8/20, Final Maturity 2/1/41.	2,440,000	2,150,000	105,000	46,925
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	970,000	730,000	70,000	8,460
G.O. Improvement Bonds Series 2023A, 4.00%, Issued 3/30/23, Final Maturity 2/1/44	1,620,000	1,620,000	55,000	63,700
Total General Obligation Bonds, Including Refunding Bonds	6,635,000	5,505,000	315,000	145,466
Less: Unamortized Premium	-	133,049	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	6,635,000	5,638,049	315,000	145,466
Lease Liability	86,871	72,759	26,792	1,935
Subscription Liability	35,151	23,667	11,691	309
Total Long-Term Debt - Governmental Activities	<u>\$ 6,757,022</u>	<u>\$ 5,734,475</u>	<u>\$ 353,483</u>	<u>\$ 147,710</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2025	
			Principal	Interest
BUSINESS-TYPE ACTIVITIES				
Revenue Bonds:				
Communication System Revenue Refunding Bonds, Series 2022A; 1.2% to 2.5%; Issued 03/16/22; Final Maturity 12/01/34.	\$ 2,922,000	\$ 2,292,000	\$ 211,000	\$ 47,364
General Obligation Bonds:				
G.O. Improvement Bonds Series 2021A, .75% to 2.0%, Issued 8/5/21, Final Maturity 2/1/42.	1,135,000	1,045,000	50,000	15,538
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	<u>335,000</u>	<u>125,000</u>	<u>60,000</u>	<u>950</u>
Total General Obligation Bonds	1,470,000	1,170,000	110,000	16,488
Less: Unamortized Premium	-	4,884	-	-
Total General Obligation Bonds - Net	<u>1,470,000</u>	<u>1,174,884</u>	<u>110,000</u>	<u>16,488</u>
Direct Borrowing - Revenue Notes:				
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	262,000	262,000	4,087
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	400,000	55,000	4,293
G.O. Revenue Bonds of 2020, 1.000%, Issued 7/29/20, Final Maturity 8/20/40.	<u>1,961,315</u>	<u>1,501,000</u>	<u>87,000</u>	<u>15,010</u>
Total Direct Borrowing - Net	<u>7,148,240</u>	<u>2,163,000</u>	<u>404,000</u>	<u>23,390</u>
Total Long-Term Debt - Business-Type Activities	<u>11,540,240</u>	<u>5,629,884</u>	<u>725,000</u>	<u>87,242</u>
Total Government-Wide Long-Term Liabilities	<u>\$ 18,297,262</u>	<u>\$ 11,364,359</u>	<u>\$ 1,078,483</u>	<u>\$ 234,952</u>
DISCRETELY PRESENTED COMPONENT UNIT				
Notes Payable:				
Notes Payable of 2012, 0%, Issued 4/20/12	\$ 85,201	\$ 32,101	\$ -	\$ -
Notes Payable of 2019, 0%, Issued 7/15/19	133,000	46,496	-	-
Notes Payable of 2021, 0%, Issued 8/20/21	115,669	59,517	18,685	-
Lease Liability:	<u>41,769</u>	<u>31,244</u>	<u>8,154</u>	<u>1,118</u>
Total Discretely Presented Component Unit	<u>\$ 375,639</u>	<u>\$ 169,358</u>	<u>\$ 26,839</u>	<u>\$ 1,118</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2023	Additions	Retirements	December 31, 2024	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Debt, Including					
Refunding Bonds:	\$ 5,755,000	\$ -	\$ 250,000	\$ 5,505,000	\$ 315,000
Unamortized Premiums	149,516	-	16,467	133,049	-
Lease Liability	88,114	9,575	24,930	72,759	26,792
Subscription Liability	-	35,151	11,484	23,667	11,691
Compensated Absences Payable *	183,825	31,622	-	215,447	161,585
Total Governmental Activities	<u>\$ 6,176,455</u>	<u>\$ 76,348</u>	<u>\$ 302,881</u>	<u>\$ 5,949,922</u>	<u>\$ 515,068</u>
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds	\$ 2,499,000	\$ -	\$ 207,000	\$ 2,292,000	\$ 211,000
Direct Borrowing - Revenue Notes	2,562,000	-	399,000	2,163,000	404,000
General Obligation Bonds	1,285,000	-	115,000	1,170,000	110,000
Unamortized Premiums	6,472	-	1,588	4,884	-
Compensated Absences Payable *	68,860	16,438	-	85,298	63,975
Total Business-Type Activities	<u>\$ 6,421,332</u>	<u>\$ 16,438</u>	<u>\$ 722,588</u>	<u>\$ 5,715,182</u>	<u>\$ 788,975</u>
DISCRETELY PRESENTED COMPONENT UNIT					
Notes Payable	\$ 191,978	\$ -	\$ 53,864	\$ 138,114	\$ 18,685
Special Assessments Payable	1,465,004	-	42,915	1,422,089	-
Lease Liability	3,918	35,162	7,836	31,244	8,154
Compensated Absences Payable *	15,815	8,356	-	24,171	18,128
Total Discretely Presented Component Unit	<u>\$ 1,676,715</u>	<u>\$ 43,518</u>	<u>\$ 104,615</u>	<u>\$ 1,615,618</u>	<u>\$ 44,967</u>

