

CITY OF BARNESVILLE, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023



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**CITY OF BARNESVILLE, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF BARNESVILLE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2023**

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

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Barnesville (the City), Minnesota, as of and for the year ended December 31, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 9 to the financial statements, the City restated beginning net position of the governmental activities and net position of the component unit to correct an error in the previously issued financial statements. Our opinions are not modified with respect to this matter.

Honorable Mayor and
Members of the City Council
City of Barnesville

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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Honorable Mayor and
Members of the City Council
City of Barnesville

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the City's proportionate share of the net pension liability, schedule of City pension contributions, 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 9, 2024, 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 9, 2024

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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, 2023. The management's discussion and analysis (MD&A) is an element of Required Supplementary Information. Certain comparative information between the current year (2023) and the prior year (2022) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 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 \$33,280,743 (net position). Of this amount, \$13,350,320 (unrestricted net position), may be used to meet the City's ongoing obligations to citizens and creditors.
- City-wide net position increased \$2,793,697 over the prior year.
- As of the close of the current year, the City's governmental funds reported combined fund balance of \$3,755,459, a decrease of (\$85,127) or (2.2%) in comparison to the prior year. Approximately 18.08% of this amount, or \$679,107, is restricted for debt service.
- At the end of the current year, unassigned fund balance for the General Fund was \$518,354, or 17.23% 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.

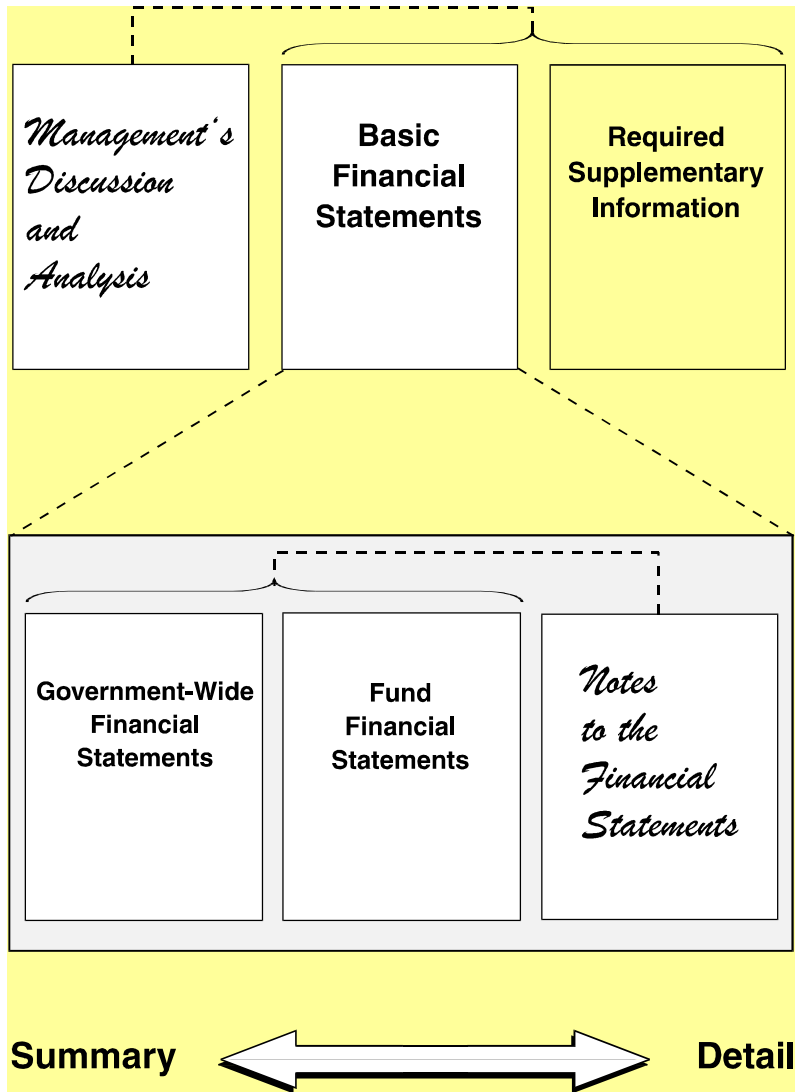
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

City-Wide Statements

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

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

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

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's net position was \$33,280,743 on December 31, 2023 (see Table A-1).

Table A-1
The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022		2022		2022	
	2023	As Restated	2023	2022	2023	As Restated
Current and Other Assets	\$ 9,202,467	\$ 9,085,821	\$ 12,969,088	\$ 12,398,512	\$ 22,171,555	\$ 21,484,333
Capital Assets	9,201,392	6,987,308	16,689,023	16,018,094	25,890,415	23,005,402
Total Assets	<u>18,403,859</u>	<u>16,073,129</u>	<u>29,658,111</u>	<u>28,416,606</u>	<u>48,061,970</u>	<u>44,489,735</u>
Deferred Outflows of Resources	893,694	1,094,156	150,409	210,012	1,044,103	1,304,168
Current Liabilities	650,869	780,170	1,271,971	1,269,941	1,922,840	2,050,111
Long-Term Liabilities	6,741,087	6,221,387	6,091,895	6,933,666	12,832,982	13,155,053
Total Liabilities	<u>7,391,956</u>	<u>7,001,557</u>	<u>7,363,866</u>	<u>8,203,607</u>	<u>14,755,822</u>	<u>15,205,164</u>
Deferred Inflows of Resources	<u>927,687</u>	<u>91,413</u>	<u>141,821</u>	<u>10,280</u>	<u>1,069,508</u>	<u>101,693</u>
Net Position						
Net Investment in Capital Assets	3,334,962	2,482,394	10,289,202	8,988,205	13,624,164	11,470,599
Restricted	6,022,934	5,643,368	283,325	283,325	6,306,259	5,926,693
Unrestricted	1,620,014	1,948,553	11,730,306	11,141,201	13,350,320	13,089,754
Total Net Position	<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>

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$13,072,818 for the year ended December 31, 2023. Property taxes and intergovernmental revenues accounted for 32.4% of total revenue for the year, while user charges accounted for 62.3% of total revenue (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
<u>Program Revenues</u>						
Charges for Services	\$ 484,119	\$ 357,588	\$ 7,656,137	\$ 7,462,980	\$ 8,140,256	\$ 7,820,568
Operating Grants and Contributions	236,064	97,319	115,492	54,257	351,556	151,576
Capital Grants and Contributions	1,821,418	238,370	64,888	20,957	1,886,306	259,327
<u>General Revenues</u>						
Property Taxes	978,872	914,622	150,000	100,000	1,128,872	1,014,622
Tax Increments	134,416	187,569	-	-	134,416	187,569
Unrestricted State Aid	870,418	870,671	-	-	870,418	870,671
Investment Earnings	114,387	13,544	273,074	9,354	387,461	22,898
Other	76,767	92,836	96,766	318,253	173,533	411,089
Total Revenues	<u>4,716,461</u>	<u>2,772,519</u>	<u>8,356,357</u>	<u>7,965,801</u>	<u>13,072,818</u>	<u>10,738,320</u>
EXPENSES						
General Government	952,860	873,367	-	-	952,860	873,367
Public Safety	891,051	830,391	-	-	891,051	830,391
Public Works	687,427	726,400	-	-	687,427	726,400
Culture and Recreation	795,663	718,103	-	-	795,663	718,103
Economic Development	289,436	346,002	-	-	289,436	346,002
Interest	202,205	97,803	-	-	202,205	97,803
Water	-	-	419,376	443,839	419,376	443,839
Sewer	-	-	554,846	589,893	554,846	589,893
Electric	-	-	2,063,044	1,868,241	2,063,044	1,868,241
Telephone	-	-	895,577	1,104,058	895,577	1,104,058
Municipal Liquor	-	-	1,159,012	1,069,587	1,159,012	1,069,587
Cable Television	-	-	332,137	429,947	332,137	429,947
Sanitation	-	-	336,878	282,589	336,878	282,589
Storm Sewer	-	-	54,340	54,192	54,340	54,192
Ambulance	-	-	537,336	496,517	537,336	496,517
Broadband Internet	-	-	107,933	106,300	107,933	106,300
Total Expenses	<u>3,818,642</u>	<u>3,592,066</u>	<u>6,460,479</u>	<u>6,445,163</u>	<u>10,279,121</u>	<u>10,037,229</u>
Transfers	<u>5,776</u>	<u>833,664</u>	<u>(5,776)</u>	<u>(833,664)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	903,595	14,117	1,890,102	686,974	2,793,697	701,091
Net Position - Beginning of Year	10,074,315	10,001,516	20,412,731	19,725,757	30,487,046	29,727,273
Restatement	-	58,682	-	-	-	58,682
Net Position - Beginning of Year, As Restated	<u>10,074,315</u>	<u>10,060,198</u>	<u>20,412,731</u>	<u>19,725,757</u>	<u>30,487,046</u>	<u>29,785,955</u>
NET POSITION - END 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>

Total revenues surpassed expenses, increasing City-wide net position by \$2,793,697 as compared to an increase of \$701,091 in 2022.

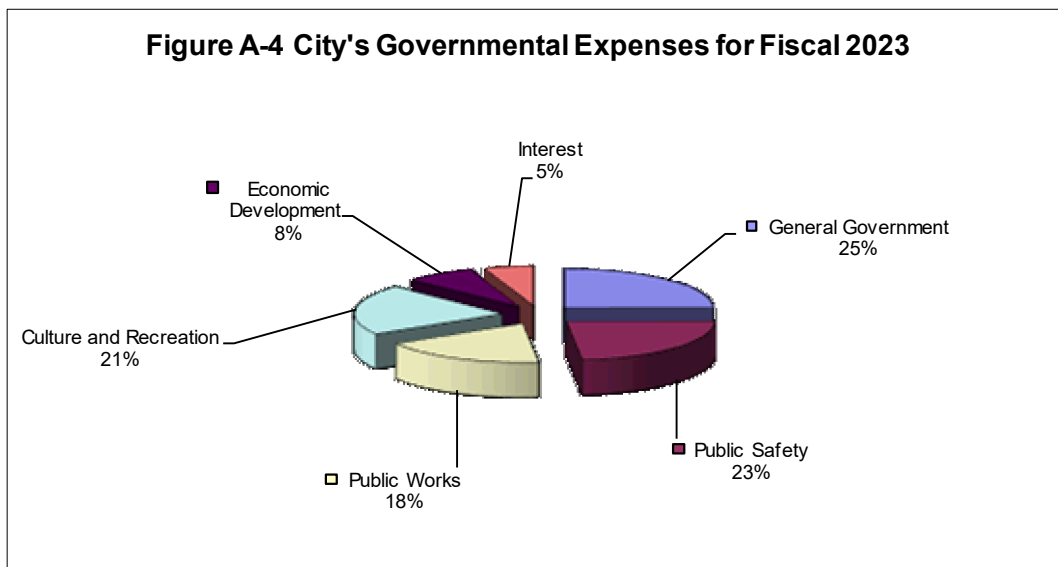
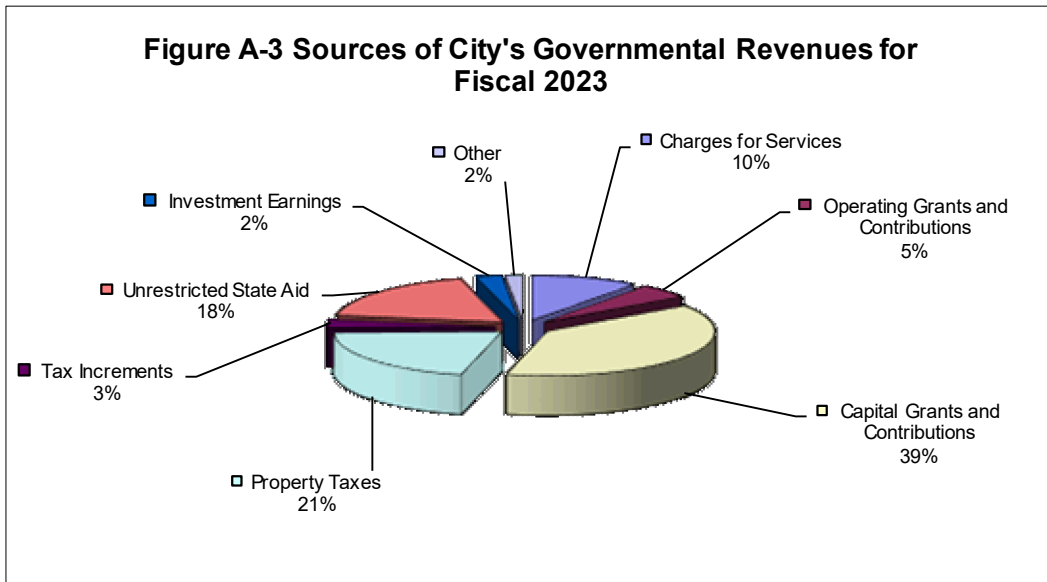
**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The City-wide cost of all governmental activities this year was \$3,818,642.

