

**CITY OF BARRETT, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**CITY OF BARRETT, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF BARRETT, MINNESOTA
PRINCIPAL CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2019**

Elected Officials

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Todd Lang	December 31, 2020
Council Member	Jodi Moss	December 31, 2022
Council Member	Michelle Jenson	December 31, 2022
Council Member	Tim Lasch	December 31, 2020
Council Member	Jason Wendt	Resigned July 14, 2020

Appointed

Clerk/Treasurer	Marita Rhude
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FINANCIAL SECTION

BRIAN D. KOEHN, CPA, PLLC



MAIL: 210 South Clayborn Avenue
Parkers Prairie, Minnesota 56361
E-MAIL: bdkcpa@arvig.net

OFFICE/FAX: 218-338-4235
CELL: 320-808-6848
WEBSITE: www.koehncpa.com

INDEPENDENT AUDITORS' REPORT

City Council
City of Barrett, Minnesota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Barrett, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, and each major fund of the City of Barrett, Minnesota, as of December 31, 2019, 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.

City Council
City of Barrett, Minnesota

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Barrett, Minnesota's basic financial statements. The combining fund financial statements and the schedule of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of revenues, expenses and changes in fund balance and the schedule of indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual non-major fund financial statements and the schedule of indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated August 10, 2020, on my consideration of the City of Barrett, Minnesota's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Barrett, Minnesota's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, I have also issued my report dated August 10, 2020, on my consideration of the City of Barrett, Minnesota's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota Laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
August 10, 2020

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF BARRETT, MINNESOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 823,918	\$ 337,984	\$ 1,161,902
Restricted Cash and Cash Equivalents	-	3,219	3,219
Receivables:			
Current Property Taxes	3,466	-	3,466
Delinquent Property Taxes	5,782	-	5,782
Special Assessments - Deferred	5,937	3,364	9,301
Other Receivables	7,533	-	7,533
Prepaid Insurance	7,731	1,297	9,028
Total Assets	<u>854,367</u>	<u>345,864</u>	<u>1,200,231</u>
CAPITAL ASSETS			
Construction in Process	257,550	-	257,550
Buildings	396,063	-	396,063
Equipment	456,787	-	456,787
Infrastructure	213,500	4,349,726	4,563,226
Accumulated Depreciation	(531,194)	(1,304,335)	(1,835,529)
Total Capital Assets	<u>792,706</u>	<u>3,045,391</u>	<u>3,838,097</u>
Total Assets	1,647,073	3,391,255	5,038,328
DEFERRED OUTFLOWS OF RESOURCES (DOR)			
Pensions	20,697	-	20,697
Total Assets and DOR	1,667,770	3,391,255	5,059,025
CURRENT LIABILITIES			
Payroll Liabilities Payable	13,967	-	13,967
Accounts Payable	89,207	5,279	94,486
Accrued Interest Payable	4,592	-	4,592
Current Bonds and Notes Payable	3,996	-	3,996
Total Current Liabilities	<u>111,762</u>	<u>5,279</u>	<u>117,041</u>
OTHER LIABILITIES			
Net Pension (Asset) Liability	(57,506)	-	(57,506)
Long-Term Debt Payable	485,418	1,082,032	1,567,450
Less Current Portion	(3,996)	-	(3,996)
Total Other Liabilities	<u>423,916</u>	<u>1,082,032</u>	<u>1,505,948</u>
Total Liabilities	535,678	1,087,311	1,622,989
DEFERRED INFLOWS OF RESOURCES (DIR)			
Pensions	51,469	-	51,469
NET POSITION			
Net Investment in Capital Assets	307,288	1,963,359	2,270,647
Restricted - Debt Service	-	3,219	3,219
Unrestricted	773,335	337,366	1,110,701
Total Net Position	<u>\$ 1,080,623</u>	<u>\$ 2,303,944</u>	<u>\$ 3,384,567</u>

See accompanying notes to financial statements

**CITY OF BARRETT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Public Safety	\$ 143,495	\$ 20,538	\$ -	\$ -	\$ (122,957)	\$ -	\$ (122,957)
General Government	77,264	19,330	-	-	(57,934)	-	(57,934)
Streets	120,280	3,550	5,385	-	(111,345)	-	(111,345)
Culture and Recreation	56,219	62,026	-	-	5,807	-	5,807
Sanitation	28,523	-	-	-	(28,523)	-	(28,523)
Interest	12,690	-	-	-	(12,690)	-	(12,690)
Total Governmental Activities	438,471	105,444	5,385	-	(327,642)	-	(327,642)
BUSINESS-TYPE ACTIVITIES							
Water Enterprise	144,271	102,191	-	-	-	(42,080)	(42,080)
Sewer	74,473	75,390	-	-	-	917	917
Total Business Activities	218,744	177,581	-	-	-	(41,163)	(41,163)
Total Activities	<u>\$ 582,742</u>	<u>\$ 207,635</u>	<u>\$ 5,385</u>	<u>\$ -</u>	(327,642)	(41,163)	(368,805)
GENERAL REVENUES							
					181,493	-	181,493
					84,133	-	84,133
					6,377	396	6,773
					(6,000)	6,000	-
Total General Revenues					285,454	6,396	291,850
CHANGE IN NET POSITION							
					(42,188)	(34,767)	(76,955)
					1,122,811	2,338,711	3,461,522
NET POSITION - END OF YEAR							
					<u>\$ 1,080,623</u>	<u>\$ 2,303,944</u>	<u>\$ 3,384,567</u>

See accompanying notes to financial statements
(5)

FUND FINANCIAL STATEMENTS

**CITY OF BARRETT, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2019**

	General	2019 Capital Projects	GO Bond	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 576,301	\$ 247,307	\$ 310	\$ 823,918
Receivables:				
Accounts Receivable	13,470	-	-	13,470
Current Property Taxes	3,466	-	-	3,466
Delinquent Property Taxes Receivable	5,782	-	-	5,782
Prepaid Expenses	7,731	-	-	7,731
Total Assets	606,750	247,307	310	854,367
LIABILITIES				
Payroll Liabilities Payable	13,967	-	-	13,967
Accounts Payable	5,660	83,547	-	89,207
Total Liabilities	19,627	83,547	-	103,174
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	5,782			5,782
FUND BALANCES				
Nonspendable for Prepays	7,731	-	-	7,731
Restricted for Debt Service	1,334	-	310	1,644
Restricted for Capital Project	-	163,760	-	163,760
Assigned for:				
Fire Department	80,170	-	-	80,170
Pavillion	1,235	-	-	1,235
Parks	407	-	-	407
Old Time Photos	208	-	-	208
Streets	110,136	-	-	110,136
Unassigned	380,120	-	-	380,120
Total Fund Balances	581,341	163,760	310	745,411
				-
Total Liabilities Deferred Inflows of Resources and Fund Balances	\$ 606,750	\$ 247,307	\$ 310	\$ 854,367