* These rows are presented net of additions and retirements, as allowed under GASB 101

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
2025	\$ 315,000	\$ 145,466	\$ 460,466	\$ 26,792	\$ 1,935	\$ 28,727
2026	310,000	137,324	447,324	23,722	1,056	24,778
2027	325,000	128,951	453,951	10,714	547	11,261
2028	335,000	120,274	455,274	10,303	196	10,499
2029	350,000	111,095	461,095	1,228	13	1,241
2030 - 2034	1,605,000	434,003	2,039,003	-	-	-
2035 - 2039	1,440,000	228,145	1,668,145	-	-	-
2040 - 2044	825,000	60,550	885,550	-	-	-
Total	<u>\$ 5,505,000</u>	<u>\$ 1,365,808</u>	<u>\$ 6,870,808</u>	<u>\$ 72,759</u>	<u>\$ 3,747</u>	<u>\$ 76,506</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Minimum Debt Payments (Continued)

Year	Business-Type Activities					
	Direct Borrowing - Revenue Notes			G.O. Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 404,000	\$ 23,390	\$ 427,390	\$ 110,000	\$ 16,488	\$ 126,488
2026	144,000	17,843	161,843	120,000	15,469	135,469
2027	146,000	16,362	162,362	55,000	14,731	69,731
2028	147,000	14,860	161,860	55,000	14,223	69,223
2029	149,000	13,349	162,349	55,000	13,618	68,618
2030 - 2034	582,000	45,489	627,489	275,000	57,638	332,638
2035 - 2039	490,000	19,850	509,850	305,000	34,470	339,470
2040 - 2044	101,000	1,010	102,010	195,000	5,850	200,850
Total	<u>\$ 2,163,000</u>	<u>\$ 152,153</u>	<u>\$ 2,315,153</u>	<u>\$ 1,170,000</u>	<u>\$ 172,487</u>	<u>\$ 1,342,487</u>

Year	Revenue Bonds			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 211,000	\$ 47,364	\$ 258,364	\$ 725,000	\$ 87,242	\$ 812,242
2026	213,000	43,988	256,988	477,000	77,300	554,300
2027	218,000	40,367	258,367	419,000	71,460	490,460
2028	221,000	36,443	257,443	423,000	65,526	488,526
2029	226,000	32,244	258,244	430,000	59,211	489,211
2030 - 2034	1,203,000	86,846	1,289,846	2,060,000	189,973	2,249,973
2035 - 2039	-	-	-	795,000	54,320	849,320
2040 - 2044	-	-	-	296,000	6,860	302,860
Total	<u>\$ 2,292,000</u>	<u>\$ 287,252</u>	<u>\$ 2,579,252</u>	<u>\$ 5,625,000</u>	<u>\$ 611,892</u>	<u>\$ 6,236,892</u>

The discretely presented component unit notes payable are 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.

5. Leases Payable

The City leases equipment and vehicles for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2029.

The EDA leases buildings and vehicles for various terms under long-term, noncancelable lease agreements. The leases expire in 2026 and 2028.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Subscription-Based Information Technology Arrangements

The City entered into a subscription based-information technology arrangement (SBITA) related to finance software. The SBITA arrangement expires in 2026.

The future subscription payments under SBITA agreements are as follows:

Year	Governmental Activities		
	Principal	Interest	Totals
2025	\$ 11,691	\$ 309	\$ 12,000
2026	11,976	24	12,000
Total	<u>\$ 23,667</u>	<u>\$ 333</u>	<u>\$ 24,000</u>

7. Risk Management

The City is exposed to various risks of loss related to: torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City (Primary Government) has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment is estimated to be immaterial based on worker's compensation rates and salaries for the year ended December 31, 2024.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the City's governing body. The resolution must state that the position meets plan requirements.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2024 annual increase was 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. 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 prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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 prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$108,905. The City's contributions were equal to the required contributions as set by state statute.

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 2024 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, 2024, were \$68,201. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$604,058 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 non-employer 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 \$15,620.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

City's Proportionate Share of the Net Pension Liability	\$	604,058
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		15,620
		<u>15,620</u>
Total Proportionate Share of the Net Pension Liability Associated with the City	\$	<u><u>619,678</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0163% at the end of the measurement period and 0.0169% for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$78,960 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$194 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$27,792 for the year ended December 31, 2024 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 General Employees Fund.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual		
Economic Experience	\$ 149,892	\$ -
Changes in Actuarial Assumptions	422,803	566,370
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	125,061
Changes in Proportion	25,420	47,352
City Contributions Subsequent to the Measurement Date	33,258	-
Total	<u>\$ 631,373</u>	<u>\$ 738,783</u>

The \$54,863 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 ended December 31, 2025. Other amounts reported as deferred outflows and deferred 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>
2025	\$ (33,010)
2026	87,910
2027	(62,926)
2028	(146,590)
2029	13,948

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$384,625 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0292% at the end of the measurement period and 0.0275% for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. 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’s proportionate share of the net pension liability associated with the City totaled \$14,662.