- Some of the cost was paid by the users of the City's programs (\$484,119).
- Federal and state government payments (\$236,064) subsidized certain programs.
- Ad valorem property taxes (\$978,872) and unrestricted state grants (\$870,418) also helped fund the net costs of governmental services.



**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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	
	2023	2022	2023	2022
GOVERNMENTAL ACTIVITIES				
General Government	\$ 952,860	\$ 873,367	\$ (791,363)	\$ (779,633)
Public Safety	891,051	830,391	(698,856)	(702,551)
Public Works	687,427	726,400	529,417	(562,933)
Culture and Recreation	795,663	718,103	175,402	(409,867)
Economic Development	289,436	346,002	(289,436)	(346,002)
Interest	202,205	97,803	(202,205)	(97,803)
Total	<u>\$ 3,818,642</u>	<u>\$ 3,592,066</u>	<u>\$ (1,277,041)</u>	<u>\$ (2,898,789)</u>
BUSINESS-TYPE ACTIVITIES				
Water	\$ 419,376	\$ 443,839	\$ 152,266	\$ 75,977
Sewer	554,846	589,893	218,964	150,476
Electric	2,063,044	1,868,241	394,284	569,874
Telephone	895,577	1,104,058	406,675	160,622
Municipal Liquor	1,159,012	1,069,587	(4,500)	33,732
Cable Television	332,137	429,947	(27,343)	(94,732)
Sanitation	336,878	282,589	36,203	41,945
Storm Sewer	54,340	54,192	(5,436)	(7,256)
Ambulance	537,336	496,517	(221,619)	(237,262)
Broadband Internet	107,933	106,300	426,544	399,655
Total	<u>\$ 6,460,479</u>	<u>\$ 6,445,163</u>	<u>\$ 1,376,038</u>	<u>\$ 1,093,031</u>

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$3,755,459.

Revenues for the City's governmental funds were \$3,771,162, while total expenditures were \$6,490,154. Expenditures in excess of revenues were covered by a budgeted transfer from the enterprise funds in addition to a bond issuance.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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

General Fund

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

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

General Fund	Year Ended		Change Increase (Decrease)
	December 31, 2023	December 31, 2022	
Taxes	\$ 643,243	\$ 437,908	\$ 205,335
Special Assessments	618	593	25
Licenses and Permits	70,398	55,800	14,598
Intergovernmental	1,218,314	994,682	223,632
Charges for Services	82,456	3,171	79,285
Fines and Forfeits	9,500	15,411	(5,911)
Interest	65,368	2,913	62,455
Miscellaneous and Other	25,765	27,009	(1,244)
Total General Fund Revenues	<u>\$ 2,115,662</u>	<u>\$ 1,537,487</u>	<u>\$ 578,175</u>

Total General Fund revenue increased by \$578,175, or 37.6%, from the previous year. The primary reason for the increase is an increase in the property tax levy. The City council approved a 12% increase in the general fund tax levy for 2023. In addition, the City received increased State funding relating to public safety.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change Increase (Decrease)
	December 31, 2023	December 31, 2022	
General Government	\$ 870,383	\$ 840,341	\$ 30,042
Public Safety	819,916	779,671	40,245
Public Works	348,585	359,214	(10,629)
Economic Development	236,463	217,954	18,509
Capital Outlay	725,597	81,339	644,258
Debt Service	7,101	7,762	(661)
Total Expenditures	<u>\$ 3,008,045</u>	<u>\$ 2,286,281</u>	<u>\$ 721,764</u>

The General Fund's expenditures increased \$721,764 from 2023. The increase is due largely to seal coating and the Event Center Renovation project.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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 \$461,849 greater than budget. This is primarily due to an increase in intergovernmental revenues and charges for services because the city received unanticipated public safety aid.
- The actual expenditures were \$333,618 greater than budget. This is primarily due to capital outlay expenditures coming in over budget.

Parks and Recreation Fund

The Parks and Recreation Fund had a decrease in fund balance of (\$182,908). Actual revenue was less than budgeted revenues during 2023 by (\$135,160) as a result of miscellaneous revenues budgeted but not earned. Expenditures were over budget by \$47,748 during 2023 primarily due to higher capital outlay expenditures.

Debt Service Fund

The Debt Service Fund's fund balance decreased \$39,474 as a result of debt payments exceeding taxes and special assessments received.

Capital Projects Fund

The Capital Project Fund's fund balance increased \$62,223 as a result of increased intergovernmental revenue.

Other Governmental Funds

The Other Governmental Fund's fund balance increased \$19,761 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 to other funds) of \$153,947 and \$251,951, respectively, for the year ended December 31, 2023, as compared to \$76,989 and \$145,438, respectively, for 2022. Increase in Water Fund net income (before transfers to other funds) is due to decreased wages, salaries, and compensation expenses due to one vacant position. Increase in the Sewer Fund net income (before transfers to other funds) is due to decrease in wages, salaries, and compensation due to change in allocation to more accurately reflect time spent working in the department and less repair and maintenance expenses.

Municipal Liquor Fund

The operations of the Municipal Liquor Fund reported net income (before transfers to other funds) of \$2,717 for the year ended December 31, 2023, as compared to \$38,347 for 2022.

**CITY OF BARNESVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2023**

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

Business-Type Funds (Continued)

Electric Fund

The Electric Fund reported net income (before transfers to other funds) of \$446,772 for the year ended December 31, 2023 compared to \$569,435 in 2022. Decrease from 2022 is primarily due to purchase power costs increasing at a higher rate than charges for services.

Telephone Fund

The Telephone Fund reported sales of \$1,301,567 compared to \$1,263,424 in 2022. Net income (before transfers to other funds) of \$480,258 as compared to \$404,802 in the prior year.

CAPITAL ASSETS

By the end of 2023, the City had invested \$25,890,415 (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	
	2023	2022	2023	2022	2023	2022
Land	\$ 658,016	\$ 583,716	\$ 185,212	\$ 185,212	\$ 843,228	\$ 768,928
Construction-in-Progress	219,607	58,318	-	382,873	219,607	441,191
Buildings	2,255,180	1,680,180	2,510,240	2,492,267	4,765,420	4,172,447
Infrastructure	8,802,272	7,223,708	22,984,326	21,373,032	31,786,598	28,596,740
Improvements	2,816,838	2,679,288	310,044	115,250	3,126,882	2,794,538
Machinery and Equipment	1,116,812	1,052,280	3,104,678	2,931,624	4,221,490	3,983,904
Vehicles	581,362	522,228	638,906	659,406	1,220,268	1,181,634
Right-to-Use Assets	119,569	86,872	-	-	119,569	86,872
Less: Accumulated Depreciation/Amortization	<u>(7,368,264)</u>	<u>(6,899,282)</u>	<u>(13,044,383)</u>	<u>(12,121,570)</u>	<u>(20,412,647)</u>	<u>(19,020,852)</u>
Total	<u>\$ 9,201,392</u>	<u>\$ 6,987,308</u>	<u>\$ 16,689,023</u>	<u>\$ 16,018,094</u>	<u>\$ 25,890,415</u>	<u>\$ 23,005,402</u>

Total depreciation/amortization expense for the year was \$1,561,726 (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, 2023**

LONG-TERM LIABILITIES

At year-end, the City had \$12,345,102 in long-term liabilities outstanding.

- The City's governmental activities and business-type activities net long-term debt increased \$688,008 due primarily to the issuance of the 2023A G.O. Improvement Bond offset with current year scheduled payments.

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

	2023	2022
GOVERNMENTAL ACTIVITIES		
General Obligation Bonds	\$ 5,755,000	\$ 4,460,000
Lease Liability	88,114	66,185
Plus: Bond Premium	149,516	102,715
Less: Bond Discounts	-	(1,695)
Total Governmental Activities	5,992,630	4,627,205
BUSINESS-TYPE ACTIVITIES		
Revenue Bonds	2,499,000	2,703,000
Direct Borrowing - Revenue Notes	2,562,000	2,933,626
General Obligation Bonds	1,285,000	1,390,000
Plus: Bond Premium	6,472	3,263
Total Business-Type Activities	6,352,472	7,029,889
Total City-Wide Long-Term Liabilities	\$ 12,345,102	\$ 11,657,094

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 3,801,166	\$ 8,052,734	\$ 11,853,900	\$ 413,518
Taxes Receivable:				
Current	36,551	-	36,551	-
Special Assessments Receivable:				
Delinquent	14,003	5,650	19,653	-
Noncurrent	5,109,773	346,079	5,455,852	-
Accounts Receivable - Net	11,958	798,868	810,826	-
Accrued Interest Receivable	9,797	-	9,797	-
Notes Receivable	73,098	-	73,098	10,541
Lease Receivable:				
Due Within One Year	7,101	-	7,101	6,656
Due In More Than One Year	3,234	-	3,234	13,807
Due from Other Governments	88,172	-	88,172	-
Internal Balances	(109)	109	-	-
Inventories	1,200	140,264	141,464	-
Prepays	46,523	81,836	128,359	480
Land Held for Resale	-	-	-	1,744,989
Acquisition Costs, Net of Amortization	-	17,280	17,280	-
Restricted Cash	-	283,325	283,325	-
Investment in Joint Venture	-	3,242,943	3,242,943	-
Capital Assets not Being Depreciated:				
Land	658,016	185,212	843,228	11,802
Construction-in-Progress	219,607	-	219,607	-
Capital Assets Being Depreciated/Amortized:				
Buildings	1,192,895	1,565,041	2,757,936	2,663
Infrastructure	4,677,223	11,371,987	16,049,210	-
Improvements	1,850,611	2,879,835	4,730,446	-
Machinery and Equipment	347,072	629,892	976,964	-
Vehicles	169,989	57,056	227,045	-
Right-to-Use Assets	85,979	-	85,979	3,825
Total Assets	<u>18,403,859</u>	<u>29,658,111</u>	<u>48,061,970</u>	<u>2,208,281</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	893,694	150,409	1,044,103	-
LIABILITIES				
Accounts Payable	43,651	328,514	372,165	10,572
Salaries and Benefits Payable	66,915	54,624	121,539	9,602
Deposits Payable	-	1,349	1,349	-
Accrued Interest Payable	86,288	22,730	109,018	-
Due to Other Governments	243	25,434	25,677	71,193
Unearned Revenue	41,695	-	41,695	-
Unearned Utility Payments	-	66,674	66,674	-
Bonds Payable - Due Within One Year	250,000	721,000	971,000	-
Lease Liability - Due Within One Year	24,208	-	24,208	1,394
Notes Payable - Due Within One Year	-	-	-	27,283
Compensated Absences Payable - Due Within One Year	137,869	51,646	189,515	11,861
Special Assessments Payable - Due in More Than One Year	-	-	-	1,465,004
Bonds Payable - Due in More Than One Year	5,654,516	5,631,472	11,285,988	-
Lease Liability - Due in More Than One Year	63,906	-	63,906	2,524
Notes Payable - Due in More Than One Year	-	-	-	164,695
Compensated Absences Payable - Due in More Than One Year	45,956	17,214	63,170	3,954
Net Pension Liability	976,709	443,209	1,419,918	-
Total Liabilities	<u>7,391,956</u>	<u>7,363,866</u>	<u>14,755,822</u>	<u>1,768,082</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related	917,787	141,821	1,059,608	-
Lease Receivable	9,900	-	9,900	22,378
Total Deferred Inflows of Resources	<u>927,687</u>	<u>141,821</u>	<u>1,069,508</u>	<u>22,378</u>
NET POSITION				
Net Investment in Capital Assets	3,334,962	10,289,202	13,624,164	14,372
Restricted for:				
Debt Service	5,616,416	283,325	5,899,741	-
Public Safety	101,829	-	101,829	-
Capital Projects	58,794	-	58,794	-
Economic Development	245,895	-	245,895	-
Unrestricted	1,620,014	11,730,306	13,350,320	403,449
Total Net Position	<u>\$ 10,977,910</u>	<u>\$ 22,302,833</u>	<u>\$ 33,280,743</u>	<u>\$ 417,821</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Functions/Programs	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 952,860	\$ 77,074	\$ 84,423	\$ -
Public Safety	891,051	3,499	63,336	125,360
Public Works	687,427	81,781	88,305	1,046,758
Culture and Recreation	795,663	321,765	-	649,300
Economic Development	289,436	-	-	-
Interest	202,205	-	-	-
Total Governmental Activities	3,818,642	484,119	236,064	1,821,418
Business-Type Activities:				
Water	419,376	536,700	-	34,942
Sewer	554,846	743,864	-	29,946
Electric	2,063,044	2,457,328	-	-
Telephone	895,577	1,301,567	685	-
Municipal Liquor	1,159,012	1,154,512	-	-
Cable Television	332,137	304,794	-	-
Sanitation	336,878	322,274	50,807	-
Storm Sewer	54,340	48,904	-	-
Ambulance	537,336	251,717	64,000	-
Broadband Internet	107,933	534,477	-	-
Total Business-Type Activities	6,460,479	7,656,137	115,492	64,888
Total Primary Government	\$ 10,279,121	\$ 8,140,256	\$ 351,556	\$ 1,886,306
Component Unit:				
EDA	\$ 292,911	\$ 44,982	\$ -	\$ -