**CITY OF BARRETT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019**

Fund Balances - Total Governmental Funds		\$ 745,411
<p>Amounts reported for governmental activities in the statements of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of Capital Assets	\$ 1,323,900	
Accumulated Depreciation	<u>(531,194)</u>	792,706
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Promissory Notes	(8,418)	
GO Note	<u>(477,000)</u>	(485,418)
<p>Long-Term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.</p>		
Delinquent Property Taxes Receivable	<u>5,782</u>	5,782
<p>Governmental Funds do not report Long-term Amounts related to Pensions.</p>		
Deferred Outflows of Pension Resources	20,697	
Deferred Inflows of Pension Resources	(51,469)	
Net Pension Asset	<u>57,506</u>	26,734
		-
<p>Governmental funds do not report a liability for accrued interest until due and payable.</p>		<u>(4,592)</u>
Total Net Position - Governmental Activities		<u><u>\$ 1,080,623</u></u>

**CITY OF BARRETT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	2019 Capital Projects	GO Bond	Total Governmental Funds
REVENUES				
Property Taxes	\$ 181,620	\$ -	\$ -	\$ 181,620
Licenses and Permits	5,657	-	-	5,657
Intergovernmental Revenues	85,204	-	-	85,204
Charges for Services	97,184	-	-	97,184
Fines and Forfeits	1,981	-	-	1,981
Other Revenue	28,431	-	-	28,431
Total Revenue	<u>400,077</u>	<u>-</u>	<u>-</u>	<u>400,077</u>
EXPENDITURES				
General Government	128,366	-	-	128,366
Public Safety	78,635	-	-	78,635
Public Works	69,348	300,240	-	369,588
Sanitation	56,219	-	-	56,219
Culture and Recreation	21,025	-	-	21,025
Debt Service	12,389	12,690	-	25,079
Total Expenditures	<u>365,982</u>	<u>312,930</u>	<u>-</u>	<u>678,912</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34,095	(312,930)	-	(278,835)
OTHER FINANCING SOURCES (USES)				
Transfers from				
Government Fund	-	-	310	310
Transfers to				
Government Fund	-	(310)	-	(310)
Enterprise Fund	(6,000)	-	-	(6,000)
Proceeds from Bonds	-	477,000	-	477,000
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>476,690</u>	<u>310</u>	<u>471,000</u>
NET CHANGE IN FUND BALANCE	28,095	163,760	310	192,165
Fund Balance - Beginning of Year	<u>553,246</u>	<u>-</u>	<u>-</u>	<u>553,246</u>
FUND BALANCE - END OF YEAR	<u>\$ 581,341</u>	<u>\$ 163,760</u>	<u>\$ 310</u>	<u>\$ 745,411</u>

CITY OF BARRETT, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental \$ 192,165

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$ 272,372	
Depreciation Expense	<u>(43,987)</u>	228,385

Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt Proceeds	(477,000)	
Debt Repayment	<u>12,046</u>	(464,954)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Delinquent property tax revenue	<u>(127)</u>	(127)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>(4,518)</u>	(4,518)
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Long-term pension activity is not reported in governmental funds.

	<u>6,861</u>	<u>6,861</u>
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Change in Net Position - Governmental Activities \$ (42,188)

**CITY OF BARRETT, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019**

	Water	Sewer	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 290,849	\$ 47,135	\$ 337,984
Restricted Cash and Cash Equivalents	3,219	-	3,219
Delinquent Special Assessment Receivable	3,364	-	3,364
Prepaid Items	626	671	1,297
Total Current Assets	298,058	47,806	345,864
CAPITAL ASSETS			
Mains and Lines	2,979,595	1,370,131	4,349,726
Less: Accumulated Depreciation	(740,343)	(563,992)	(1,304,335)
Total Capital Assets	2,239,252	806,139	3,045,391
Total Assets	2,537,310	853,945	3,391,255
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	2,489	2,790	5,279
OTHER LIABILITIES			
General Obligation Water Revenue Bonds	1,082,032	-	1,082,032
Total Liabilities	1,084,521	2,790	1,087,311
NET POSITION			
Net Investment in Capital Assets	1,157,220	806,139	1,963,359
Restricted - Debt Service	3,219	-	3,219
Unrestricted	292,350	45,016	337,366
Total Net Position	\$ 1,452,789	\$ 851,155	\$ 2,303,944

**CITY OF BARRETT, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Water	Sewer	Total
OPERATING REVENUES:			
Sales	\$ 99,726	\$ 75,390	\$ 175,116
Other Income	2,465	-	2,465
GROSS PROFIT	<u>102,191</u>	<u>75,390</u>	<u>177,581</u>
OPERATING EXPENSES			
Personal Services	20,747	20,097	40,844
Repairs and Maintenance	10,720	7,957	18,677
Supplies & Small Equipment	7,810	11,219	19,029
Dues, Permits, and Fees	1,442	345	1,787
Miscellaneous Expenses	7,944	4,618	12,562
Depreciation	61,084	30,237	91,321
Total Operating Expenses	<u>109,747</u>	<u>74,473</u>	<u>184,220</u>
OPERATING INCOME	(7,556)	917	(6,639)
NONOPERATING REVENUE (EXPENSES)			
Interest and Investment Revenues	336	60	396
Interest Expense	(34,524)	-	(34,524)
Total Nonoperating Revenue (Expenses)	<u>(34,188)</u>	<u>60</u>	<u>(34,128)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(41,744)	977	(40,767)
TRANSFERS			
Transfers in	28,512	-	28,512
Transfers out	-	(22,512)	(22,512)
Total Transfers	<u>28,512</u>	<u>(22,512)</u>	<u>6,000</u>
CHANGE IN NET POSITION	(13,232)	(21,535)	(34,767)
Net Position - Beginning	<u>1,466,021</u>	<u>872,690</u>	<u>2,338,711</u>
NET POSITION - END OF YEAR	<u>\$ 1,452,789</u>	<u>\$ 851,155</u>	<u>\$ 2,303,944</u>