City's Proportionate Share of the Net Pension Liability	\$	384,625
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		14,662
Total Proportionate Share of the Net Pension Liability Associated with the City	\$	399,287

For the year ended December 31, 2024, the City recognized pension expense of \$59,869 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$5,764 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$8,302 for the year ended December 31, 2024 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 Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual		
Economic Experience	\$ 149,892	\$ -
Changes in Actuarial Assumptions	422,803	566,370
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	125,061
Changes in Proportion	25,420	47,352
City Contributions Subsequent to the Measurement Date	33,258	-
Total	<u>\$ 631,373</u>	<u>\$ 738,783</u>

The \$33,258 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 ended December 31, 2025. 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>
2025	\$ (33,010)
2026	87,910
2027	(62,926)
2028	(146,590)
2029	13,948

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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.

<u>Description</u>	General Employees Plan	Police and Fire Plan	Total
Net Pension Liability	\$ 604,058	\$ 384,625	\$ 988,683
Deferred Outflows of Resources Related to Pensions	165,665	631,373	797,038
Deferred Inflows of Resources Related to Pensions	430,455	738,783	1,169,238
Pension Expense	79,154	65,633	144,787

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:

<u>Asset Class</u>	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
Total	<u>100.0 %</u>	

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% 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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan was reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

General Employees Fund (Continued):

Changes in Plan Provisions:

- The worker's compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund:

Changes in Actuarial Assumptions:

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. 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 and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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:

<u>Description</u>	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
	6.00%	7.00%	8.00%
City's Proportionate Share of the General Employee Plan Net Pension Liability	<u>\$ 1,319,363</u>	<u>\$ 604,058</u>	<u>\$ 15,657</u>

<u>Description</u>	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
	6.00%	7.00%	8.00%
City's Proportionate Share of the Police and Fire Plan Net Pension Liability (asset)	<u>\$ 908,944</u>	<u>\$ 384,625</u>	<u>\$ (45,951)</u>

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, 2024**

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 2024 contribution to the plan was as follows:

State Aid flowed through City to District	\$ 48,462
Voluntary (Nonrequired) Contribution from City	<u>14,735</u>
Total Contribution	<u><u>\$ 63,197</u></u>

NOTE 6 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

NOTE 7 COMMITMENTS AND CONTINGENCIES

Purchased Power

The City is obligated to purchase all of its wholesale power requirements from Missouri River Energy Services and Western Area Power Association through January 1, 2057.

Software License Agreement

During 2017, the City entered into a 10-year agreement, which is cancellable by either party with a 180-day notice, 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, 2024, totals \$23,334.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Insurance Proceeds

The City received \$295,920 in insurance proceeds related to hail damage on the City's buildings during the current year. In these financial statements, the proceeds are netted with the costs of \$200,731 incurred for repairs.

NOTE 8 TAX ABATEMENTS

The City has three 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. The 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, 2024, the City paid excess tax increment in the amount of \$13,380.

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, 2024, the City abated property taxes totaling \$38,083. No other commitments were made by the City as part of these agreements.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022
PERA - General Employees Plan			
City's Proportion of the Net Pension Liability	0.0163%	0.0169%	0.0159%
City's Proportionate Share of the Net Pension Liability	\$ 604,058	\$ 945,029	\$ 1,259,285
State's Proportionate Share of the Net Pension Liability Associated with the City	15,620	25,952	36,995
Total Proportionate Share of the Net Pension Liability Associated with the City	619,678	970,981	1,296,280
City's Covered Payroll	1,382,899	1,343,186	1,189,371
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	43.68%	70.36%	105.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.10%	83.10%	76.70%
PERA - Police and Fire Plan			
City's Proportion of the Net Pension Liability	0.0292%	0.0275%	0.0284%
City's Proportionate Share of the Net Pension Liability	\$ 384,625	\$ 474,889	\$ 1,235,854
State's Proportionate Share of the Net Pension Liability Associated with the City	14,662	19,124	54,097
Total Proportionate Share of the Net Pension Liability Associated with the City	399,287	494,013	1,289,951
City's Covered Payroll	404,835	361,075	345,451
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	95.01%	131.52%	357.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.20%	86.50%	70.50%

See accompanying Notes to Required Supplementary Information Other than MD&A.

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

Measurement Date June 30, 2021	Measurement Date June 30, 2020	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
0.0144%	0.0145%	0.0137%	0.0145%	0.0152%	0.0153%	0.0162%
\$ 614,945	\$ 869,341	\$ 757,442	\$ 804,401	\$ 970,358	\$ 1,242,284	\$ 839,568
18,729	26,723	23,499	26,429	12,170	16,225	-
633,674	896,064	780,941	830,830	982,528	1,258,509	839,568
1,032,629	1,033,069	967,993	972,532	976,694	951,245	950,430
59.55%	84.15%	78.25%	82.71%	99.35%	130.60%	88.34%
87.00%	79.06%	80.20%	79.50%	75.90%	68.91%	78.20%
0.0318%	0.0338%	0.0351%	0.0335%	0.0330%	0.0330%	0.0350%
\$ 245,462	\$ 445,521	\$ 373,675	\$ 357,075	\$ 445,539	\$ 1,324,347	\$ 397,682
11,025	10,497	-	-	-	-	-
256,487	456,018	373,675	357,075	445,539	1,324,347	397,682
375,515	383,098	370,318	352,668	338,298	322,142	320,101
65.37%	116.29%	100.91%	101.25%	131.70%	411.11%	124.24%
93.70%	87.19%	89.30%	88.80%	85.43%	63.88%	82.30%

See accompanying Notes to Required Supplementary Information Other than MD&A.