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

Total General Revenues and Transfers

CHANGE IN NET POSITION

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

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (791,363)	\$ -	\$ (791,363)	\$ -
(698,856)	-	(698,856)	-
529,417	-	529,417	-
175,402	-	175,402	-
(289,436)	-	(289,436)	-
(202,205)	-	(202,205)	-
<u>(1,277,041)</u>	<u>-</u>	<u>(1,277,041)</u>	<u>-</u>
-	152,266	152,266	-
-	218,964	218,964	-
-	394,284	394,284	-
-	406,675	406,675	-
-	(4,500)	(4,500)	-
-	(27,343)	(27,343)	-
-	36,203	36,203	-
-	(5,436)	(5,436)	-
-	(221,619)	(221,619)	-
-	426,544	426,544	-
<u>-</u>	<u>1,376,038</u>	<u>1,376,038</u>	<u>-</u>
(1,277,041)	1,376,038	98,997	-
-	-	-	(247,929)
978,872	150,000	1,128,872	-
134,416	-	134,416	-
870,418	-	870,418	178,078
114,387	273,074	387,461	13,056
76,767	96,766	173,533	58,728
5,776	(5,776)	-	-
<u>2,180,636</u>	<u>514,064</u>	<u>2,694,700</u>	<u>249,862</u>
903,595	1,890,102	2,793,697	1,933
10,015,633	20,412,731	30,428,364	474,570
58,682	-	58,682	(58,682)
<u>10,074,315</u>	<u>20,412,731</u>	<u>30,487,046</u>	<u>415,888</u>
<u>\$ 10,977,910</u>	<u>\$ 22,302,833</u>	<u>\$ 33,280,743</u>	<u>\$ 417,821</u>

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

**CITY OF BARNESVILLE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 2,087,142	\$ 726,242	\$ 630,009	\$ 126,200	\$ 231,573	\$ 3,801,166
Taxes Receivable:						
Current	34,671	-	1,880	-	-	36,551
Special Assessments Receivable:						
Delinquent	-	-	13,516	-	-	13,516
Noncurrent	38,909	-	5,012,557	58,794	-	5,110,260
Accounts Receivable	9,681	2,277	-	-	-	11,958
Lease Receivable:						
Due Within One Year	7,101	-	-	-	-	7,101
Due in More Than One Year	3,234	-	-	-	-	3,234
Due from Other Governments	-	504	-	-	-	504
Accrued Interest Receivable	9,797	-	-	-	-	9,797
Notes Receivable	58,682	-	-	-	14,416	73,098
Inventory	-	1,200	-	-	-	1,200
Prepays	38,345	8,178	-	-	-	46,523
Due from Other Governments	87,668	-	-	-	-	87,668
Due from Other Funds	123,888	-	-	-	-	123,888
Total Assets	2,499,118	738,401	5,657,962	184,994	245,989	9,326,464
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts Payable	37,540	6,017	-	-	94	43,651
Salaries and Benefits Payable	59,686	7,229	-	-	-	66,915
Due to Other Funds	-	-	-	102,468	1,529	103,997
Due to Other Governments	-	243	-	-	-	243
Advance from Other Funds	20,000	-	-	-	-	20,000
Unearned Revenue	41,695	-	-	-	-	41,695
Total Liabilities	158,921	13,489	-	102,468	1,623	276,501
Deferred Inflows of Resources:						
Unavailable Taxes	19,009	-	1,233	-	-	20,242
Unavailable Special Assessments	38,909	-	5,022,369	58,794	-	5,120,072
Unavailable Grants and Other	71,192	-	-	-	-	71,192
Lease Receivable	9,900	-	-	-	-	9,900
Unavailable Loans Receivable	58,682	-	-	-	14,416	73,098
Total Deferred Inflows of Resources	197,692	-	5,023,602	58,794	14,416	5,294,504
Fund Balances (Deficit):						
Nonspendable Inventory	-	1,200	-	-	-	1,200
Nonspendable Prepays	38,345	8,178	-	-	-	46,523
Restricted for Public Safety	101,829	-	-	-	-	101,829
Restricted for Capital Projects	-	-	-	126,200	-	126,200
Restricted for Economic Development	-	-	-	-	172,836	172,836
Restricted for Debt Repayment	-	-	679,102	-	-	679,102
Restricted for Small Cities Grant	-	-	-	-	58,643	58,643
Committed for Capital Outlay	364,000	25,594	-	-	-	389,594
Committed for Community Projects	1,110,590	-	-	-	-	1,110,590
Committed for Park Operations	-	689,940	-	-	-	689,940
Assigned for Joint Powers	9,387	-	-	-	-	9,387
Unassigned	518,354	-	(44,742)	(102,468)	(1,529)	369,615
Total Fund Balances	2,142,505	724,912	634,360	23,732	229,950	3,755,459
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,499,118	\$ 738,401	\$ 5,657,962	\$ 184,994	\$ 245,989	\$ 9,326,464

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, 2023**

FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS \$ 3,755,459

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. 9,201,392

Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as a deferred inflow of resources in the governmental funds. 5,284,604

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	\$ (976,709)	
Deferred Inflows of Resources - Pension Related	(917,787)	
Deferred Outflows of Resources - Pension Related	<u>893,694</u>	(1,000,802)

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	(5,904,516)	
Lease Liability	(88,114)	
Accrued Compensated Absences	(183,825)	
Accrued Interest Payable	<u>(86,288)</u>	<u>(6,262,743)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,977,910

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General Fund	Parks and Recreation Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 643,243	\$ 280,000	\$ 54,546	\$ -	\$ -	\$ 977,789
Tax Increments	-	-	-	-	134,416	134,416
Special Assessments	618	-	278,361	59,855	-	338,834
Licenses and Permits	70,398	499	-	-	-	70,897
Intergovernmental	1,218,314	-	-	415,736	-	1,634,050
Charges for Services	82,456	321,266	-	-	-	403,722
Fines and Forfeits	9,500	-	-	-	-	9,500
Gifts and Contributions	-	-	-	-	618	618
Interest Income	65,368	26,145	16,794	4,037	1,957	114,301
Miscellaneous	25,765	53,440	-	-	7,830	87,035
Total Revenues	2,115,662	681,350	349,701	479,628	144,821	3,771,162
EXPENDITURES						
Current:						
General Government	870,383	-	-	-	12,702	883,085
Public Safety	819,916	-	-	-	2,825	822,741
Public Works	348,585	-	-	-	-	348,585
Parks and Recreation	-	505,351	-	-	-	505,351
Economic Development	236,463	-	-	-	109,533	345,996
Capital Outlay:						
General Government	351,903	-	-	-	-	351,903
Public Safety	53,033	-	-	-	-	53,033
Public Works	320,661	-	-	1,994,947	-	2,315,608
Parks and Recreation	-	343,516	-	-	-	343,516
Debt Service:						
Principal	6,831	13,719	325,000	-	-	345,550
Interest and Other Charges	270	1,672	96,294	-	-	98,236
Bond Issue Costs	-	-	-	76,550	-	76,550
Total Expenditures	3,008,045	864,258	421,294	2,071,497	125,060	6,490,154
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(892,383)	(182,908)	(71,593)	(1,591,869)	19,761	(2,718,992)
OTHER FINANCING SOURCES (USES)						
Transfers In	899,395	-	32,119	-	-	931,514
Transfers Out	-	-	-	(32,119)	-	(32,119)
Lease Proceeds	42,479	-	-	-	-	42,479
Issuance of Bonds	-	-	-	1,620,000	-	1,620,000
Premium on Bonds Issued	-	-	-	66,211	-	66,211
Proceeds from Sale of Capital Assets	5,780	-	-	-	-	5,780
Total Other Financing Sources (Uses)	947,654	-	32,119	1,654,092	-	2,633,865
NET CHANGE IN FUND BALANCES						
	55,271	(182,908)	(39,474)	62,223	19,761	(85,127)
Fund Balances (Deficit) - Beginning of Year	2,087,234	907,820	673,834	(38,491)	210,189	3,840,586
FUND BALANCES (DEFICIT) - END 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>

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, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (85,127)

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	\$ 2,838,851	
Current Year Depreciation/Amortization	(618,413)	
Net Book Value of Asset Disposals	<u>(6,354)</u>	
		2,214,084

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		305,208
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Bond and lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The proceeds, net of issuance costs, for debt issuance are:

Bond Proceeds	(1,620,000)	
Bond Premium	(66,211)	
Lease Proceeds	<u>(42,479)</u>	
		(1,728,690)

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.		(107,320)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments:		
General Obligation Bonds	325,000	
Lease Liability	<u>20,550</u>	
		345,550

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	(45,404)	
Amortization of Premiums	19,410	
Amortization of Discounts	(1,695)	
Change in Compensated Absences	<u>(12,421)</u>	
		<u>(40,110)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 903,595**

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$ 1,219,583	\$ 1,813,549	\$ 1,126,842	\$ 1,635,025	\$ 217,724	\$ 2,040,011	\$ 8,052,734
Accounts Receivable - Net	64,842	92,758	328,258	108,864	17,655	186,491	798,868
Special Assessments Receivable:							
Delinquent	2,947	2,703	-	-	-	-	5,650
Noncurrent	174,263	171,816	-	-	-	-	346,079
Inventories	-	-	-	-	140,264	-	140,264
Prepays	5,862	12,713	12,500	39,291	1,607	9,863	81,836
Total Current Assets	1,467,497	2,093,539	1,467,600	1,783,180	377,250	2,236,365	9,425,431
Noncurrent Assets:							
Investment in Joint Venture	-	-	-	3,242,943	-	-	3,242,943
Restricted Cash	-	-	-	283,325	-	-	283,325
Advances to Other Funds	-	20,000	-	-	-	-	20,000
Acquisition Costs, Net of Amortization	-	-	17,280	-	-	-	17,280
Capital Assets:							
Land	-	100,831	-	-	71,304	13,077	185,212
Buildings (Net)	263,708	1,787	71,280	19,558	1,038,885	169,823	1,565,041
Infrastructure (Net)	2,727,900	6,536,632	1,005,067	-	-	1,102,388	11,371,987
Improvements (Net)	-	-	-	2,879,835	-	-	2,879,835
Machinery and Equipment (Net)	172,568	13,065	183,323	10,289	-	250,647	629,892
Vehicles (Net)	-	9,099	5,268	38,653	4,036	-	57,056
Total Capital Assets	3,164,176	6,661,414	1,264,938	2,948,335	1,114,225	1,535,935	16,689,023
Total Noncurrent Assets	3,164,176	6,681,414	1,282,218	6,474,603	1,114,225	1,535,935	20,252,571
Total Assets	4,631,673	8,774,953	2,749,818	8,257,783	1,491,475	3,772,300	29,678,002
DEFERRED OUTFLOWS OF RESOURCES							
Pension Related	8,886	18,160	13,076	39,046	24,268	46,973	150,409
LIABILITIES							
Current Liabilities:							
Accounts Payable	28,887	1,984	180,836	38,872	20,300	57,635	328,514
Salaries and Benefits Payable	4,620	6,526	2,837	13,275	9,395	17,971	54,624
Deposits Payable	-	-	1,349	-	-	-	1,349
Accrued Interest Payable	1,791	9,826	-	4,197	6,916	-	22,730
Due to Other Governments	243	-	8,355	1,654	10,830	4,352	25,434
Due to Other Funds	-	-	-	-	-	19,891	19,891
Unearned Utility Payments	-	-	7,682	13,400	-	45,592	66,674
Compensated Absences - Due Within One Year	1,363	483	4,286	20,428	6,698	18,388	51,646
Long-Term Debt - Due Within One Year	93,000	371,000	-	207,000	50,000	-	721,000
Total Current Liabilities	129,904	389,819	205,345	298,826	104,139	163,829	1,291,862
Noncurrent Liabilities:							
Compensated Absences Payable - Due in More than One Year	454	160	1,429	6,810	2,233	6,128	17,214
Long-Term Debt - Due in More than One Year	331,799	1,958,000	-	2,292,000	1,049,673	-	5,631,472
Net Pension Liability	26,183	53,513	38,532	115,056	71,509	138,416	443,209
Total Noncurrent Liabilities	358,436	2,011,673	39,961	2,413,866	1,123,415	144,544	6,091,895
Total Liabilities	488,340	2,401,492	245,306	2,712,692	1,227,554	308,373	7,383,757
DEFERRED INFLOWS OF RESOURCES							
Pension Related	8,378	17,123	12,330	36,816	22,882	44,292	141,821
NET POSITION							
Net Investment in Capital Assets	2,713,632	4,332,414	1,264,938	449,335	14,552	1,514,331	10,289,202
Restricted for Debt Service	-	-	-	283,325	-	-	283,325
Unrestricted	1,430,209	2,042,084	1,240,320	4,814,661	250,755	1,952,277	11,730,306
Total Net Position	\$ 4,143,841	\$ 6,374,498	\$ 2,505,258	\$ 5,547,321	\$ 265,307	\$ 3,466,608	\$ 22,302,833