**CITY OF BARRETT, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 103,223	\$ 75,390	\$ 178,613
Cash Paid to Suppliers	(27,242)	(22,282)	(49,524)
Cash Paid to Employees	(20,747)	(20,097)	(40,844)
Net Cash Provided by Operating Activities	<u>55,234</u>	<u>33,011</u>	<u>88,245</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from Other Funds	28,512	-	28,512
Cash Paid to Other Funds	-	(22,512)	(22,512)
Net Cash Provided by Noncapital Financing Activities	<u>28,512</u>	<u>(22,512)</u>	<u>6,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Capital Debt	(35,941)	-	(35,941)
Interest Paid on Capital Debt	(34,524)	-	(34,524)
Net Cash Used by Capital and Related Financing Activities	<u>(70,465)</u>	<u>-</u>	<u>(70,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	<u>336</u>	<u>60</u>	<u>396</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	13,617	10,559	24,176
Cash and Cash Equivalents - Beginning of Year	<u>280,451</u>	<u>36,576</u>	<u>317,027</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>294,068</u></u>	<u><u>47,135</u></u>	<u><u>341,203</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income	(7,556)	917	(6,639)
Provided (Used) by Operating Activities			
Depreciation	61,084	30,237	91,321
(Increase) Decrease in:			
Accounts Receivable	1,032	-	1,032
Prepays	(626)	(671)	(1,297)
Increase (Decrease) in:			
Accounts Payable	1,300	2,528	3,828
Net Cash Provided by Operating Activities	<u><u>\$ 55,234</u></u>	<u><u>\$ 33,011</u></u>	<u><u>\$ 88,245</u></u>

CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the City of Barrett have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The government is a city governed under a mayor-council form of government. The mayor and four council members are voting members. The Clerk/Treasurer is a non-voting member.

The City's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for the component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will and the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the City.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no blended component units.

C. Basic Financial Statement Presentation

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the City.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, service, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operation; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF BARRETT, MINNESOTA
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The City applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material inter fund activity has been removed from the Government-wide financial statements.

Separate Fund financial statements are provided for governmental funds. Aggregated information for the remaining non-major governmental funds is report in a single column in the fund financial statements. For the City of Barrett, all funds are considered major governmental funds.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide 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 generally recognized as revenue in fiscal year for which they are levied. Grants are similar items are recognized when 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. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period and soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and special assessments are generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issued are recognized on their due dates.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Description of Funds

Fund Accounting – The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, and revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. For the purpose of these financial statements, all funds listed below are treated as being major funds. The various funds are in the financial statement in this report as follows:

GOVERNMENTAL FUND TYPES

General Fund - General Fund accounts for all financial resources and transactions except those required to be accounted for in other funds or account groups.

2019 Capital Project Fund – This fund is used to account for the activity related to the 2019-2020 Water and Sewer project

Debt Service Fund – This fund is used to make the bond payments related to the 2019-2020 capital project.

ENTERPRISE FUNDS

Water Fund -The Water Fund is used to account for the operations of the City's water distribution system.

Sewer Fund - The Sewer Fund is used to account for the operations of the City's sewer system.

E. Cash and Investments

Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, all cash deposits with an original maturity of three months or less when acquired are considered to be cash equivalents.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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State Statutes authorize investments which are direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less, general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers; acceptances of United States' banks eligible for purchase of by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories, repurchase or reserve purchase agreements and securities lending agreements with financial institutions qualifies as a "depository" by the City entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U. S. Government securities to Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The City had no investments as of December 31, 2019.

F. Taxes Receivable

Taxes receivable represents taxes levied and collected by the county in 2018 which are not received by the city until early 2019.

G. Property Taxes

Property tax levies are set by the City Council in September of each year, and are certified to Grant County, Minnesota for collections in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spread all levies over taxable property. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts four times a year, in February, April, June and November.

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2018 which was collected during the year ended December 31, 2019. 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 deferred revenue in the governmental fund financial statements. Delinquent taxes receivable represents 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 BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

H. Accounts Receivable

No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed appropriate. Any unpaid receivable balances are assessed to property owners in the subsequent years.

I. Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items. In the governmental fund financial statements that portion of the relevant funds' balances equal to the prepaid items is reserved if the amounts are considered to be material, and if sufficient fund balance exists.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost of assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the Government-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for the immaterial amount when declared as no longer needed by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 15 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required. The City elected to implement the general provisions of GASB Statement No. 34 in 2007 and implemented the optional retroactive infrastructure provisions so only assets purchased or completed after 2002 are included in capital assets, with the exception of enterprise fund capital assets which were capitalized since the inception of those funds.

K. Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, 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.

M. 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.

N. Compensated Absences

Compensated absences include accumulated vacation. All full-time employees of the City are entitled to annual vacation and sick leave with pay. Employees are allowed vacations depending on years of service. Sick leave of one day per month may be accumulated up to a maximum of 20 days for City employees. Upon retirement the employee is not paid for all accumulated vacation or sick leave.

O. Deferred inflows of resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has pension related deferred inflows of resources reported in the government-wide Statement of Net Position. The City also has a type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from delinquent property taxes.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

P. Fund Equity

The City implemented GASB 54 Fund Balance reporting and fund type definitions starting the year ended December 31, 2012. In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Non-spendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

Q. Net Position

Net position represents the difference between assets and liabilities in the Government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long- term debt used to build or acquire the capital assets. Net position is reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Currently only the debt service accounts within the Water Enterprise Fund have restricted net position items.

R. Use of Estimates

The preparation of financial statements in conformity 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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period actual results could differ from those estimates.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

S. Deferred Revenue

All City funds and the government-wide statements defer revenue for resources that have been received, but not yet earned. Governmental funds also reported deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

T. Restricted Position Items

Certain funds of the City are classified as restricted on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use.

In connection with debt issued by the United States Department of Agriculture (USDA) for the fire rescue truck, the City is required to maintain a debt service reserve account, where the amount of \$37 is set aside each month until there is accumulated \$4,452 in the account. These reserve funds may be used for certain expenditures; however, monthly deposits shall be resumed until there is again accumulated amounts equal to \$4,452. There was \$1,334 accumulated in this account at December 31, 2019.