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

	2024	2023	2022	2021
PERA - General Employees Plan				
Contractually Required Contribution	\$ 108,905	\$ 101,272	\$ 97,859	\$ 78,888
Contributions in Relation to the Contractually Required Contribution	(108,905)	(101,272)	(97,859)	(78,888)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,452,067	\$ 1,350,293	\$ 1,304,787	\$ 1,051,840
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
PERA - Police and Fire Plan				
Contractually Required Contribution	\$ 68,201	\$ 68,507	\$ 63,463	\$ 62,659
Contributions in Relation to the Contractually Required Contribution	(68,201)	(68,507)	(63,463)	(62,659)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 385,316	\$ 387,045	\$ 358,548	\$ 354,006
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%

See accompanying Notes to Required Supplementary Information Other than MD&A.

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

2020	2019	2018	2017	2016	2015
\$ 78,306	\$ 75,146	\$ 72,474	\$ 70,677	\$ 72,123	\$ 73,020
<u>(78,306)</u>	<u>(75,146)</u>	<u>(72,474)</u>	<u>(70,677)</u>	<u>(72,123)</u>	<u>(73,020)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,044,080	\$ 1,001,947	\$ 966,320	\$ 942,360	\$ 961,636	\$ 973,605
7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
\$ 68,692	\$ 63,493	\$ 58,511	\$ 54,145	\$ 52,873	\$ 54,333
<u>(68,692)</u>	<u>(63,493)</u>	<u>(58,511)</u>	<u>(54,145)</u>	<u>(52,873)</u>	<u>(54,333)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 388,087	\$ 374,591	\$ 361,179	\$ 334,231	\$ 326,375	\$ 335,388
17.70%	16.95%	16.20%	16.20%	16.20%	16.20%

See accompanying Notes to Required Supplementary Information Other than MD&A.

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 717,200	\$ 717,200	\$ 714,804	\$ (2,396)
Special Assessments	600	600	617	17
Licenses and Permits	45,300	45,300	151,981	106,681
Intergovernmental	1,075,809	1,075,809	1,176,268	100,459
Charges for Services	8,700	8,700	1,630	(7,070)
Fines and Forfeits	8,800	8,800	14,467	5,667
Interest Income	41,000	41,000	101,418	60,418
Miscellaneous	11,500	11,500	80,990	69,490
Total Revenues	<u>1,908,909</u>	<u>1,908,909</u>	<u>2,242,175</u>	<u>333,266</u>
EXPENDITURES				
Current:				
General Government	927,838	927,838	1,176,371	248,533
Public Safety	861,179	861,179	887,241	26,062
Public Works	423,232	423,232	341,364	(81,868)
Economic Development	261,376	261,376	262,959	1,583
Capital Outlay:				
General Government	25,000	25,000	224,670	199,670
Public Safety	-	-	13,890	13,890
Public Works	373,000	373,000	240,039	(132,961)
Debt Service:				
Principal	-	-	21,485	21,485
Interest and Other Charges	-	-	1,725	1,725
Total Expenditures	<u>2,871,625</u>	<u>2,871,625</u>	<u>3,169,744</u>	<u>298,119</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(962,716)	(962,716)	(927,569)	35,147
OTHER FINANCING SOURCES (USES)				
Transfers In	977,436	977,436	977,436	-
Transfers Out	(20,000)	(20,000)	(102,468)	(82,468)
Lease Proceeds	-	-	9,575	9,575
Subscription Based Information Technology				
Arrangement Proceeds	-	-	35,151	35,151
Proceeds from Insurance Recovery	-	-	295,920	295,920
Proceeds from Sale of Capital Assets	-	-	12,530	12,530
Total Other Financing Sources (Uses)	<u>957,436</u>	<u>957,436</u>	<u>1,228,144</u>	<u>270,708</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,280)</u>	<u>\$ (5,280)</u>	300,575	<u>\$ 305,855</u>
Fund Balance - Beginning of Year			2,142,505	
FUND BALANCE - END OF YEAR			<u>\$ 2,443,080</u>	

See accompanying Notes to Required Supplementary Information Other than MD&A.

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE –
PARKS AND RECREATION SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 275,000	\$ 275,000	\$ 275,000	\$ -
Licenses and Permits	800	800	591	(209)
Charges for Services	306,300	306,300	392,216	85,916
Interest on Investments	10,000	10,000	26,720	16,720
Miscellaneous	122,323	122,323	27,689	(94,634)
Total Revenues	<u>714,423</u>	<u>714,423</u>	<u>722,216</u>	<u>7,793</u>
EXPENDITURES				
Current:				
Parks and Recreation	582,032	582,032	591,994	9,962
Capital Outlay:				
Parks and Recreation	117,000	117,000	181,363	64,363
Debt Service:				
Principal	14,165	14,165	14,929	764
Interest and Other Charges	1,225	1,225	461	(764)
Total Expenditures	<u>714,422</u>	<u>714,422</u>	<u>788,747</u>	<u>74,325</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>1</u>	<u>1</u>	<u>(66,531)</u>	<u>(66,532)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1</u>	<u>\$ 1</u>	<u>(66,531)</u>	<u>\$ (66,532)</u>
Fund Balance - Beginning of Year			<u>724,912</u>	
FUND BALANCE - END OF YEAR			<u>\$ 658,381</u>	

See accompanying Notes to Required Supplementary Information Other than MD&A.