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
OPERATING REVENUES							
Sales	\$ -	\$ -	\$ -	\$ -	\$ 1,154,512	\$ -	\$ 1,154,512
Cost of Goods Sold	-	-	-	-	(896,355)	-	(896,355)
Charges for Services	536,700	743,864	2,457,328	1,301,567	-	1,462,166	6,501,625
Total Operating Revenues	536,700	743,864	2,457,328	1,301,567	258,157	1,462,166	6,759,782
OPERATING EXPENSES							
Professional Services	37,313	47,311	270,102	101,581	-	302,468	758,775
Wages, Salaries, and Compensation	46,740	119,422	102,567	257,619	164,407	471,344	1,162,099
Repairs and Maintenance	110,168	26,292	43,733	23,826	11,818	49,853	265,690
Insurance	7,107	10,649	9,521	7,352	4,705	12,418	51,752
Utilities	-	-	5,205	-	-	939	6,144
Depreciation	167,693	290,115	87,014	260,990	22,640	114,861	943,313
Amortization	1,250	3,125	5,910	1,875	-	-	12,160
Materials and Supplies	19,043	228	12,689	4,125	3,914	40,027	80,026
Miscellaneous Expenses	18,921	29,105	71,014	180,994	38,509	139,872	478,415
Purchased Power	-	-	1,455,289	-	-	-	1,455,289
License Fees	2,494	-	-	-	-	236,842	239,336
Total Operating Expenses	410,729	526,247	2,063,044	838,362	245,993	1,368,624	5,452,999
OPERATING INCOME	125,971	217,617	394,284	463,205	12,164	93,542	1,306,783
NONOPERATING REVENUES (EXPENSES)							
Taxes	-	-	-	-	-	150,000	150,000
Interest Income	35,532	61,371	36,695	61,056	5,251	73,169	273,074
Joint Venture Income	-	-	-	11,796	-	-	11,796
Intergovernmental Grants	-	-	-	685	-	114,807	115,492
Miscellaneous - Nonoperating	1,091	1,562	15,793	731	1,966	63,827	84,970
Interest Expense and Fiscal Charges	(8,647)	(28,599)	-	(57,215)	(16,664)	-	(111,125)
Total Nonoperating Revenues (Expenses)	27,976	34,334	52,488	17,053	(9,447)	401,803	524,207
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	153,947	251,951	446,772	480,258	2,717	495,345	1,830,990
Capital Contributions	676,382	282,125	-	-	-	-	958,507
Transfers In	-	-	-	159,623	-	-	159,623
Transfers Out	(90,000)	(90,000)	(202,182)	(315,635)	(6,000)	(355,201)	(1,059,018)
CHANGE IN NET POSITION	740,329	444,076	244,590	324,246	(3,283)	140,144	1,890,102
Net Position - Beginning of Year	3,403,512	5,930,422	2,260,668	5,223,075	268,590	3,326,464	20,412,731
NET POSITION - END OF YEAR	\$ 4,143,841	\$ 6,374,498	\$ 2,505,258	\$ 5,547,321	\$ 265,307	\$ 3,466,608	\$ 22,302,833

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023**

	Water	Sewer	Electric	Telephone	Municipal Liquor	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers and Users	\$ 533,691	\$ 739,282	\$ 2,471,554	\$ 1,298,425	\$ 1,155,209	\$ 1,752,593	\$ 7,950,754
Payments to Suppliers	(167,325)	(112,871)	(1,888,743)	(304,197)	(945,578)	(1,001,787)	(4,420,501)
Payments to Employees	(58,419)	(119,493)	(84,946)	(265,532)	(158,254)	(452,950)	(1,139,594)
Net Cash Provided by Operating Activities	307,947	506,918	497,865	728,696	51,377	297,856	2,390,659
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds	(90,000)	(90,000)	(202,182)	(315,635)	(6,000)	(355,201)	(1,059,018)
Transfers from Other Funds	-	-	-	159,623	-	-	159,623
Interfund Borrowings	-	20,000	-	-	-	19,891	39,891
Taxes	-	-	-	-	-	150,000	150,000
Intergovernmental Grants	-	-	-	685	-	114,807	115,492
Net Cash Used by Noncapital Financing Activities	(90,000)	(70,000)	(202,182)	(155,327)	(6,000)	(70,503)	(594,012)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(93,000)	(369,074)	-	(204,000)	(40,000)	-	(706,074)
Interest Paid on Debt	(5,208)	(31,069)	-	(53,018)	(20,634)	(22,091)	(132,020)
Note Proceeds	-	25,448	-	-	-	-	25,448
Bond Premium Proceeds	-	-	-	-	3,209	-	3,209
Special Assessments	24,836	20,982	-	-	-	-	45,818
Acquisition of Capital Assets	(36,115)	(142,536)	(242,757)	(190,734)	(4,060)	(104,420)	(720,622)
Net Cash Used by Capital and Related Financing Activities	(109,487)	(496,249)	(242,757)	(447,752)	(61,485)	(126,511)	(1,484,241)
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts from Joint Venture	-	-	-	366,023	-	-	366,023
Interest and Dividends Received	35,532	61,371	36,695	61,056	5,251	73,168	273,073
Net Cash Provided by Investing Activities	35,532	61,371	36,695	427,079	5,251	73,168	639,096
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS							
Cash and Cash Equivalents - Beginning of Year	143,992	2,040	89,621	552,696	(10,857)	174,010	951,502
Cash and Cash Equivalents - END OF YEAR	\$ 1,075,591	\$ 1,811,509	\$ 1,037,221	\$ 1,365,654	\$ 228,581	\$ 1,866,001	\$ 7,384,557
CASH AND CASH EQUIVALENTS - END OF YEAR							
	\$ 1,219,583	\$ 1,813,549	\$ 1,126,842	\$ 1,918,350	\$ 217,724	\$ 2,040,011	\$ 8,336,059
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating Income	\$ 125,971	\$ 217,617	\$ 394,284	\$ 463,205	\$ 12,164	\$ 93,542	\$ 1,306,783
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation Expense	167,693	290,115	87,014	260,990	22,640	114,861	943,313
Miscellaneous - Nonoperating	1,091	1,562	15,793	731	1,966	63,827	84,970
(Increase) Decrease in Assets and Deferred Outflows:							
Accounts Receivable - Net	(4,100)	(6,144)	(1,054)	(2,714)	(1,269)	(1,834)	(17,115)
Inventory	-	-	-	-	11,410	-	11,410
Prepays	2,195	4,840	9,042	1,107	(400)	(5,201)	11,583
Deferred Outflows of Resources - Pension	10,146	5,817	(2,478)	25,600	8,938	11,580	59,603
Increase (Decrease) in Liabilities and Deferred Inflows:							
Accounts Payable	26,704	(1,001)	(24,324)	14,446	(1,528)	14,859	29,156
Salaries and Benefits Payable	999	2,984	293	(885)	647	(3,820)	218
Due to Other Governments	72	-	2	3	241	41	359
Compensated Absences Payable	(2,178)	(9,955)	(314)	3,023	(1,500)	(2,228)	(13,152)
Net Pension Liability	(28,092)	(14,866)	8,309	(69,303)	(23,189)	(28,564)	(155,705)
Deferred Inflows of Resources - Pension	7,446	15,949	11,811	33,652	21,257	41,426	131,541
Unearned Utility Payments	-	-	(513)	(1,159)	-	(633)	(2,305)
Total Adjustments	181,976	289,301	103,581	265,491	39,213	204,314	1,083,876
Net Cash Provided by Operating Activities	\$ 307,947	\$ 506,918	\$ 497,865	\$ 728,696	\$ 51,377	\$ 297,856	\$ 2,390,659
NONCASH CAPITAL ACTIVITIES							
Capital Assets Contributed	\$ 676,382	\$ 282,125	\$ -	\$ -	\$ -	\$ -	\$ 958,507
Amortization of Premiums and Discounts	3,678	-	-	-	(469)	-	3,209
Purchase of Capital Assets through Contracts and Retainage Payable	25,745	-	-	-	-	21,604	47,349
Total Noncash Capital Activities	\$ 705,805	\$ 282,125	\$ -	\$ -	\$ (469)	\$ 21,604	\$ 1,009,065
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION							
Cash and Cash Equivalents	\$ 1,219,583	\$ 1,813,549	\$ 1,126,842	\$ 1,635,025	\$ 217,724	\$ 2,040,011	\$ 8,052,734
Restricted Cash	-	-	-	283,325	-	-	283,325
Total Cash and Cash Equivalents	\$ 1,219,583	\$ 1,813,549	\$ 1,126,842	\$ 1,918,350	\$ 217,724	\$ 2,040,011	\$ 8,336,059

See accompanying Notes to Basic Financial Statements.

**CITY OF BARNESVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
DECEMBER 31, 2023**

	Custodial Fund
ASSETS	
Cash and Investments	\$ 171,550
LIABILITIES	
Accounts Payable	3,579
NET POSITION	
Restricted for Fire Department	\$ 167,971

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Custodial Fund
ADDITIONS	
Intergovernmental	\$ 5,392
Charges for Services	113,037
Investment Income	2,019
Miscellaneous Revenue	62,505
Contributions and Donations	1,340
Total Additions	184,293
DEDUCTIONS	
Payments to Other Entities	163,722
NET INCREASE IN NET POSITION	20,571
Net Position - Beginning of Year	147,400
NET POSITION - END OF YEAR	\$ 167,971

See accompanying Notes to Basic Financial Statements.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the Primary Government and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to users of the services for support.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under leases are reported as other financing sources.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current -fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current-fiscal period. Only the portion of special assessments receivable due within the current-fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Parks and Recreation Special Revenue Fund – The Parks and Recreation Special Revenue Fund is used to account for the operations of the City’s parks and golf course. The revenues of this fund are committed by the City Council to only be used within the parks system.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the activities of the City’s water utility.

Sewer Fund – The Sewer Fund accounts for the activities of the City’s sanitary sewer system.

Electric Fund – The Electric Fund accounts for the operations of the City’s electric utility.

Telephone Fund – The Telephone Fund accounts for the operations of the City’s telephone utility.

Municipal Liquor Fund – The Municipal Liquor Fund accounts for the operations of the City’s liquor store.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Additionally, the City reports the following fiduciary fund types:

Fire Department Custodial Fund – The Fire Department Fund accounts for the fire district activity held by the City in a strictly custodial capacity.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

1. Cash and Investments (Including Cash Equivalents)

Cash balances are invested to the extent available in various securities as authorized by Minnesota Statutes. Investment earnings are recorded in the individual fund carrying the investment. Investments are stated at fair value.

Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

For the purposes of the statement of cash flows of the proprietary fund types, the City considers all cash and investments under the classification current assets and restricted assets to be cash and cash equivalents. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, and money market savings accounts.

Restricted cash in the enterprise funds relates to cash restricted for repayment of debt.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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. Prepaids

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Land Held for Resale

Land held for resale by the EDA is for redevelopment purposes and for subsequent resale. Land held for resale is reported as an asset at the lower of cost or estimated fair value. Fair value estimates have been based on estimated realizable sales proceeds net of selling expenses.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25-75
Infrastructure and Improvements	15-75
Machinery, Equipment, and Vehicles	3-15

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

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Capital Assets (Continued)

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

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

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

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

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

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Compensated Absences

City and component unit employees are granted annual leave and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated annual leave, compensatory time and 15% of any accrued sick leave.