U. Operating Revenues - Proprietary Funds

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. The principal operating revenues of the City's 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 of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

V. Special Assessments

The City levied special assessments to landowners for the sewer project at the time of the improvement. Landowners have the option of paying the special off when assessed, or financing the special at the terms of that special, as set up by the City. This special is then added to the landowners' property taxes with interest each year until paid. Revenues for these specials are recognized in the year of the assessment. In Minnesota, counties act as collection agents for all special assessment property taxes. Real property taxes may be paid by tax payers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and January 30. The County provides tax settlements to Cities and other taxing districts four times a year, in February, April, June and November. During 2012 the debt to be paid with these special assessment funds was paid off. The remaining unpaid special assessments related to the original sewer project were transferred to the water debt account of the Water Enterprise Fund and will be utilized there to assist in the payoff of that long-term debt.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

The budget was prepared on the same basis and using the same accounting practices as are used to account and prepare financial reports for the fund. The budget presented in this report in the budget to actual is presented in accordance with generally accepted accounting principles. Budgets are adopted only for the General Fund.

Excess of Expenditures over Appropriations

There were no budgeted funds whose expenditures exceeded the budgets.

NOTE 2 DEPOSITS

The City only uses one financial institution which exposes them to custodial credit risk and concentration of credit risk. These risks are managed through the use of pledged collateral. It is the policy of the City to maintain collateral of at least 110% of the depository balance that is in excess of FDIC insurance.

In accordance with Minnesota Statutes, the City maintains deposits at those institutions authorized by the Council. All such depositories are members of the Federal Reserve System.

Minnesota Statutes require all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes: a) United States government treasury bills, treasury notes, treasury bonds; b) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity; c) general obligation securities of any state or local government with taxing powers rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers rated "AA" or better by a national bond rating service; d) unrated general obligation securities of a local government with taxing powers pledged as collateral against funds deposited by that same local government entity; e) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the Banks' public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; or f) time deposits fully insured by any federal agency.

Minnesota Statutes require that collateral be held in safekeeping in a restricted account at a Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository. The selection shall be approved by the government entity.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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A reconciliation of cash and Cash Equivalents as shown on the Statement of Net Position for the City follows:

CASH AND CASH EQUIVALENTS

Governmental Funds	\$	823,918
Proprietary Funds		337,984
Proprietary Funds - Restricted		3,219
Total		\$ 1,165,121

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Construction in Process	\$ -	\$ 257,550	\$ -	\$ 257,550
Total Capital Assets, Not Being Depreciated	-	257,550	-	257,550
Capital Assets, Being Depreciated:				
Buildings	396,063	-	-	396,063
Machinery and Equipment	441,965	14,822	-	456,787
Streets and Infrastructure	213,500	-	-	213,500
Total Capital Assets, Being Depreciated	1,051,528	14,822	-	1,066,350
Total Capital Assets	1,051,528	272,372	-	1,323,900
Less: Accumulated Depreciation	(487,207)	(43,987)	-	(531,194)
Governmental Activities Capital Assets, Net	\$ 564,321	\$ 228,385	\$ -	\$ 792,706
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Being Depreciated				
Infrastructure	\$ 4,349,726	\$ -	\$ -	\$ 4,349,726
Total Capital Assets, Being Depreciated	4,349,726	-	-	4,349,726
Less: Accumulated Depreciation	(1,213,014)	(91,321)	-	(1,304,335)
Business-Type Activities Net	3,136,712	(91,321)	-	3,045,391

Depreciation expense was charged to functions/programs as follows:

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Governmental Activities	
General Government	\$ 10,811
Public Safety	17,436
Public Works	8,242
Culture and Recreation	7,498
Total Governmental Activities	\$ 43,987
Business-Type Activities	
Water	61,084
Sewer	30,237
Total Business-Type Activities	\$ 91,321

NOTE 4 INTEREST EXPENSES

Total interest expense for the City during 2019 was \$35,539. All interest costs were charged to expense in 2019. The total amount of interest expense was \$13,033 as reported in the statement of activities – governmental funds and \$34,524 as reported in the statement of revenues, expenses and changes in net position - proprietary funds. The governmental funds amounts included \$12,690 of bond issuance costs.

NOTE 5 LONG-TERM DEBT REQUIREMENTS

The following is a summary of the long term debt transactions of the city for the year ended December 31, 2019.

	Outstanding December 31, 2018	Issued in 2019	Paid in 2019	Outstanding December 31, 2019
G.O. Water Rev. Ref. Bonds 2016A	\$ 1,095,000	\$ -	\$ 35,000	\$ 1,060,000
Fire Rescue Truck Promissory Note	20,464	-	12,046	8,418
GO Temp Utility Rev Note of 2019	-	477,000	-	477,000
Total Bonds and Notes	\$ 1,115,464	\$ 477,000	\$ 47,046	\$ 1,545,418
Deferred amounts:				
Unamortized Bond Premium	22,973	-	941	22,032
Total Indebtedness	\$ 1,138,437	\$ 477,000	\$ 47,987	\$ 1,567,450

Long-term debt maturities are as follows:

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Year Ended December 31,	Governmental Activities		Business-Type Activities		Total	
	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities
2020	\$ 3,996	\$ 12,822	\$ -	\$ 17,514	\$ 3,996	\$ 30,335
2021	4,091	13,654	35,000	34,704	39,091	48,358
2022	477,331	13,379	35,000	34,056	512,331	47,435
2023	-	-	35,000	33,409	35,000	33,409
2024	-	-	35,000	32,761	35,000	32,761
2025-2029	-	-	190,000	150,148	190,000	150,148
2030-2034	-	-	220,000	119,981	220,000	119,981
2035-2039	-	-	320,000	85,400	320,000	85,400
2040-2043	-	-	190,000	11,600	190,000	11,600
Total	\$ 485,418	\$ 39,855	\$ 1,060,000	\$ 519,573	\$ 1,545,418	\$ 559,427

GO Utility Revenue Note - This note is payable from a future debt issue.

\$477,000 of General Obligation Temporary Utility Revenue Note, Series 2019A, interest of 2.80%. This note matures on August 1, 2022.

\$ 477,000

GO Water Revenue Refunding Bonds - These bonds are payable solely from revenues of the water enterprise fund.

\$1,215,000 of General Obligation Water Revenue Refunding Bonds, Series 2016A, of 2016, interest of 1.25% to 4.00%. These bonds mature on January 1, 2043.