**CITY OF BARNESVILLE, MINNESOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
 DECEMBER 31, 2024**

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.

Expenditures exceeded budgeted amounts in the following funds:

	Expenditures	Budget	Excess
General Fund	\$ 3,169,744	\$ 2,871,625	\$ 298,119
Park and Recreation Fund	788,747	714,422	74,325

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

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2024

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
2024

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The worker's compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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, 2024

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2024

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

A. General Employees Fund (Continued)

2020 (Continued)

Changes in Plan Provisions

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

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2024

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

A. General Employees Fund (Continued)

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million 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 \$892.0 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, 2024

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

B. Police and Fire Fund

2024

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023

Changes in Actuarial Assumptions

- The investment assumption was changed from 6.5% to 7.0%.
- The single discount rate changed from 5.4% to 7.0%.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, noncompounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2024

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

B. Police and Fire Fund (Continued)

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.

2020

Changes in Actuarial Assumptions

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

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, 2024

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

B. Police and Fire Fund (Continued)

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.

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2024

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

B. Police and Fire Fund (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

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, 2024**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ -	\$ 63,701	\$ 183,164	\$ 246,865
Taxes Receivable	-	-	3,888	3,888
Notes Receivable	-	8,725	-	8,725
Total Assets	<u>-</u>	<u>72,426</u>	<u>187,052</u>	<u>259,478</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	773	-	-	773
Due to Other Funds	171	-	-	171
Total Liabilities	<u>944</u>	<u>-</u>	<u>-</u>	<u>944</u>
 Deferred Inflows of Resources:				
Unavailable Loans Receivable	-	8,725	-	8,725
 Fund Balances:				
Restricted for Economic Development	-	-	187,052	187,052
Restricted for Small Cities Grant	-	63,701	-	63,701
Unassigned	(944)	-	-	(944)
Total Fund Balances (Deficits)	<u>(944)</u>	<u>63,701</u>	<u>187,052</u>	<u>249,809</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 72,426</u>	<u>\$ 187,052</u>	<u>\$ 259,478</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024**

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
REVENUES				
Tax Increments	\$ -	\$ -	\$ 27,596	\$ 27,596
Gifts and Contributions	1,994	-	-	1,994
Interest Income	5	2,075	-	2,080
Miscellaneous	-	5,527	-	5,527
Total Revenues	<u>1,999</u>	<u>7,602</u>	<u>27,596</u>	<u>37,197</u>
EXPENDITURES				
Current:				
General Government	-	2,544	-	2,544
Public Safety	1,414	-	-	1,414
Economic Development	-	-	13,380	13,380
Total Expenditures	<u>1,414</u>	<u>2,544</u>	<u>13,380</u>	<u>17,338</u>
NET CHANGE IN FUND BALANCES	585	5,058	14,216	19,859
Fund Balances (Deficits) - Beginning of Year	<u>(1,529)</u>	<u>58,643</u>	<u>172,836</u>	<u>229,950</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (944)</u>	<u>\$ 63,701</u>	<u>\$ 187,052</u>	<u>\$ 249,809</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2024