Leave and compensatory payments are reported as expenditures for governmental fund types when the payments are made to employees. Appropriations lapse at year-end and accordingly, there are no available expendable financial resources. Accrued commitments are recorded in the statement of net position.

In the City's proprietary funds, amounts for earned but unused vacation leave and that portion of earned but unused sick leave estimated to be payable upon retirement are reflected under the accrual basis of accounting.

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.

12. Pensions

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Deferred Inflows of Resources

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. When committed, assigned, and unassigned fund balance is available for use, it is the City's policy to use committed, assigned, and finally unassigned fund balance.

In the government wide and proprietary fund statements, net position is presented in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is presented as unrestricted.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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)

15. Adoption of New Accounting Standards

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The City adopted the requirements of the guidance effective January 1, 2023, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material agreements being identified.

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.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expense (Continued)

1. Revenues (Continued)

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.

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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

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 and net position as of December 31, 2023, in the DARE Fund and Ambulance Fund, respectively. The City intends to fund this deficit through future operating revenue.

B. Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following funds:

	Expenditures	Budget	Excess
General Fund	\$ 3,008,045	\$ 2,674,427	\$ 333,618
Park and Recreation Fund	864,258	816,510	47,748

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023, 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, 2023**

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, 2023, 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	\$ 175,473	12.1 %
<u>Negotiable Certificates of Deposit</u>				
Toyota Financial Saving Bank	7/22/2026	NR	225,836	15.6
<u>Municipal Bonds</u>				
Porter County Ind Jail Building	1/10/2024	NR	25,011	1.7
West Contra Costa CA Uni School District	8/1/2024	NR	80,446	5.6
<u>Government/Agency Obligations</u>				
United States Treasury	2/6/2024	NR	146,245	10.1
United States Treasury	5/23/2024	NR	203,816	14.1
United States Treasury	5/30/2024	NR	194,842	13.5
Charles Schwab BK SSB	9/18/2024	NR	100,164	6.9
United States Treasury	8/15/2025	NR	90,471	6.2
United States Treasury	8/15/2025	NR	103,946	7.2
Small Business Admin Gtd	7/1/2032	NR	101,511	7.0
			<u>\$ 1,447,761</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, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

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

Interest Rate Risk – This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Minnesota Statutes restrict the types of investments in which the City may invest. The City has no investment policy that would further limit its investment choices.

Concentration Credit Risk – The City investment policy places no limits on the amount the City may invest in any one issuer.

Custodial Credit Risk – For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy regarding custodial credit risks for investments.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments (Continued)

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

Deposits	\$ 11,274,532
Investments	1,447,761
Total Cash and Investments	<u>\$ 12,722,293</u>
Governmental Funds	
Cash and Investments	\$ 3,801,166
Enterprise Funds	
Cash and Investments	8,052,734
Restricted Cash and Investments	283,325
Component Unit	413,518
Custodial Funds	171,550
Total Cash and Investments	<u>\$ 12,722,293</u>

Fair Value Measurements

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the City’s own assumptions about the assumptions market participants would use in pricing the asset.

Investments are measured as follows:

	<u>12/31/2023</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	\$ 225,836	\$ -	\$ 225,836	\$ -
Municipal Bonds	105,457	-	105,457	-
Government/Agency Obligations	940,995	-	940,995	-
Total Investments by Fair Value Level	1,272,288	<u>\$ -</u>	<u>\$ 1,272,288</u>	<u>\$ -</u>
Investments Measured at Amortized Cost				
Money Market Funds	175,473			
Total Investments	<u>\$ 1,447,761</u>			

2. Nonmarketable Investments/Investment in Joint Venture

The City’s telephone company has entered into an agreement with Rothsay Telephone Company, Otter Com, LLC, Red River Technologies, Inc., Loretel Systems, and East Ottertail Telephone to operate a fiber optic video transmission network to serve 17 area school districts. Each telephone company contributed capital and shares in the operating decisions. Barnesville’s share is approximately 18.1%. All profits and losses are shared proportionately to each member’s ownership. The City uses the equity method to account for its investments. Joint venture activity for 2023 is as follows:

Balance, January 1, 2023	\$ 3,597,170
Cash Distributions	(366,023)
Net Income	11,796
Balance, December 31, 2023	<u>\$ 3,242,943</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, 2023**

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, 2023, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 583,716	\$ 74,300	\$ -	\$ 658,016
Construction in Progress	58,318	1,798,818	(1,637,529)	219,607
Total Capital Assets Not Being Depreciated	642,034	1,873,118	(1,637,529)	877,623
Capital Assets Being Depreciated:				
Buildings	1,680,180	575,000	-	2,255,180
Infrastructure	7,223,708	1,578,564	-	8,802,272
Improvements	2,679,288	137,550	-	2,816,838
Machinery and Equipment	1,052,280	129,594	(65,062)	1,116,812
Vehicles	522,228	140,075	(80,941)	581,362
Total Capital Assets Being Depreciated	13,157,684	2,560,783	(146,003)	15,572,464
Less Accumulated Depreciation for:				
Buildings	1,019,735	42,550	-	1,062,285
Infrastructure	3,879,296	245,753	-	4,125,049
Improvements	813,113	153,114	-	966,227
Machinery and Equipment	729,847	98,601	(58,708)	769,740
Vehicles	434,993	57,321	(80,941)	411,373
Total Accumulated Depreciation	6,876,984	597,339	(139,649)	7,334,674
Total Capital Assets Being Depreciated, Net	6,280,700	1,963,444	(6,354)	8,237,790
Right-to-Use Assets:				
Machinery and Equipment	18,328	42,479	(9,782)	51,025
Vehicles	68,544	-	-	68,544
Total Right-to-Use Assets Being Amortized	86,872	42,479	(9,782)	119,569
Less Accumulated Amortization for:				
Machinery and Equipment	7,868	6,644	(9,782)	4,730
Vehicles	14,430	14,430	-	28,860
Total Accumulated Amortization	22,298	21,074	(9,782)	33,590
Total Right-to-Use Assets Being Amortized, Net	64,574	21,405	-	85,979
Governmental Activities Capital Assets, Net	<u>\$ 6,987,308</u>	<u>\$ 3,857,967</u>	<u>\$ (1,643,883)</u>	<u>\$ 9,201,392</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 185,212	\$ -	\$ -	\$ 185,212
Construction in Progress	382,873	101,037	(483,910)	-
Total Capital Assets Not Being Depreciated	568,085	101,037	(483,910)	185,212
Capital Assets Being Depreciated:				
Buildings	2,492,267	17,973	-	2,510,240
Infrastructure	21,373,032	1,611,294	-	22,984,326
Improvements	115,250	194,794	-	310,044
Machinery and Equipment	2,931,624	173,054	-	3,104,678
Vehicles	659,406	-	(20,500)	638,906
Total Capital Assets Being Depreciated	27,571,579	1,997,115	(20,500)	29,548,194
Less Accumulated Depreciation for:				
Buildings	877,353	49,800	-	927,153
Infrastructure	8,343,552	694,936	-	9,038,488
Improvements	9,306	8,766	-	18,072
Machinery and Equipment	2,343,584	131,258	-	2,474,842
Vehicles	547,775	58,553	(20,500)	585,828
Total Accumulated Depreciation	12,121,570	943,313	(20,500)	13,044,383
Total Capital Assets Being Depreciated, Net	15,450,009	1,053,802	-	16,503,811
Business-Type Activities Capital Assets, Net	<u>\$ 16,018,094</u>	<u>\$ 1,154,839</u>	<u>\$ (483,910)</u>	<u>\$ 16,689,023</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2023:

COMPONENT UNIT	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ 11,802	\$ -	\$ 11,802
Capital Assets Being Depreciated:				
Buildings	9,989	-	-	9,989
Less Accumulated Depreciation for:				
Buildings	6,327	999	-	7,326
Total Capital Assets Being Depreciated, Net	<u>3,662</u>	<u>(999)</u>	<u>-</u>	<u>2,663</u>
Right-to-Use Assets:				
Buildings	15,296	-	(15,296)	-
Machinery and Equipment	6,607	-	-	6,607
Total Right-to-Use Assets Being Amortized	21,903	-	(15,296)	6,607
Less Accumulated Amortization for:				
Buildings	7,648	7,648	(15,296)	-
Machinery and Equipment	1,391	1,391	-	2,782
Total Accumulated Amortization	<u>9,039</u>	<u>9,039</u>	<u>(15,296)</u>	<u>2,782</u>
Total Right-to-Use Assets Being Amortized, Net	<u>12,864</u>	<u>(9,039)</u>	<u>-</u>	<u>3,825</u>
Component Unit Capital Assets, Net	<u>\$ 16,526</u>	<u>\$ 1,764</u>	<u>\$ -</u>	<u>\$ 18,290</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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	\$ 53,150
Public Safety	4,482
Public Works	260,186
Culture and Recreation	300,595
Total Depreciation/Amortization	<u>618,413</u>
Expense - Governmental Activities	<u>\$ 618,413</u>
Business-Type Activities:	
Water	\$ 167,693
Sewer	290,115
Electric	87,014
Telephone	260,990
Municipal Liquor	22,640
Cable Television	30,499
Sanitation	2,632
Storm Sewer	54,060
Ambulance	26,505
Broadband Internet	1,165
Total Depreciation/Amortization	<u>943,313</u>
Expense - Business-Type Activities	<u>\$ 943,313</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, 2023, the City recognized \$4,077 and \$208 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, 2023, the EDA recognized \$6,714 and \$605 in lease revenue and interest revenue, respectively, pursuant the contracts.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Long-Term Lease Receivable (Continued)

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

Lease Receivable General Fund		
Year Ending December 31,	Principal	Interest
2024	\$ 7,101	\$ 199
2025	3,234	16
Total	\$ 10,335	\$ 215

Lease Receivable Component Unit		
Year Ending December 31,	Principal	Interest
2024	\$ 6,656	\$ 445
2025	6,820	280
2026	6,987	112
Total	\$ 20,463	\$ 837

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	\$ -	\$ 13,977	\$ 3,642	\$ 10,335
 COMPONENT UNIT				
Grunewald Farm	\$ 1,337	\$ -	\$ 322	\$ 1,015
Ramacher Farm	25,621	-	6,173	19,448
Total Component Unit	\$ 26,958	\$ -	\$ 6,495	\$ 20,463

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

The composition of interfund transfers as of December 31, 2023, is as follows:

	Transfers In:			Total
	General Fund	Debt Service Fund	Telephone Enterprise Fund	
Transfer Out:				
Capital Projects Fund	\$ -	\$ 32,119	\$ -	\$ 32,119
Water Enterprise Fund	90,000		-	90,000
Sewer Enterprise Fund	90,000	-	-	90,000
Electric Enterprise Fund	202,182	-	-	202,182
Telephone Enterprise Fund	315,635	-	-	315,635
Municipal Liquor Enterprise Fund	6,000	-	-	6,000
Nonmajor Enterprise Funds	195,578	-	159,623	355,201
Total	\$ 899,395	\$ 32,119	\$ 159,623	\$ 1,091,137

Transfers between funds were used to (1) provide funding for operating purposes, (2) make scheduled debt payments, (3) reimburse for purchase of capital assets, and (4) closing of the C.S.A.H. 52 Capital Projects Fund.

The composition of interfund balances at December 31, 2023, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	DARE Fund	\$ 1,529
General Fund	Capital Projects Fund	102,468
General Fund	Ambulance Fund	19,891
Total		\$ 123,888

The interfund receivables/payables between the General Fund, Capital Projects 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, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables and Transfers (Continued)

Advances To/From Other Funds and Discrete Component Unit

Advance To	Advance From	Amount
General Fund	Sewer Fund	\$ 20,000

The advance between the General Fund and the Sewer Fund was to pay for the old city hall project. The General Fund will reimburse the Sewer Fund \$20,000 each year until paid off.

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 \$2,562,000 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, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

In 2023, the City issued General Obligation Improvement Bonds, Series 2023A for the purpose of financing various public improvements within the City. The bonds carry an interest rate of 4.00% and will mature in 2044.

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, 2023, \$2,499,000 remains outstanding to be repaid by future telephone revenues. For the year ended December 31, 2023, the net revenue available for service of this debt was \$726,070. The debt principal and interest paid during 2023 equaled \$257,018 (120% of available pledged net revenues).