1,060,000

Unamortized Bond Premium

22,973

Promissory Notes - This note is payable from Property Tax levies

\$28,000 of Promissory note of 2016, interest of 2.375%. These notes mature on November 7, 2023 and were used to purchase a fire truck.

8,418

Total Long-Term Debt

\$ 1,568,391

The following is a summary of the changes in Long-Term Liabilities:

**CITY OF BARRETT, MINNESOTA
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	Outstanding December 31, 2018	Issued in 2019	Paid in 2019	Outstanding December 31, 2019
G.O. Water Rev. Ref. Bonds 2016A	\$ 1,095,000	\$ -	\$ 35,000	\$ 1,060,000
Fire Rescue Truck Promissory Note	20,464	-	12,046	8,418
GO Temp Utility Rev Note of 2019	-	477,000	-	477,000
Total Bonds and Notes	\$ 1,115,464	\$ 477,000	\$ 47,046	\$ 1,545,418
Deferred amounts:				
Unamortized Bond Premuim	22,973	-	941	22,032
Total Indebtedness	\$ 1,138,437	\$ 477,000	\$ 47,987	\$ 1,567,450

NOTE 6 INTERFUND TRANSFERS

The following transfers were considered necessary for operations by the City Council:

Transfer Out	Transfer In	Amount	Purpose
Sewer	Water	\$ 22,512	Debt Service Funding
General	Water	6,000	Debt Service Funding
Capital Project	Debt Service	310	Set Up Debt Service Fund
Total		<u>\$ 28,822</u>	

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

The City of Barrett, Minnesota 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.

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

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.

General Employees 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for coordinated members is 1.7 percent of average salary 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.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City of Barrett, Minnesota was required to contribute 7.50 percent for Coordinated Plan members. The City of Barrett, Minnesota's contributions to the General Employees Fund for the year ended December 31, 2019, were \$7,193. The City of Barrett, Minnesota's contributions were equal to the required contributions as set by state statute.

**CITY OF BARRETT, MINNESOTA
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D. Pension Costs

At December 31, 2019, the City of Barrett, Minnesota reported a liability of \$77,403 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 to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Barrett, Minnesota totaled \$2,333. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Barrett, Minnesota's proportionate share of the net pension liability was based on the City of Barrett, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Barrett, Minnesota's proportionate share was .0014 percent which was no increase from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$	77,403
State of Minnesota's proportionate share of the net pension liability associated with the City		2,333
Total	<u>\$</u>	<u>79,736.00</u>

For the year ended December 31, 2019, the City of Barrett, Minnesota recognized pension expense of \$6,838 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Barrett, Minnesota recognized an additional \$175 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.

At December 31, 2019, the City of Barrett, Minnesota reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,102	\$ -
Change in actuarial assumptions	-	1,262
Net Difference between projected and actual earnings on plan inv	499	-
Changes in proportion	-	-
Contributions paid subsequent to the measurement date	3,236	-
Total	<u>\$ 4,837</u>	<u>\$ 1,262</u>

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

The \$1,601 reported as deferred outflows of resources related to pensions resulting from City of Barrett, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2020	\$ 68
2021	\$ 68
2022	\$ 68
2023	\$ 68
2024	\$ -

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
International Equity	17.50%	5.90%
Cash Equivalents	2.00%	0.00%
Total	100.00%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. 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 positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund 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.

G. Pension Liability Sensitivity

The following presents the City's 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's 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:

District's Proportionate share of NPL			
	1% decrease	Current	1% increase
	6.50%	7.50%	8.50%
\$	127,246	\$ 77,403	\$ 36,247

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

H. Pension Plan Fiduciary Net Position

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

NOTE 8 DEFINED BENEFIT PENSION PLAN - VOLUNTEER FIRE RELIEF ASSOCIATION

Summary of Significant Accounting Policies

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

Plan Description

The Barret Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019, the plan covered active firefighters and no vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Barrett, Minnesota. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City of Barrett, Minnesota's contributions. The State of Minnesota contributed \$12,262 in fire state aid to the fund for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City's contributions were equal to the required contributions as set by state statute, if applicable.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Pension Costs

At December 31, 2019, the City of Barrett, Minnesota reported a net pension liability (asset) of \$(134,909) for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)	Deferred Outflow Inflow		Pension Revenue	Pension Expense
	(a)	(b)	(a-b)				
Beginning Balance 12/31/18	\$ 86,245	\$ 181,205	\$ (94,960)	\$ -	\$ -	\$ -	\$ -
Changes for the Year:							
Service Cost	5,535	-	5,535	-	-	-	5,535
Interest on Pension Liability	5,507	-	5,507	-	-	-	5,507
Projected Investment Earnings		10,872	(10,872)	-	-	-	(1,104)
Actuarial Experience (Gains)/Losses	(5,521)	-	(5,521)	-	4,417	-	(10,872)
Changes in Benefit Level	-	-	-	-	-	-	-
Contributions (State)	-	12,262	(12,262)	-	-	12,262	-
Asset (Gain) Loss	-	22,918	(22,918)	-	18,334	-	(4,584)
Benefit Payouts	-	-	-	-	-	-	-
PERA Administrative Fee		(582)	582	-	-	-	582
Net Changes	<u>5,521</u>	<u>45,470</u>	<u>(39,949)</u>	<u>-</u>	<u>22,751</u>	<u>12,262</u>	<u>(4,936)</u>
Balance End of Year 12/31/19	<u>\$ 91,766</u>	<u>\$ 226,675</u>	<u>\$ (134,909)</u>	<u>\$ -</u>	<u>\$ 22,751</u>	<u>\$ 12,262</u>	<u>\$ (4,936)</u>

For the year ended December 31, 2019, the City recognized pension expense of \$4,936.