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 15,029	\$ -	\$ 338,764	\$ 674,903	\$ 1,363,679	\$ 2,392,375
Accounts Receivable - Net	19,189	94,135	42,858	6,177	54,143	216,502
Prepays	1,317	7,174	1,048	-	814	10,353
Total Current Assets	<u>35,535</u>	<u>101,309</u>	<u>382,670</u>	<u>681,080</u>	<u>1,418,636</u>	<u>2,619,230</u>
Noncurrent Assets:						
Capital Assets:						
Land	-	-	-	13,077	-	13,077
Buildings (Net)	52,281	43,669	75,163	-	-	171,113
Infrastructure (Net)	281,779	-	-	759,330	-	1,041,109
Improvements (Net)	4,976	-	-	-	-	4,976
Machinery and Equipment (Net)	107,055	31,967	-	9,732	54,768	203,522
Vehicles (Net)	-	176,053	-	-	-	176,053
Net Capital Assets	<u>446,091</u>	<u>251,689</u>	<u>75,163</u>	<u>782,139</u>	<u>54,768</u>	<u>1,609,850</u>
Total Assets	<u>481,626</u>	<u>352,998</u>	<u>457,833</u>	<u>1,463,219</u>	<u>1,473,404</u>	<u>4,229,080</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	1,999	25,780	1,681	-	2,494	31,954
LIABILITIES						
Current Liabilities:						
Accounts Payable	16,420	1,826	22,018	-	1,120	41,384
Salaries and Benefits Payable	4,571	26,075	3,776	-	1,355	35,777
Due to Other Governments	1,764	-	2,595	-	-	4,359
Due to Other Funds	-	4,772	-	-	-	4,772
Unearned Utility Payments	10,821	-	-	-	30,145	40,966
Compensated Absences - Due Within One Year	5,565	13,142	1,449	-	4,518	24,674
Total Current Liabilities	<u>39,141</u>	<u>45,815</u>	<u>29,838</u>	<u>-</u>	<u>37,138</u>	<u>151,932</u>
Noncurrent Liabilities:						
Compensated Absences - Due in More than One Year	1,854	4,379	484	-	1,506	8,223
Net Pension Liability	7,289	93,999	6,131	-	9,095	116,514
Total Noncurrent Liabilities	<u>9,143</u>	<u>98,378</u>	<u>6,615</u>	<u>-</u>	<u>10,601</u>	<u>124,737</u>
Total Liabilities	<u>48,284</u>	<u>144,193</u>	<u>36,453</u>	<u>-</u>	<u>47,739</u>	<u>276,669</u>
DEFERRED INFLOWS OF RESOURCES						
Pension Related	5,194	66,985	4,369	-	6,482	83,030
NET POSITION						
Net Investment in Capital Assets	446,091	251,689	75,163	782,139	54,768	1,609,850
Unrestricted	(15,944)	(84,089)	343,529	681,080	1,366,909	2,291,485
Total Net Position	<u>\$ 430,147</u>	<u>\$ 167,600</u>	<u>\$ 418,692</u>	<u>\$ 1,463,219</u>	<u>\$ 1,421,677</u>	<u>\$ 3,901,335</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES						
Charges for Services	\$ 304,585	\$ 293,221	\$ 323,292	\$ 50,484	\$ 545,935	\$ 1,517,517
OPERATING EXPENSES						
Professional Services	18,613	18,444	271,144	-	2,246	310,447
Wages, Salaries, and Compensation	29,164	409,383	23,154	-	36,717	498,418
Repairs and Maintenance	1,836	25,147	168	-	44,760	71,911
Insurance	7,589	2,641	1,604	-	-	11,834
Utilities	-	685	-	-	-	685
Depreciation	29,814	27,390	2,633	49,641	13,984	123,462
Materials and Supplies	2,148	24,866	1,222	-	-	28,236
Miscellaneous Expenses	3,560	52,918	24,415	375	52,587	133,855
License Fees	245,044	-	-	-	-	245,044
Total Operating Expenses	<u>337,768</u>	<u>561,474</u>	<u>324,340</u>	<u>50,016</u>	<u>150,294</u>	<u>1,423,892</u>
OPERATING INCOME (LOSS)	(33,183)	(268,253)	(1,048)	468	395,641	93,625
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	160,000	-	-	-	160,000
Interest Income	873	1,241	10,218	24,925	60,288	97,545
Intergovernmental Grants	335	164,745	39,282	-	418	204,780
Miscellaneous - Nonoperating	3,424	104,402	4,646	-	242	112,714
Gain on Sale of Capital Assets	-	15,000	-	-	-	15,000
Total Nonoperating Revenues	<u>4,632</u>	<u>445,388</u>	<u>54,146</u>	<u>24,925</u>	<u>60,948</u>	<u>590,039</u>
INCOME (LOSS) BEFORE TRANSFERS	(28,551)	177,135	53,098	25,393	456,589	683,664
Transfers Out	<u>(2,000)</u>	<u>-</u>	<u>(24,000)</u>	<u>(6,000)</u>	<u>(216,937)</u>	<u>(248,937)</u>
CHANGE IN NET POSITION	(30,551)	177,135	29,098	19,393	239,652	434,727
Net Position - Beginning of Year	<u>460,698</u>	<u>(9,535)</u>	<u>389,594</u>	<u>1,443,826</u>	<u>1,182,025</u>	<u>3,466,608</u>
NET POSITION - END OF YEAR	<u>\$ 430,147</u>	<u>\$ 167,600</u>	<u>\$ 418,692</u>	<u>\$ 1,463,219</u>	<u>\$ 1,421,677</u>	<u>\$ 3,901,335</u>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 311,785	\$ 688,060	\$ 328,576	\$ 50,446	\$ 546,891	\$ 1,925,758
Payments to Suppliers	(288,288)	(457,250)	(304,426)	(375)	(98,571)	(1,148,910)
Payments to Employees	(25,304)	(359,299)	(21,757)	-	(34,016)	(440,376)
Net Cash Provided (Used) by Operating Activities	(1,807)	(128,489)	2,393	50,071	414,304	336,472
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES AND RELATED FINANCING ACTIVITIES						
Transfers to Other Funds	(2,000)	-	(24,000)	(6,000)	(216,937)	(248,937)
Interfund Borrowings	-	(15,119)	-	-	-	(15,119)
Taxes	-	160,000	-	-	-	160,000
Grant Receipts	335	164,745	39,282	-	418	204,780
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(1,665)	309,626	15,282	(6,000)	(216,519)	100,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	-	(197,378)	-	-	-	(197,378)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(182,378)	-	-	-	(182,378)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Dividends Received	874	1,241	10,218	24,925	60,288	97,546
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,598)	-	27,893	68,996	258,073	352,364
Cash and Cash Equivalents - Beginning of Year	17,627	-	310,871	605,907	1,105,606	2,040,011
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,029</u>	<u>\$ -</u>	<u>\$ 338,764</u>	<u>\$ 674,903</u>	<u>\$ 1,363,679</u>	<u>\$ 2,392,375</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (33,183)	\$ (268,253)	\$ (1,048)	\$ 468	\$ 395,641	\$ 93,625
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	29,814	27,390	2,633	49,641	13,984	123,462
Miscellaneous - Nonoperating	3,424	104,402	4,646	-	242	112,714
(Increase) Decrease in Assets and Deferred Outflows:						
Accounts Receivable	7,851	(39,727)	638	(38)	1,265	(30,011)
Prepays	(1,167)	1,262	(600)	-	15	(490)
Deferred Outflows of Resources - Pension	1,208	10,196	1,796	-	1,819	15,019
Increase (Decrease) in Liabilities and Deferred Inflows:						
Accounts Payable	(8,324)	(3,647)	(5,287)	-	1,007	(16,251)
Salaries and Benefits Payable	588	14,411	2,418	-	389	17,806
Due to Other Governments	(7)	-	14	-	-	7
Compensated Absences Payable	2,055	4,425	209	-	1,692	8,381
Net Pension Liability	(2,161)	(12,011)	(4,116)	-	(3,614)	(21,902)
Unearned Utility Payments	(4,075)	-	-	-	(551)	(4,626)
Deferred Inflows of Resources - Pension	2,170	33,063	1,090	-	2,415	38,738
Total Adjustments	31,376	139,764	3,441	49,603	18,663	242,847
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,807)</u>	<u>\$ (128,489)</u>	<u>\$ 2,393</u>	<u>\$ 50,071</u>	<u>\$ 414,304</u>	<u>\$ 336,472</u>