2. Components of Long-Term Debt

	Authorized and Issued	Outstanding	Due in 2024	
			Principal	Interest
GOVERNMENTAL ACTIVITIES				
General Obligation Bonds, <u>Including Refunding Bonds</u>				
G.O. Improvement Bonds Series 2013A, 1.5% to 3.75%, Issued 11/21/13, Final Maturity 02/21/29.	\$ 345,000	\$ 155,000	\$ 25,000	\$ 5,231
G.O. Improvement Bonds Series 2016A, 1.00% to 3.00%, Issued 6/2/16, Final Maturity 2/1/37.	1,260,000	930,000	55,000	22,998
G.O. Improvement Bonds Series 2020A, 2.00% to 3.00%, Issued 6/8/20, Final Maturity 2/1/41.	2,440,000	2,250,000	100,000	50,000
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	970,000	800,000	70,000	9,160
G.O. Improvement Bonds Series 2023A, 4.00%, Issued 3/30/23, Final Maturity 2/1/44	1,620,000	1,620,000	-	86,580
Total General Obligation Bonds, Including Refunding Bonds	6,635,000	5,755,000	250,000	173,969
Less: Unamortized Premium	-	149,516	-	-
Total General Obligation Bonds, Including Refunding Bonds - Net	6,635,000	5,904,516	250,000	173,969
Lease Liability	86,871	88,114	24,208	2,395
Total Long-Term Debt - Governmental Activities	6,721,871	5,992,630	274,208	176,364

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Components of Long-Term Debt (Continued)

	Authorized and Issued	Outstanding	Due in 2024	
			Principal	Interest
BUSINESS-TYPE ACTIVITIES				
<u>Revenue Bonds</u>				
Communication System Revenue Refunding Bonds, Series 2022A; 1.2% to 2.5%; Issued 03/16/22; Final Maturity 12/01/34.	\$ 2,922,000	\$ 2,499,000	\$ 207,000	\$ 50,366
<u>General Obligation Bonds</u>				
G.O. Improvement Bonds Series 2021A, .75% to 2.0%, Issued 8/5/21, Final Maturity 2/1/42.	1,135,000	1,095,000	50,000	16,163
G.O. Improvement Bonds Series 2021B, .90% to 1.70%, Issued 8/5/21, Final Maturity 2/1/37.	335,000	190,000	65,000	1,575
Total General Obligation Bonds	1,470,000	1,285,000	115,000	17,738
Less: Unamortized Premium	-	6,472	-	-
Total General Obligation Bonds - Net	1,470,000	1,291,472	115,000	17,738
<u>Direct Borrowing - Revenue Notes</u>				
G.O. Revenue Note of 2006; 1.56%, Issued 07/31/06; Final Maturity 08/20/25.	4,137,640	520,000	258,000	8,112
G.O. Revenue Bonds of 2011, 1.000% to 1.143%, Issued 2/29/12, Final Maturity 8/20/31.	1,049,285	455,000	55,000	4,883
G.O. Revenue Bonds of 2020, 1.000%, Issued 7/29/20, Final Maturity 8/20/40.	1,961,315	1,587,000	86,000	15,870
Total Direct Borrowing - Net	7,148,240	2,562,000	399,000	28,865
Total Long-Term Debt - Business-Type Activities	11,540,240	6,352,472	721,000	96,969
Total Government-Wide Long-Term Liabilities	<u>\$ 18,262,111</u>	<u>\$ 12,345,102</u>	<u>\$ 995,208</u>	<u>\$ 273,333</u>
DISCRETELY PRESENTED COMPONENT UNIT				
<u>Notes Payable</u>				
Notes Payable of 2012, 0%, Issued 4/20/12	\$ 85,201	\$ 58,682	\$ -	\$ -
Notes Payable of 2019, 0%, Issued 7/15/19	133,000	46,496	-	-
Notes Payable of 2021, 0%, Issued 8/20/21	115,669	86,800	27,283	-
Total Discretely Presented Component Unit	<u>\$ 333,870</u>	<u>\$ 191,978</u>	<u>\$ 27,283</u>	<u>\$ -</u>

CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2022			December 31, 2023		Due Within One Year
	As Restated	Additions	Retirements			
GOVERNMENTAL ACTIVITIES						
General Obligation Debt, Including						
Refunding Bonds	\$ 4,460,000	\$ 1,620,000	\$ 325,000	\$ 5,755,000	\$ 250,000	
Less: Unamortized Discounts	(1,695)	-	(1,695)	-	-	
Unamortized Premiums	102,715	66,211	19,410	149,516	-	
Lease Liability	66,185	42,479	20,550	88,114	24,208	
Compensated Absences Payable	171,404	112,523	100,102	183,825	137,869	
Total Governmental Activities	<u>\$ 4,798,609</u>	<u>\$ 1,841,213</u>	<u>\$ 463,367</u>	<u>\$ 6,176,455</u>	<u>\$ 412,077</u>	
BUSINESS-TYPE ACTIVITIES						
Revenue Bonds	\$ 2,703,000	\$ -	\$ 204,000	\$ 2,499,000	\$ 207,000	
Direct Borrowing - Revenue Notes	2,933,626	25,448	397,074	2,562,000	399,000	
General Obligation Bonds	1,390,000	-	105,000	1,285,000	115,000	
Unamortized Premiums	3,263	3,209	-	6,472	-	
Compensated Absences Payable	82,012	58,487	71,639	68,860	51,646	
Total Business-Type Activities	<u>\$ 7,111,901</u>	<u>\$ 87,144</u>	<u>\$ 777,713</u>	<u>\$ 6,421,332</u>	<u>\$ 772,646</u>	
DISCRETELY PRESENTED COMPONENT UNIT						
Notes Payable	\$ 191,978	\$ -	\$ -	\$ 191,978	\$ 27,283	
Special Assessments Payable	1,498,908	-	33,904	1,465,004	-	
Lease Liability	13,006	-	9,088	3,918	1,394	
Compensated Absences Payable	14,920	8,344	7,449	15,815	11,861	
Total Discretely Presented Component Unit	<u>\$ 1,718,812</u>	<u>\$ 8,344</u>	<u>\$ 50,441</u>	<u>\$ 1,676,715</u>	<u>\$ 40,538</u>	

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
2024	\$ 250,000	\$ 173,969	\$ 423,969	\$ 24,208	\$ 2,395	\$ 26,603
2025	315,000	145,466	460,466	25,006	1,597	26,603
2026	310,000	137,324	447,324	21,858	796	22,654
2027	325,000	128,951	453,951	8,768	368	9,136
2028	335,000	120,274	455,274	8,274	104	8,378
2029 - 2033	1,645,000	474,350	2,119,350	-	-	-
2034 - 2038	1,510,000	268,443	1,778,443	-	-	-
2039 - 2043	950,000	88,700	1,038,700	-	-	-
2044	115,000	2,300	117,300	-	-	-
Total	<u>\$ 5,755,000</u>	<u>\$ 1,539,777</u>	<u>\$ 7,294,777</u>	<u>\$ 88,114</u>	<u>\$ 5,260</u>	<u>\$ 93,374</u>

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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
2024	\$ 399,000	\$ 28,865	\$ 427,865	\$ 115,000	\$ 17,738	\$ 132,738
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 - 2033	636,000	51,977	687,977	275,000	61,295	336,295
2034 - 2038	485,000	24,700	509,700	295,000	39,880	334,880
2039 - 2040	201,000	3,020	204,020	260,000	10,400	270,400
Total	<u>\$ 2,562,000</u>	<u>\$ 181,017</u>	<u>\$ 2,743,017</u>	<u>\$ 1,285,000</u>	<u>\$ 190,224</u>	<u>\$ 1,475,224</u>

Year	Revenue Bonds			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 207,000	\$ 50,366	\$ 257,366	\$ 721,000	\$ 96,969	\$ 817,969
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 - 2033	1,177,000	112,790	1,289,790	2,088,000	226,062	2,314,062
2034 - 2038	252,000	6,300	258,300	1,032,000	70,880	1,102,880
2039 - 2040	-	-	-	461,000	13,420	474,420
Total	<u>\$ 2,499,000</u>	<u>\$ 337,618</u>	<u>\$ 2,836,618</u>	<u>\$ 6,346,000</u>	<u>\$ 708,859</u>	<u>\$ 7,054,859</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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Risk Management

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

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment is estimated to be immaterial based on worker's compensation rates and salaries for the year ended December 31, 2023.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Plan Benefits

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2023, were \$101,272. The City contributions were equal to the required contributions as set by state statute.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2023 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, 2023, were \$68,507. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$945,029 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the state of Minnesota’s contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state’s contribution meets the definition of a special funding situation. The state of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$25,952.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0169% at the end of the measurement period and 0.0159% for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 945,029
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	25,952
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 970,981

For the year ended December 31, 2023, the City recognized pension expense of \$189,050 for its proportionate share of the General Employee Plan’s pension expense. In addition, the City recognized an additional \$117 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the General Employees Fund.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2023, the City reported its proportionate share of the General Employee Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 31,035	\$ 6,510
Changes in Actuarial Assumptions	152,987	259,025
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	35,341
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	87,009	1,521
City Contributions Subsequent to the Measurement Date	49,676	-
Total	<u>\$ 320,707</u>	<u>\$ 302,397</u>

The \$49,676 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. 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>	Pension Expenses Amount
2024	\$ 57,652
2025	(105,683)
2026	37,166
2027	(20,501)

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$474,889 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0275% at the end of the measurement period and 0.0284% for the beginning of the period.

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2022. 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 \$19,124.

City’s Proportionate Share of the Net Pension Liability	\$ 474,889
State of Minnesota’s Proportionate Share of the Net Pension Liability Associated with the City	19,124
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 494,013

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2023, the City recognized pension expense of \$126,233 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized (\$1,152) as grant revenue (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.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$2,475 for the year ended December 31, 2023, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Funds.

At December 31, 2023, the City's proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 130,943	\$ -
Changes in Actuarial Assumptions	551,071	667,700
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	22,797
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	4,670	66,714
City Contributions Subsequent to the Measurement Date	36,712	-
Total	<u>\$ 723,396</u>	<u>\$ 757,211</u>

The \$36,712 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. 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>	Pension Expenses Amount
2024	\$ 5,880
2025	(14,239)
2026	99,723
2027	(41,830)
2028	(120,061)

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Summary

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

Description	General Employees Plan	Police and Fire Plan	Total
Net Pension Liability	\$ 945,029	\$ 474,889	\$ 1,419,918
Deferred Outflows of Resources			
Related to Pensions	320,707	723,396	1,044,103
Deferred Inflows of Resources			
Related to Pensions	302,397	757,211	1,059,608
Pension Expense	189,167	125,081	314,248

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
International Equity	16.5	5.30
Totals	100.0 %	

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 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 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions occurred in 2023:

General Employees Fund:

Changes in Actuarial Assumptions:

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

General Employees Fund (Continued):

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, noncompounding 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.

Police and Fire Fund:

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.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 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, 2023**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.00%	7.00%	8.00%
City's Proportionate Share of the General Employee Plan Net Pension Liability	\$ 1,671,832	\$ 945,029	\$ 347,206

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
	6.00%	7.00%	8.00%
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 942,237	\$ 474,889	\$ 90,667

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, 2023**

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 2023 contribution to the plan was as follows:

State Aid flowed through City to District	\$ 39,794
Voluntary (Nonrequired) Contribution from City	12,485
Total Contribution	\$ 52,279

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, 2023, totals \$33,334.

**CITY OF BARNESVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitment

The City has an active construction project commitment as of December 31, 2023. The project and commitment includes the following:

Project	Spent-to-Date	Remaining Commitment
Event Center Renovation	\$ 205,004	\$ 51,253

NOTE 8 TAX ABATEMENTS

The City has five pay-as-you-go tax increment financing districts with local businesses to promote economic development, redevelopment, and housing within the City as authorized under Minnesota Statutes §469.174. The City is currently collecting tax increments that are paid through the property tax collection process. One of the districts will stop collections on December 31, 2022, another district will stop collections on December 31, 2024, while the last three districts will stop collections on December 31, 2029, 2039, and 2040, respectively. The requirement for businesses to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers less administrative fees. For the year ended December 31, 2023, the City paid excess tax increment in the amount of \$109,439.

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, 2023, the City abated property taxes totaling \$45,785. No other commitments were made by the City as part of these agreements.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 9 RESTATEMENT

Beginning net position related to governmental activities and the discretely presented component unit were restated by \$58,682 to account for a promissory note that was not recognized in 2022.