At December 31, 2019, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial Experience Gains/Losses	\$ -	\$ 5,521
Asset (Gain)/Loss	-	22,918
Total	<u>\$ -</u>	<u>\$ 28,439</u>

\$3,733 reported as deferred outflows of resources related to pensions resulting from City of Barrett, Minnesota contributions (both statutorily-required and voluntary, as applicable) subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Year ended December 31:	Pension Expense Amount
2020 \$	(5,688)
2021 \$	(5,688)
2022 \$	(5,688)
2023 \$	(5,688)
2024 \$	-

Actuarial Assumptions

The total pension liability at December 31, 2019, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

The following changes in actuarial assumptions occurred in 2019:

Discount Rate

The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

Pension Liability Sensitivity

The following presents the City's net pension asset for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City's net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

District's Proportionate share of NPL		
1% decrease 5.00%	Current 6.00%	1% increase 7.00%
\$ (131,248)	\$ (134,909)	\$ (138,422)

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**Plan Investments
Investment Policy:**

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota Statutes, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation:

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.00%	5.10%
International Stocks	15.00%	5.30%
Bonds	45.00%	0.75%
Cash	5.00%	0.00%
Total	100.00%	

The 6% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during fiscal year 2019 for the Volunteer Firefighter Fund.

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of June 30, 2019, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 CONTINGENCIES AND COMMITMENTS

A. Contracts

In November 2018 the council approved a three-year contract with the Grant County Sheriff's office for police protection. The amounts contracted for future services for the year is 2020 - \$37,794 and 2021 - \$38,927.

A contract was entered into in October 2018 for snow removal in the city limits. The contract runs from October 2018 to April, 2021 and totals \$18,000 up to 45 inches.

Federal and State Revenue

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to: torts, theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City 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.

The City is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' health and life; natural disasters, and worker's compensation for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past two fiscal years. There were no significant reductions in the City's insurance coverage in 2019.

NOTE 11 OTHER AGREEMENTS

The city rents a portion of its office building as office space to an unrelated party. There is currently no long-term rental agreement

NOTE 12 TAX ABATEMENTS

The City entered into one Tax Abatement agreement which meets the criteria for disclosure under Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosure. The City's authority to enter into this agreement comes from Minnesota Statute 469. The City entered into this agreement for the purpose of economic development.

**CITY OF BARRETT, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

The City entered into a tax abatement agreement in 2015 with a local nursing home facility in which the facility incurred costs for the remodel and expansion of the existing facility. The abatement is based on the assumption that the assessed value of the property will increase by \$529,400 and on the statistical assumption that the facility's tax payment to the City would increase by \$7,500 per year. In the event that the actual tax increase, as a result of the remodeling and expansion, is less than \$7,500 each year, the City shall recapture the amount representing the difference between the actual amount of tax increase and the \$7,500 that will otherwise be abated based on the estimated market value and tax rate for 2014. The term of the abatement is 15 years. The agreement was negotiated under state law (Minnesota statutes 469.1813-469.18 I 5) and has a maximum duration dated to 2030. Abatement payments under this agreement in 2019 were \$2,066.

NOTE 13 CONSTRUCTION PROJECT

In May 2019 the City resolved to authorize and provide the incurrence of indebtedness for the purpose of sewer and storm sewer and water construction project. It is expected the total cost of the project will be \$6.874 million and \$2.7 million will be funded with bond issuance, \$1.949 million will be funded with Rural Development grants, \$1.358 million will be funded with a WIF Grant and \$867,000 is expected to be funded with a market loan. The City will be letting the project for bids later in 2020.

NOTE 14 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 83 Certain Asset Retirement Obligations. The provisions of this Statement are effective for reporting periods beginning after June 15, 2019.

Statement No. 84 Fiduciary Activities. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87 Leases. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 88 Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2019.

Statement No. 89 Accounting for Interest Cost incurred before the End of a Construction Period. The provisions of this Statement are effective for reporting periods beginning after December 15, 2020.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statements No. 88 and 89 could have an impact on the City. If the City undertakes a construction project in the future as covered in Note 14.

NOTE 15 CONTINGENCIES

The City is currently involved in litigation as a defendant in a land-use related lawsuit. The outcome is not known or able to estimated at this time. There has been no liability recorded related to this lawsuit.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BARRETT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	Original and Final	Actual	Variance with Final Budget
REVENUES			
Property Taxes	\$ 176,402	\$ 181,620	\$ 5,218
Licenses and Permits	2,500	5,657	3,157
Intergovernmental Revenues	81,224	85,204	3,980
Charges for Services	94,210	97,184	2,974
Fines and Forefits	-	1,981	1,981
Other Revenue	19,344	28,431	9,087
Total Revenues	<u>373,680</u>	<u>400,077</u>	<u>26,397</u>
EXPENDITURES			
Current:			
General Government	138,563	128,366	(10,197)
Public Safety	94,682	57,541	(37,141)
Public Works	61,125	69,348	8,223
Sanitation	53,650	56,219	2,569
Culture and Recreation	25,660	21,025	(4,635)
Capital Outlay			
Public Safety	-	21,094	21,094
Debt Service	-	12,389	12,389
Total Expenditures	<u>373,680</u>	<u>365,982</u>	<u>(7,698)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(354,336)	34,095	388,431
OTHER FINANCING USES			
Transfer to Other Funds	-	(6,000)	(6,000)
NET CHANGE IN FUND BALANCE	(354,336)	28,095	382,431
Fund Balance - Beginning of Year	<u>553,246</u>	<u>553,246</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 198,910</u>	<u>\$ 581,341</u>	<u>\$ 382,431</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund.

Prior to the end of each year, the proposed operating budget for the fiscal year commencing the following January 1, is submitted to the City Council for their review. After this process has been concluded, the budget is legally enacted through the passage of a resolution. Budget amendments may be made by the City Council during the year, but there were none made in the current year.

**CITY OF BARRETT, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND SCHEDULE
OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2019**

Schedule of Proportionate Share of PERA Net Pension Liability

Actuarial Valuation Date	Employer's Proportion of the Net Pension	Employer's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability (b)	Employer's Proportionate Share of the Net Pension Liability and The State's Share (a+b)	Employer's Covered- Employee Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered- Employee Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2019	0.0014%	\$ 77,403	\$ 2,333	\$ 79,736	\$ 95,907	83.14%	80.23%
6/30/2018	0.0014%	77,666	2,467	80,133	91,293	87.78%	79.53%
6/30/2017	0.0014%	89,375	1,117	90,492	89,653	100.94%	75.90%
6/30/2016	0.0014%	113,673	1,465	115,138	86,947	132.42%	68.90%
6/30/2015	0.0014%	\$ 72,555	\$ -	\$ 72,555	\$ 81,920	88.57%	78.20%

Schedule of Employer PERA Contributions

Year Ended June 30,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
2019	\$ 7,193	\$ 7,193	\$ -	\$ 95,907	7.50%
2018	6,847	6,847	-	91,293	7.50%
2017	6,724	6,724	-	89,653	7.50%
2016	6,521	6,521	-	86,947	7.50%
2015	\$ 6,144	\$ 6,144	\$ -	\$ 81,920	7.50%

These scheduled are intended to show ten-year trends. Additional years will be reported as they become available.