OTHER COMBINING SCHEDULES

CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET – DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2024

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
ASSETS				
Cash and Investments	\$ 59,157	\$ (12,219)	\$ 92,245	\$ 167,420
Taxes Receivable:				
Current	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	-	-
Noncurrent	33,488	-	9,593	317,074
Total Assets	92,645	(12,219)	101,838	484,494
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources:				
Unavailable Taxes	-	-	-	-
Unavailable Special Assessments	33,488	-	9,593	294,315
Total Deferred Inflows of Resources	33,488	-	9,593	294,315
Fund Balances (Deficit):				
Restricted	59,157	-	92,245	190,179
Unassigned	-	(12,219)	-	-
Total Fund Balances (Deficit)	59,157	(12,219)	92,245	190,179
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	\$ 92,645	\$ (12,219)	\$ 101,838	\$ 484,494

CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET – DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)
DECEMBER 31, 2024

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	G.O. 2023A Improvement Bonds	Total Debt Service Fund
\$ 109,863	\$ 117,428	\$ 28,983	\$ 96,020	\$ (21,600)	\$ 151,644	\$ (54,839)	\$ 734,102
277	1,690	-	-	-	-	-	1,967
7,399	1,524	-	-	-	414	2,112	11,449
195,115	105,246	210,130	937,056	2,266,323	241,928	469,799	4,785,752
<u>312,654</u>	<u>225,888</u>	<u>239,113</u>	<u>1,033,076</u>	<u>2,244,723</u>	<u>393,986</u>	<u>417,072</u>	<u>5,533,270</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,205	\$ 28,205
-	1,358	-	-	-	-	-	1,358
197,130	106,079	210,130	924,009	2,266,323	239,725	471,911	4,752,703
<u>197,130</u>	<u>107,437</u>	<u>210,130</u>	<u>924,009</u>	<u>2,266,323</u>	<u>239,725</u>	<u>471,911</u>	<u>4,754,061</u>
115,524	118,451	28,983	109,067	-	154,261	-	867,867
-	-	-	-	(21,600)	-	(83,044)	(116,863)
<u>115,524</u>	<u>118,451</u>	<u>28,983</u>	<u>109,067</u>	<u>(21,600)</u>	<u>154,261</u>	<u>(83,044)</u>	<u>751,004</u>
<u>\$ 312,654</u>	<u>\$ 225,888</u>	<u>\$ 239,113</u>	<u>\$ 1,033,076</u>	<u>\$ 2,244,723</u>	<u>\$ 393,986</u>	<u>\$ 417,072</u>	<u>\$ 5,533,270</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, 2024**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	13,331	-	945	71,524
Interest Income	1,836	20	3,760	5,937
Total Revenues	15,167	20	4,705	77,461
EXPENDITURES				
Debt Service:				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,167	20	4,705	77,461
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(10,000)	(15,000)	(35,000)	(80,000)
Total Other Financing Sources (Uses)	(10,000)	(15,000)	(35,000)	(80,000)
NET CHANGE IN FUND BALANCES	5,167	(14,980)	(30,295)	(2,539)
Fund Balances (Deficit) - Beginning of Year	53,990	2,761	122,540	192,718
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 59,157	\$ (12,219)	\$ 92,245	\$ 190,179