	Governmental Activities	Component Unit
Net Position/Fund Balance - Beginning of Year	\$ 10,015,633	\$ 474,570
Restatement - Correction of an Error	58,682	(58,682)
Net Position/Fund Balance - Beginning of Year, as Restated	\$ 10,074,315	\$ 415,888

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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

	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021
PERA - General Employees Plan			
City's Proportion of the Net Pension Liability	0.0169%	0.0159%	0.0144%
City's Proportionate Share of the Net Pension Liability	\$ 945,029	\$ 1,259,285	\$ 614,945
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 25,952	\$ 36,995	\$ 18,729
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 970,981	\$ 1,296,280	\$ 633,674
City's Covered Payroll	\$ 1,343,186	\$ 1,189,371	\$ 1,032,629
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	70.36%	105.88%	59.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.10%	76.70%	87.00%
PERA - Police and Fire Plan			
City's Proportion of the Net Pension Liability	0.0275%	0.0284%	0.0318%
City's Proportionate Share of the Net Pension Liability	\$ 474,889	\$ 1,235,854	\$ 245,462
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 19,124	\$ 54,097	\$ 11,025
Total Proportionate Share of the Net Pension Liability Associated with the City	\$ 494,013	\$ 1,289,951	\$ 256,487
City's Covered Payroll	\$ 361,075	\$ 345,451	\$ 375,515
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	131.52%	357.75%	65.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.50%	70.50%	93.70%

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

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

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

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

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

	2023	2022	2021	2020
PERA - General Employees Plan				
Contractually Required Contribution	\$ 101,272	\$ 97,859	\$ 78,888	\$ 78,306
Contributions in Relation to the Contractually Required Contribution	(101,272)	(97,859)	(78,888)	(78,306)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,350,293	\$ 1,304,787	\$ 1,051,840	\$ 1,044,080
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
PERA - Police and Fire Plan				
Contractually Required Contribution	\$ 68,507	\$ 63,463	\$ 62,659	\$ 68,692
Contributions in Relation to the Contractually Required Contribution	(68,507)	(63,463)	(62,659)	(68,692)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 387,045	\$ 358,548	\$ 354,006	\$ 388,087
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%

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

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

2019	2018	2017	2016	2015	2014
\$ 75,146	\$ 72,474	\$ 70,677	\$ 72,123	\$ 73,020	\$ 68,395
(75,146)	(72,474)	(70,677)	(72,123)	(73,020)	(68,395)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,001,947	\$ 966,320	\$ 942,360	\$ 961,636	\$ 973,605	\$ 943,183
7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
\$ 63,493	\$ 58,511	\$ 54,145	\$ 52,873	\$ 54,333	\$ 47,791
(63,493)	(58,511)	(54,145)	(52,873)	(54,333)	(47,791)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 374,591	\$ 361,179	\$ 334,231	\$ 326,375	\$ 335,388	\$ 301,363
16.95%	16.20%	16.20%	16.20%	16.20%	15.86%

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

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 638,900	\$ 638,900	\$ 643,243	\$ 4,343
Special Assessments	600	600	618	18
Licenses and Permits	44,450	44,450	70,398	25,948
Intergovernmental	931,513	931,513	1,218,314	286,801
Charges for Services	2,250	2,250	82,456	80,206
Fines and Forfeits	8,050	8,050	9,500	1,450
Interest Income	18,250	18,250	65,368	47,118
Miscellaneous	9,800	9,800	25,765	15,965
Total Revenues	1,653,813	1,653,813	2,115,662	461,849
EXPENDITURES				
Current:				
General Government	879,379	879,379	870,383	(8,996)
Public Safety	763,885	763,885	819,916	56,031
Public Works	347,136	347,136	348,585	1,449
Economic Development	242,027	242,027	236,463	(5,564)
Capital Outlay:				
General Government	96,000	96,000	351,903	255,903
Public Safety	60,000	60,000	53,033	(6,967)
Public Works	286,000	286,000	320,661	34,661
Debt Service:				
Principal	-	-	6,831	6,831
Interest and Other Charges	-	-	270	270
Total Expenditures	2,674,427	2,674,427	3,008,045	333,618
EXCESS OF REVENUES UNDER EXPENDITURES	(1,020,614)	(1,020,614)	(892,383)	128,231
OTHER FINANCING SOURCES (USES)				
Transfers In	899,395	899,395	899,395	-
Transfers Out	(20,000)	(20,000)	-	20,000
Lease Liability Proceeds	-	-	42,479	42,479
Proceeds from Sale of Capital Assets	-	-	5,780	5,780
Total Other Financing Sources (Uses)	879,395	879,395	947,654	68,259
NET CHANGE IN FUND BALANCE	<u>\$ (141,219)</u>	<u>\$ (141,219)</u>	55,271	<u>\$ 196,490</u>
Fund Balance - Beginning of Year			2,087,234	
FUND BALANCE - END OF YEAR			<u>\$ 2,142,505</u>	

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

**CITY OF BARNESVILLE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
PARKS AND RECREATION SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 280,000	\$ 280,000	\$ 280,000	\$ -
Licenses and Permits	800	800	499	(301)
Charges for Services	278,960	278,960	321,266	42,306
Interest on Investments	4,000	4,000	26,145	22,145
Miscellaneous	252,750	252,750	53,440	(199,310)
Total Revenues	<u>816,510</u>	<u>816,510</u>	<u>681,350</u>	<u>(135,160)</u>
EXPENDITURES				
Current:				
Parks and Recreation	570,119	570,119	505,351	(64,768)
Capital Outlay:				
Parks and Recreation	231,000	231,000	343,516	112,516
Debt Service:				
Principal	13,679	13,679	13,719	40
Interest and Other Charges	1,712	1,712	1,672	(40)
Total Expenditures	<u>816,510</u>	<u>816,510</u>	<u>864,258</u>	<u>47,748</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(182,908)</u>	<u>(182,908)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(182,908)</u>	<u>\$ (182,908)</u>
Fund Balance - Beginning of Year			<u>907,820</u>	
FUND BALANCE - END OF YEAR			<u>\$ 724,912</u>	

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

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023**

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	\$ 3,008,045	\$ 2,674,427	\$ 333,618
Park and Recreation Fund	864,258	816,510	47,748

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, 2023

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
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.

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

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

A. General Employees Fund (Continued)
2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

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

A. General Employees Fund (Continued)
2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumptions

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

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

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

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

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 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, 2023

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

B. Police and Fire Fund
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.

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.

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

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

B. Police and Fire Fund (Continued)
2021 (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023

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

B. Police and Fire Fund (Continued)
2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CITY OF BARNESVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
DECEMBER 31, 2023**

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

B. Police and Fire Fund (Continued)
2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

ASSETS	<u>DARE</u>	<u>Small Cities</u>	<u>TIF Districts</u>	<u>Total Nonmajor Funds</u>
Cash and Investments	\$ -	\$ 58,643	\$ 172,930	\$ 231,573
Notes Receivable	-	14,416	-	14,416
Total Assets	-	73,059	172,930	245,989
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	-	-	94	94
Due to Other Funds	1,529	-	-	1,529
Total Liabilities	1,529	-	94	1,623
Deferred Inflows of Resources:				
Unavailable Loans Receivable	-	14,416	-	14,416
Fund Balances:				
Restricted for Economic Development	-	-	172,836	172,836
Restricted for Small Cities Grant	-	58,643	-	58,643
Unassigned	(1,529)	-	-	(1,529)
Total Fund Balances (Deficits)	(1,529)	58,643	172,836	229,950
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 73,059</u>	<u>\$ 172,930</u>	<u>\$ 245,989</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2023**

	DARE	Small Cities	TIF Districts	Total Nonmajor Funds
REVENUES				
Tax Increments	\$ -	\$ -	\$ 134,416	\$ 134,416
Gifts and Contributions	618	-	-	618
Interest Income	12	1,942	3	1,957
Miscellaneous	-	7,830	-	7,830
Total Revenues	630	9,772	134,419	144,821
EXPENDITURES				
Current:				
General Government	-	12,702	-	12,702
Public Safety	2,825	-	-	2,825
Economic Development	-	-	109,533	109,533
Total Expenditures	2,825	12,702	109,533	125,060
NET CHANGE IN FUND BALANCES	(2,195)	(2,930)	24,886	19,761
Fund Balances - Beginning of Year	666	61,573	147,950	210,189
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (1,529)</u>	<u>\$ 58,643</u>	<u>\$ 172,836</u>	<u>\$ 229,950</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2023**

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 17,627	\$ -	\$ 310,871	\$ 605,907	\$ 1,105,606	\$ 2,040,011
Accounts Receivable - Net	27,040	54,408	43,496	6,139	55,408	186,491
Prepays	150	8,436	448	-	829	9,863
Total Current Assets	<u>44,817</u>	<u>62,844</u>	<u>354,815</u>	<u>612,046</u>	<u>1,161,843</u>	<u>2,236,365</u>
Noncurrent Assets:						
Capital Assets:						
Land	-	-	-	13,077	-	13,077
Buildings (Net)	53,635	38,392	77,796	-	-	169,823
Infrastructure (Net)	293,929	-	-	808,459	-	1,102,388
Machinery and Equipment (Net)	128,342	43,309	-	10,244	68,752	250,647
Net Capital Assets	<u>475,906</u>	<u>81,701</u>	<u>77,796</u>	<u>831,780</u>	<u>68,752</u>	<u>1,535,935</u>
Total Noncurrent	<u>475,906</u>	<u>81,701</u>	<u>77,796</u>	<u>831,780</u>	<u>68,752</u>	<u>1,535,935</u>
Total Assets	<u>520,723</u>	<u>144,545</u>	<u>432,611</u>	<u>1,443,826</u>	<u>1,230,595</u>	<u>3,772,300</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	3,207	35,976	3,477	-	4,313	46,973
LIABILITIES						
Current Liabilities:						
Accounts Payable	24,744	5,473	27,305	-	113	57,635
Salaries and Benefits Payable	3,983	11,664	1,358	-	966	17,971
Due to Other Governments	1,771	-	2,581	-	-	4,352
Due to Other Funds	-	19,891	-	-	-	19,891
Unearned Utility Payments	14,896	-	-	-	30,696	45,592
Compensated Absences - Due Within One Year	4,024	9,823	1,292	-	3,249	18,388
Total Current Liabilities	<u>49,418</u>	<u>46,851</u>	<u>32,536</u>	<u>-</u>	<u>35,024</u>	<u>163,829</u>
Noncurrent Liabilities:						
Compensated Absences - Due in More than One Year	1,340	3,273	432	-	1,083	6,128
Net Pension Liability	9,450	106,010	10,247	-	12,709	138,416
Total Noncurrent Liabilities	<u>10,790</u>	<u>109,283</u>	<u>10,679</u>	<u>-</u>	<u>13,792</u>	<u>144,544</u>
Total Liabilities	<u>60,208</u>	<u>156,134</u>	<u>43,215</u>	<u>-</u>	<u>48,816</u>	<u>308,373</u>
DEFERRED INFLOWS OF RESOURCES						
Pension Related	3,024	33,922	3,279	-	4,067	44,292
NET POSITION						
Net Investment in Capital Assets	475,906	81,701	56,192	831,780	68,752	1,514,331
Unrestricted	(15,208)	(91,236)	333,402	612,046	1,113,273	1,952,277
Total Net Position	<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>

CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
OPERATING REVENUES						
Charges for Services	\$ 304,794	\$ 251,717	\$ 322,274	\$ 48,904	\$ 534,477	\$ 1,462,166
OPERATING EXPENSES						
Professional Services	19,830	6,644	275,828	-	166	302,468
Wages, Salaries, and Compensation	26,174	394,071	21,578	-	29,521	471,344
Repairs and Maintenance	3,433	15,469	3,941	-	27,010	49,853
Insurance	7,593	2,856	1,969	-	-	12,418
Utilities	-	939	-	-	-	939
Depreciation	30,499	26,505	2,632	54,060	1,165	114,861
Materials and Supplies	2,171	29,805	7,197	-	854	40,027
Miscellaneous Expenses	5,595	61,047	23,733	280	49,217	139,872
License Fees	236,842	-	-	-	-	236,842
Total Operating Expenses	<u>332,137</u>	<u>537,336</u>	<u>336,878</u>	<u>54,340</u>	<u>107,933</u>	<u>1,368,624</u>
OPERATING INCOME (LOSS)	(27,343)	(285,619)	(14,604)	(5,436)	426,544	93,542
NONOPERATING REVENUES (EXPENSES)						
Taxes	-	150,000	-	-	-	150,000
Interest Income	811	151	8,626	20,866	42,715	73,169
Intergovernmental Grants	-	64,000	50,807	-	-	114,807
Miscellaneous - Nonoperating	1,068	59,067	3,752	-	(60)	63,827
Total Nonoperating Revenues	<u>1,879</u>	<u>273,218</u>	<u>63,185</u>	<u>20,866</u>	<u>42,655</u>	<u>401,803</u>
INCOME (LOSS) BEFORE TRANSFERS	(25,464)	(12,401)	48,581	15,430	469,199	495,345
Transfers Out	<u>(20,723)</u>	<u>-</u>	<u>(20,000)</u>	<u>(8,000)</u>	<u>(306,478)</u>	<u>(355,201)</u>
CHANGE IN NET POSITION	(46,187)	(12,401)	28,581	7,430	162,721	140,144
Net Position - Beginning of Year	<u>506,885</u>	<u>2,866</u>	<u>361,013</u>	<u>1,436,396</u>	<u>1,019,304</u>	<u>3,326,464</u>
NET POSITION - END 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>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023**