**CITY OF BARRETT, MINNESOTA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – BARRETT
FIRE DEPARTMENT YEAR ENDED DECEMBER 31, 2019**

Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund

2019 Changes in Actuarial Assumptions:

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

2019 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 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2018 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 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, 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 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

CITY OF BARRETT, MINNESOTA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – BARRETT
FIRE DEPARTMENT YEAR ENDED DECEMBER 31, 2019

2017 Changes in Plan Provisions

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

2016 Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2016 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 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

2015 Changes in Plan Provisions:

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

CITY OF BARRETT, MINNESOTA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – BARRETT
FIRE DEPARTMENT YEAR ENDED DECEMBER 31, 2019

	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)
Total Pension Liability		
Service Cost	\$ 5,535	\$ 5,451
Interest	5,507	5,283
Changes of Benefit Terms	-	(7,094)
Actuarial Experience (Gains)/Losses	(5,521)	-
Net Change In Total Pension Liability	5,521	3,640
Total Pension Liability - January 1	86,245	82,605
Total Pension Liability - December 31 (A)	\$ 91,766	\$ 86,245
Plan Fiduciary Net Position		
Contributions - Contributions	\$ -	\$ 2,000
Contributions - State	12,262	12,236
Net Investment Income	33,790	(7,160)
Benefit Payments, including Refunds of Employee	-	-
Administrative Expense	(582)	(640)
Net Change In Plan Fiduciary Net Position	45,470	6,436
Plan Fiduciary Net Position - January 1	181,205	174,769
Plan Fiduciary Net Position - December 31 (B)	\$ 226,675	\$ 181,205
Fire Relief's Net Pension Liability (Asset) - December	\$ (134,909)	\$ (94,960)
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (B/A)	247%	210%

Covered Payroll

*

*

**Fire Relief's Net Pension Liability (Asset) as a
Percentage of Covered Payroll**

*

*

* The Barrett Fire Department is comprised of volunteers, therefore there are no payroll expenditures, covered payroll amounts, or percentage calculations

Note 1: Schedule is intended to show 10-Year trend. Additional years will be reported as they become available. The Pension Standard (GASB-68) was implemented in 2018 for the Barrett Fire Department Relief Association, therefore, information prior to 2018 is not available.

Note 2: There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. Details can be obtained from the financial reports of the Barrett Fire Department Relief Association.

**CITY OF BARRETT, MINNESOTA
SCHEDULE OF PENSION CONTRIBUTIONS – BARRETT FIRE DEPARTMENT
YEAR ENDED DECEMBER 31, 2019**

Year Ending	Statutory Required Contribution (a)	Contributions in Related to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a- b)	Covered Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
12/31/2019	\$ -	\$ -	\$ -	*	*
12/31/2018	\$ -	\$ 2,000	\$ (2,000)	*	*

* The Barrett Fire Department is comprised of volunteers, therefore there are no payroll expenditures, covered payroll amounts, or percentage calculations

Note 1: Schedule is intended to show 10-Year trend. Additional years will be reported as they become available. The Pension Standard (GASB-68) was implemented in 2018 for the Barrett Fire Department Relief Association, therefore, information prior to 2018 is not available.

Note 2: There are no factors that affect trends in the amounts reported, such as change in benefit terms or assumptions. Details can be obtained from the financial reports of the Barrett Fire Department Relief Association.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF BARRETT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	2019 Capital Project	GO Bond	Total Governmental Funds
REVENUES				
Taxes				
Property Taxes	\$ 181,620	\$ -	\$ -	\$ 181,620
Licenses and Permits				
Business	5,367	-	-	5,367
Nonbusiness	290	-	-	290
Total Licenses and Permits	5,657	-	-	5,657
Intergovernmental Revenues				
Local Government Aid	78,988			78,988
Market Value Credits - Agricultural	595	-	-	595
Other	5,621	-	-	5,621
Total Intergovernmental Revenues	85,204	-	-	85,204
Charges for Services				
Township Fire Contracts	19,330	-	-	19,330
Sanitation	62,026	-	-	62,026
Rents Collected	11,259	-	-	11,259
Other Charges for Services	4,569			4,569
Total Charges for Services	97,184	-	-	97,184
Fines and Forfeits	1,981	-	-	1,981
Other Revenues				
Interest	761	-	-	761
Donations	19,451	-	-	19,451
Other	8,219	-	-	8,219
Total Other Revenues	28,431	-	-	28,431
Total Revenues	400,077	-	-	400,077

**CITY OF BARRETT, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019**

	General	2019 Capital Project	GO Bond	Total Governmental Funds
EXPENDITURES				
General Government				
Mayor and Council	5,030	-	-	5,030
Municipal Clerk	44,968	-	-	44,968
Other General Government	78,368	-	-	78,368
Total General Government	<u>128,366</u>	<u>-</u>	<u>-</u>	<u>128,366</u>
Public Safety				
Police Protection				
Current Expense	36,693	-	-	36,693
Fire Protection				
Current Expense	20,848	-	-	20,848
Capital Outlay	21,094	-	-	21,094
Total Public Safety	<u>78,635</u>	<u>-</u>	<u>-</u>	<u>78,635</u>
Public Works				
Highways and Streets				
Street Maintenance/Cleaning	25,085	-	-	25,085
Street Lighting	9,604	-	-	9,604
Snow Removal	34,659	-	-	34,659
Capital Outlay - Streets	-	300,240	-	300,240
Total Public Works	<u>69,348</u>	<u>300,240</u>	<u>-</u>	<u>369,588</u>
Sanitation				
Current	56,219	-	-	56,219
Culture and Recreation				
Current Expense	21,025	-	-	21,025
Debt Service				
Principal	12,046	-	-	12,046
Interest	343	12,690	-	13,033
Total Debt Service	<u>12,389</u>	<u>12,690</u>	<u>-</u>	<u>25,079</u>
Total Expenditures	<u>365,982</u>	<u>312,930</u>	<u>-</u>	<u>678,912</u>