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, 2024

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	G.O. 2023A Improvement Bonds	Internal Eliminations	Total Debt Service Fund
\$ 11,827	\$ 29,951	\$ -	\$ -	\$ 13,132	\$ -	\$ -	\$ -	\$ 54,910
66,469	17,673	24,925	96,707	60,486	16,040	-	-	368,100
1,689	2,934	393	1,283	-	138	97	-	18,087
79,985	50,558	25,318	97,990	73,618	16,178	97	-	441,097
-	45,000	25,000	55,000	100,000	25,000	-	-	250,000
-	4,005	5,707	23,471	50,476	6,105	115,260	-	205,024
-	49,005	30,707	78,471	150,476	31,105	115,260	-	455,024
79,985	1,553	(5,389)	19,519	(76,858)	(14,927)	(115,163)	-	(13,927)
-	-	5,000	10,000	100,000	155,571	-	(140,000)	130,571
-	-	-	-	-	-	-	140,000	-
-	-	5,000	10,000	100,000	155,571	-	-	130,571
79,985	1,553	(389)	29,519	23,142	140,644	(115,163)	-	116,644
35,539	116,898	29,372	79,548	(44,742)	13,617	32,119	-	634,360
<u>\$ 115,524</u>	<u>\$ 118,451</u>	<u>\$ 28,983</u>	<u>\$ 109,067</u>	<u>\$ (21,600)</u>	<u>\$ 154,261</u>	<u>\$ (83,044)</u>	<u>\$ -</u>	<u>\$ 751,004</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET – CAPITAL PROJECTS FUND – BY PROJECT
 DECEMBER 31, 2024**

	<u>Commercial Park Extension</u>	<u>Commercial Park Condos</u>	<u>Total Capital Projects Fund</u>
ASSETS			
Cash and Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable Special Assessments	-	-	-
FUND BALANCES			
Restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES – CAPITAL PROJECTS FUND – BY PROJECT
 YEAR ENDED DECEMBER 31, 2024**

	Commercial Park Extension	Commercial Park Condos	Total Capital Projects Fund
REVENUES			
Interest Income	\$ -	\$ 4,371	\$ 4,371
EXCESS OF REVENUES OVER EXPENDITURES	-	4,371	4,371
OTHER FINANCING SOURCES (USES)			
Transfers In	102,468	-	102,468
Transfers Out	-	(130,571)	(130,571)
Total Other Financing Sources (Uses)	<u>102,468</u>	<u>(130,571)</u>	<u>(28,103)</u>
NET CHANGE IN FUND BALANCES	102,468	(126,200)	(23,732)
Fund Balances (Deficit) - Beginning of Year	<u>(102,468)</u>	<u>126,200</u>	<u>23,732</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OTHER REPORTS SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barnesville (City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2025.

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 2024-001, 2024-002, and 2024-003 that we consider to be material weaknesses.

Honorable Mayor and Members of the City Council
City of Barnesville

Report on Compliance and Other Matters

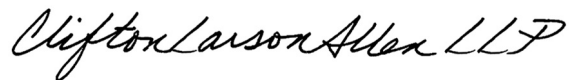
As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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
May 5, 2025



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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2025.

In connection with our audit, we noted that the City failed to comply with provisions of the public indebtedness and claims and disbursements sections 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 items 2024-004 and 2024-005. 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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, 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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the legal compliance 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.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
May 5, 2025

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2024**

FINANCIAL STATEMENT FINDINGS

2024-001: 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 2023-001.

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, 2024**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2024-002: 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. In addition, beginning net position was restated to account for an error in the previously issued financial statements.

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 2023-002.

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, 2024**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2024-003: 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. The City does not have the expertise necessary to prepare the financial statements and related disclosures. 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 2023-003.

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, 2024**

MINNESOTA LEGAL COMPLIANCE

2024-004: CLAIMS AND DISBURSEMENTS

Criteria or Specific Requirement: Minnesota Statute §471.425 subd. 2 and 4 requires a City to pay bills within 35 days of receipt of the bill. If not, the City must pay interest on bills not paid in a timely manner. The interest rate is 1.5% per month or part of a month. The minimum monthly interest on a bill of \$100 or more is \$10

Condition: The City did not make timely payments for two of 22 disbursements tested.

Cause: Management oversight.

Repeat Finding: Not applicable.

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

Recommendation: We recommend that the City remit payments within the time period required under statute, and if unable to do so, we recommend that the City pay interest in accordance with State Statute.

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

**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024**

MINNESOTA LEGAL COMPLIANCE

2024-005: PUBLIC INDEBTEDNESS

Criteria or Specific Requirement: Minnesota Statute §475.61 subd. 1 requires that a municipality issuing general obligations shall, prior to delivery of the obligations, levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years for municipalities other than school districts shall be specified and such that if collected in full they, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the obligations.

Condition: The City did not levy 105% of principal and interest payments in the 2024 levy for debt obligations paid through property tax levy.

Cause: Management oversight.

Repeat Finding: The finding is a repeat of a finding in the immediate prior year. The prior year finding number was 2023-005.

Effect: The City is not compliant with Minnesota Statute regarding public indebtedness.

Recommendation: Management should levy for 105% of principal and interest payments.

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



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