	Cable Television	Ambulance	Sanitation	Storm Sewer	Broadband Internet	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 306,269	\$ 531,224	\$ 333,058	\$ 48,514	\$ 533,528	\$ 1,752,593
Payments to Suppliers	(264,684)	(351,870)	(306,966)	(280)	(77,987)	(1,001,787)
Payments to Employees	(23,482)	(379,077)	(20,282)	-	(30,109)	(452,950)
Net Cash Provided (Used) by Operating Activities	18,103	(199,723)	5,810	48,234	425,432	297,856
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES AND RELATED FINANCING ACTIVITIES						
Transfers to Other Funds	(20,723)	-	(20,000)	(8,000)	(306,478)	(355,201)
Interfund Borrowings	-	19,891	-	-	-	19,891
Taxes	-	150,000	-	-	-	150,000
Grant Receipts	-	64,000	50,807	-	-	114,807
Net Cash Provided (Used) by Noncapital Financing Activities and Related Financing Activities	(20,723)	233,891	30,807	(8,000)	(306,478)	(70,503)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	-	(34,503)	-	-	(69,917)	(104,420)
Net Cash Provided (Used) by Capital and Related Financing Activities	(22,091)	(34,503)	-	-	(69,917)	(126,511)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and Dividends Received	810	151	8,626	20,866	42,715	73,168
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,901)	(184)	45,243	61,100	91,752	174,010
Cash and Cash Equivalents - Beginning of Year	41,528	184	265,628	544,807	1,013,854	1,866,001
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 17,627</u>	<u>\$ -</u>	<u>\$ 310,871</u>	<u>\$ 605,907</u>	<u>\$ 1,105,606</u>	<u>\$ 2,040,011</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (27,343)	\$ (285,619)	\$ (14,604)	\$ (5,436)	\$ 426,544	\$ 93,542
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation Expense	30,499	26,505	2,632	54,060	1,165	114,861
Miscellaneous - Nonoperating	1,068	59,067	3,752	-	(60)	63,827
(Increase) Decrease in Assets and Deferred Outflows:						
Accounts Receivable	1,670	(8,627)	7,032	(390)	(1,519)	(1,834)
Prepays	2,681	(7,359)	306	-	(829)	(5,201)
Deferred Outflows of Resources - Pension	900	6,415	1,292	-	2,973	11,580
Increase (Decrease) in Liabilities and Deferred Inflows:						
Accounts Payable	8,186	1,316	5,268	-	89	14,859
Salaries and Benefits Payable	185	(4,186)	116	-	65	(3,820)
Due to Other Governments	(87)	-	128	-	-	41
Compensated Absences Payable	1,045	(4,201)	195	-	733	(2,228)
Net Pension Liability	(2,261)	(14,881)	(3,353)	-	(8,069)	(28,564)
Unearned Utility Payments	(1,263)	-	-	-	630	(633)
Deferred Inflows of Resources - Pension	2,823	31,847	3,046	-	3,710	41,426
Total Adjustments	45,446	85,896	20,414	53,670	(1,112)	204,314
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,103</u>	<u>\$ (199,723)</u>	<u>\$ 5,810</u>	<u>\$ 48,234</u>	<u>\$ 425,432</u>	<u>\$ 297,856</u>

OTHER COMBINING SCHEDULES

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2023**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
ASSETS				
Cash and Investments	\$ 53,990	\$ 2,761	\$ 122,540	\$ 192,718
Taxes Receivable:				
Current	-	-	-	-
Special Assessments Receivable:				
Delinquent	-	-	-	293
Noncurrent	39,506	-	12,449	367,634
Total Assets	<u>93,496</u>	<u>2,761</u>	<u>134,989</u>	<u>560,645</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Deferred Inflows of Resources:				
Unavailable Taxes	-	-	-	-
Unavailable Special Assessments	39,506	-	12,449	367,927
Total Deferred Inflows of Resources	<u>39,506</u>	<u>-</u>	<u>12,449</u>	<u>367,927</u>
Fund Balances (Deficit):				
Restricted	53,990	2,761	122,540	192,718
Unassigned	-	-	-	-
Total Fund Balance (Deficit)	<u>53,990</u>	<u>2,761</u>	<u>122,540</u>	<u>192,718</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)	<u>\$ 93,496</u>	<u>\$ 2,761</u>	<u>\$ 134,989</u>	<u>\$ 560,645</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)
DECEMBER 31, 2023**

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
\$ 35,177	\$ 116,048	\$ 29,372	\$ 79,548	\$ (47,761)	\$ 13,497	\$ 32,119	\$ 630,009
294	1,586	-	-	-	-	-	1,880
567	1,700	-	-	9,766	1,190	-	13,516
<u>208,890</u>	<u>118,491</u>	<u>226,235</u>	<u>993,621</u>	<u>2,296,546</u>	<u>261,968</u>	<u>487,217</u>	<u>5,012,557</u>
<u>244,928</u>	<u>237,825</u>	<u>255,607</u>	<u>1,073,169</u>	<u>2,258,551</u>	<u>276,655</u>	<u>519,336</u>	<u>5,657,962</u>
-	1,233	-	-	-	-	-	1,233
<u>209,389</u>	<u>119,694</u>	<u>226,235</u>	<u>993,621</u>	<u>2,303,293</u>	<u>263,038</u>	<u>487,217</u>	<u>5,022,369</u>
<u>209,389</u>	<u>120,927</u>	<u>226,235</u>	<u>993,621</u>	<u>2,303,293</u>	<u>263,038</u>	<u>487,217</u>	<u>5,023,602</u>
35,539	116,898	29,372	79,548	-	13,617	32,119	679,102
-	-	-	-	(44,742)	-	-	(44,742)
<u>35,539</u>	<u>116,898</u>	<u>29,372</u>	<u>79,548</u>	<u>(44,742)</u>	<u>13,617</u>	<u>32,119</u>	<u>634,360</u>
<u>\$ 244,928</u>	<u>\$ 237,825</u>	<u>\$ 255,607</u>	<u>\$ 1,073,169</u>	<u>\$ 2,258,551</u>	<u>\$ 276,655</u>	<u>\$ 519,336</u>	<u>\$ 5,657,962</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, 2023**

	Series 2004A Refunding Bonds	G.O. Taxable Bonds	G.O. 2005 Bond Refinance	G.O. 2006 Bonds (Refunded by 2012A)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	13,256	-	12,784	50,244
Interest Income	1,704	537	4,284	6,123
Total Revenues	14,960	537	17,068	56,367
EXPENDITURES				
Debt Service:				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,960	537	17,068	56,367
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(20,000)	(30,000)	(50,000)	(75,000)
Total Other Financing Sources (Uses)	(20,000)	(30,000)	(50,000)	(75,000)
NET CHANGE IN FUND BALANCES	(5,040)	(29,463)	(32,932)	(18,633)
Fund Balances (Deficit) - Beginning of Year	59,030	32,224	155,472	211,351
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 53,990</u>	<u>\$ 2,761</u>	<u>\$ 122,540</u>	<u>\$ 192,718</u>

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUND – BY BOND ISSUE (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

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
\$ 24,793	\$ 29,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,546
20,167	17,336	24,982	83,748	45,350	10,494	-	-	278,361
6	2,796	413	854	-	77	-	-	16,794
44,966	49,885	25,395	84,602	45,350	10,571	-	-	349,701
85,000	40,000	25,000	55,000	95,000	25,000	-	-	325,000
1,700	4,431	6,518	24,366	53,399	5,880	-	-	96,294
86,700	44,431	31,518	79,366	148,399	30,880	-	-	421,294
(41,734)	5,454	(6,123)	5,236	(103,049)	(20,309)	-	-	(71,593)
60,000	-	10,000	20,000	60,000	25,000	32,119	(175,000)	32,119
-	-	-	-	-	-	-	175,000	-
60,000	-	10,000	20,000	60,000	25,000	32,119	-	32,119
18,266	5,454	3,877	25,236	(43,049)	4,691	32,119	-	(39,474)
17,273	111,444	25,495	54,312	(1,693)	8,926	-	-	673,834
<u>\$ 35,539</u>	<u>\$ 116,898</u>	<u>\$ 29,372</u>	<u>\$ 79,548</u>	<u>\$ (44,742)</u>	<u>\$ 13,617</u>	<u>\$ 32,119</u>	<u>\$ -</u>	<u>\$ 634,360</u>

**CITY OF BARNESVILLE, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND – BY PROJECT
 DECEMBER 31, 2023**

	C.S.A.H. 52 Project	Commercial Park Extension	Commercial Park Condos	Total Capital Projects Fund
ASSETS				
Cash and Investments	\$ -	\$ -	\$ 126,200	\$ 126,200
Special Assessments - Noncurrent	-	58,794	-	58,794
Total Assets	\$ -	\$ 58,794	\$ 126,200	\$ 184,994
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND DEFICITS				
Liabilities:				
Due to Other Funds	\$ -	\$ 102,468	\$ -	\$ 102,468
Deferred Inflows of Resources:				
Unavailable Special Assessments	-	58,794	-	58,794
Fund Balances (Deficits):				
Restricted	-	-	126,200	126,200
Unassigned	-	(102,468)	-	(102,468)
Total Fund Balances (Deficits)	-	(102,468)	126,200	23,732
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ -	\$ 58,794	\$ 126,200	\$ 184,994

**CITY OF BARNESVILLE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2023**

	C.S.A.H. 52 Project	Commercial Park Extension	Commercial Park Condos	Total Capital Projects Fund
REVENUES				
Intergovernmental	\$ 415,736	\$ -	\$ -	\$ 415,736
Special Assessments	59,855	-	-	59,855
Interest Income	128	-	3,909	4,037
Total Revenues	<u>475,719</u>	<u>-</u>	<u>3,909</u>	<u>479,628</u>
EXPENDITURES				
CURRENT				
Capital Outlay:				
Public Works	1,994,947	-	-	1,994,947
Debt Service:				
Bond Issue Costs	76,550	-	-	76,550
Total Expenditures	<u>2,071,497</u>	<u>-</u>	<u>-</u>	<u>2,071,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,595,778)</u>	<u>-</u>	<u>3,909</u>	<u>(1,591,869)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	1,620,000	-	-	1,620,000
Premium on Bonds Issued	66,211	-	-	66,211
Transfers Out	(32,119)	-	-	(32,119)
Total Other Financing Sources (Uses)	<u>1,654,092</u>	<u>-</u>	<u>-</u>	<u>1,654,092</u>
NET CHANGE IN FUND BALANCES	58,314	-	3,909	62,223
Fund Balances (Deficit) - Beginning of Year	(58,314)	(102,468)	122,291	(38,491)
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ (102,468)</u>	<u>\$ 126,200</u>	<u>\$ 23,732</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, 2023, 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 9, 2024.

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 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

Honorable Mayor and Members of the City Council
City of Barnesville

Report on Compliance and Other Matters

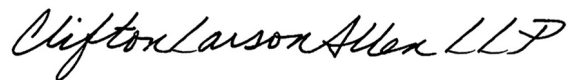
As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 9, 2024



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, 2023, 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 9, 2024.

In connection with our audit, we noted that the City failed to comply with provisions of the contracting – bid laws and public indebtedness 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 2023-004 and 2023-005. 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 depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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 9, 2024

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**CITY OF BARNESVILLE, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023**

FINANCIAL STATEMENT FINDINGS

2023-001: 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 2022-001.

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, 2023**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-002: MATERIAL AUDIT ADJUSTMENTS & RESTATEMENT

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 2022-002.

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, 2023**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-003: 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 2022-003.

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, 2023**

MINNESOTA LEGAL COMPLIANCE

2023-004: CONTRACTING – BID LAW

Criteria or Specific Requirement: Minnesota Statute §471.345 subd. 3 states if the amount of the contract is estimated to exceed \$175,000, sealed bids shall be solicited by public notice in the manner and subject to the requirements of the law governing contracts by the particular municipality or class thereof.

Condition: The City did not solicit bids by public notice.

Cause: Management oversight.

Repeat Finding: Not applicable.

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

Recommendation: Management should solicit sealed bid by public notice if the contract is estimated to exceed \$175,000.

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, 2023**

MINNESOTA LEGAL COMPLIANCE

2023-005: 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 include 105% of 2023A principal and interest payments in the 2024 levy.

Cause: Management oversight.

Repeat Finding: Not applicable.

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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