**CITY OF BARRETT, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019**

	General	2019 Capital Project	GO Bond	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34,095	(312,930)	-	(278,835)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	310	310
Transfers to Other Funds	(6,000)	(310)	-	(6,310)
Proceeds from Bonds	-	477,000	-	477,000
Total Other Financing Sources (Uses)	(6,000)	476,690	310	471,000
NET CHANGE IN FUND BALANCE	28,095	163,760	310	192,165
Fund Balance - Beginning of Year	553,246	-	-	553,246
FUND BALANCE - END OF YEAR	\$ 581,341	\$ 163,760	\$ 310	\$ 745,411

**CITY OF BARRETT, MINNESOTA
SCHEDULE OF INDEBTEDNESS
AS OF DECEMBER 31, 2019
(UNAUDITED)**

	Interest Rate	Issue Date	Final Maturity	Outstanding January 1, 2019	Issued in 2019	Paid in 2019	Outstanding December 31, 2019	Principal Due in 2019	Interest Due in 2019
BONDED INDEBTEDNESS									
General Obligation Bonds									
G.O. Water Revenue Ref Bonds of 2016A	1.25-4.00%	01/15/16	01/01/43	\$ 1,095,000	\$ -	\$ 35,000	\$ 1,060,000	\$ -	\$ 17,514
General Obligation Note									
Temp GO Utility Rev Note of 2019A	2.80%	08/26/19	08/01/22	-	477,000	-	477,000	-	12,429
Promissory Note									
Fire Truck Promissory Note	2.38%	11/07/16	11/07/23	20,464	-	12,046	8,418	3,996	393
TOTAL BONDED INDEBTEDNESS				<u>1,115,464</u>	<u>477,000</u>	<u>47,046</u>	<u>1,545,418</u>	<u>3,996</u>	<u>30,336</u>
CAPITAL LEASE									
Unamortized Bond Premium 2016A	N/A	01/15/16	01/01/43	22,973	-	941	22,032	941	-
TOTAL INDEBTEDNESS				<u>\$ 1,138,437</u>	<u>477,000</u>	<u>\$ 47,987</u>	<u>\$ 1,567,450</u>	<u>\$ 4,937</u>	<u>\$ 30,336</u>

REPORTS RELATED TO GOVERNMENT AUDITING STANDARDS

BRIAN D. KOEHN, CPA, PLLC

 America Counts on CPAs®

MAIL: 210 South Clayborn Avenue
Parkers Prairie, Minnesota 56361
E-MAIL: bdkcpa@arvig.net

OFFICE/FAX: 218-338-4235
CELL: 320-808-6848
WEBSITE: www.koehncpa.com

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*

City Council
City of Barrett, Minnesota

I 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, and each major fund of the City of Barrett, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Barrett, Minnesota's basic financial statements and have issued my report thereon dated August 10, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Barrett, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Barrett, Minnesota's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Barrett, Minnesota's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses as 2019-001, 2019-002, 2019-003, and 2019-004 to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Barrett, Minnesota's financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Barrett, Minnesota Response to Findings

The City of Barrett, Minnesota's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. The City of Barrett, Minnesota's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.


Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
August 10, 2020

BRIAN D. KOEHN, CPA, PLLC

 America Counts on CPAs®

MAIL: 210 South Clayborn Avenue
Parkers Prairie, Minnesota 56361
E-MAIL: bdkcpa@arvig.net

OFFICE/FAX: 218-338-4235
CELL: 320-808-6848
WEBSITE: www.koehncpa.com

REPORT ON MINNESOTA LEGAL COMPLIANCE

City Council
City of Barrett, Minnesota

I 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, and each major fund of the City of Barrett, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued my report thereon dated August 10, 2020.

The Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. My audit considered all of the listed categories.

In connection with my audit, nothing came to my attention that caused me to believe that the City of Barrett, Minnesota, failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had I performed additional procedures, other matters may have come to my attention regarding the City of Barrett, Minnesota's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of my testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
August 10, 2020

**CITY OF BARRETT, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

2019-001 LACK OF SEGREGATION OF DUTIES

Condition: The City has a limited number of office personnel and, accordingly, does not have adequate internal controls in certain areas because of lack of segregation of duties.

Criteria: Effective internal control provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: Because of the lack of segregation of duties, one individual regularly handles transactions from inception to completion.

Effect: The City's internal control policies can be compromised by certain individuals.

Recommendation: While I recognize the City's office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the City be aware of this condition.

Management's Response: The City will continue to explore the possible further segregation of duties with the City officer until it becomes cost prohibitive.

2019-002 YEAR-END CLOSING PROCEDURES

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

Criteria: The City 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 assets, and cash flow reporting.

Cause: The City relies on the audit firm to prepare the annual financial report and record significant reclassification and cash-to-accrual conversion entries.

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: While I recognize the City may not find it necessary to account and report using generally accepted accounting principles, it is important the City constantly be aware of these conditions.

Management's Response: The City will continue its efforts to obtain additional training and knowledge required to ensure all adjusting and closing entries are made prior to the audit.

**CITY OF BARRETT, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

2019-003 FINANCIAL STATEMENT PREPARATION

Condition: The City does not have an internal control process in place over annual financial reporting under GAAP, therefore, 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.

Criteria: The City must be able to prevent or detect a material misstatement in the annual financial statement including footnote disclosures.

Cause: The City relies on the audit firm to prepare the annual financial report.

Effect: Departures from generally accepted accounting principles may not be detected by the City.

Recommendation: While I recognize the City may not find it necessary to account and report using generally accepted accounting principles, it is important the City constantly be aware of these conditions.

Management's Response: The City will continue to evaluate its internal staff, expertise, and assigned duties to determine if an internal control policy over the annual financial reporting is beneficial or cost-effective.

2019-004 CONTROLS ON PAID TIME OFF

Condition: The City has limited controls in place to ensure vacation, sick, holiday, and compensatory time are calculated and paid correctly.

Criteria: Payment of paid time off should be calculated and paid in accordance with the City's personnel policy.

Cause: The City's controls do not adequately address the paid time off policy.

Effect: There were errors made in the calculations of paid time off.

Recommendation: I recommend the City has each time sheet signed by the employee with a declaration statement regarding the accuracy of the information. This should then be reviewed by another individual to ensure the paid time off is being accurately reported in accordance with the approved policy.

Management's Response: The City will implement a detailed review of signed time sheets to verify their accuracy.