

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

**YEAR ENDED DECEMBER 31, 2023**

**CITY OF BARRETT, MINNESOTA  
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## **INTRODUCTORY SECTION**

**CITY OF BARRETT, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
YEAR ENDED DECEMBER 31, 2023**

**Elected Officials**

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| Position       | Name            | Term Expires      |
|----------------|-----------------|-------------------|
| Mayor          | Michelle Jensen | December 31, 2024 |
| Council Member | Tim Lasch       | December 31, 2024 |
| Council Member | Aaron Ray       | December 31, 2026 |
| Council Member | Susie Sieben    | December 31, 2024 |
| Council Member | Katie Hauglie   | December 31, 2026 |

**Appointed**

---

|                 |              |
|-----------------|--------------|
| Clerk/Treasurer | Marita Rhude |
|-----------------|--------------|

## **FINANCIAL SECTION**

# BRIAN D. KOEHN, CPA, PLLC



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## 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Barrett, Minnesota, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

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

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

**Required Supplementary Information**

Management has omitted the management’s 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 opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that budgetary comparison schedules, the schedule of proportionate share of the net pension liability, the schedule of employer contributions of the net pension liability, the schedule of changes in net pension liability and related ratios, and schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

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

**Report on Other Legal and Regulatory Requirements**

In accordance with Minnesota Statutes, I have also issued my report dated 08/12/2024, on my consideration of the City of Barrett, Minnesota’s compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated 08/12/2024, 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 solely 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 the effectiveness of the City of Barrett, Minnesota’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Barrett, Minnesota’s internal control over financial reporting and compliance.

  
**Brian D. Koehn, CPA, PLLC**  
Parkers Prairie, Minnesota  
08/12/2024



## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF BARRETT, MINNESOTA  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2023**

|   | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|---|----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                               |                            |                             |                     |
| Cash and Cash Equivalents                   | \$ 860,578                 | \$ 527,523                  | \$ 1,388,101        |
| Restricted Cash and Cash Equivalents        | -                          | 32,784                      | 32,784              |
| Receivables:                                |                            |                             |                     |
| Current Property Taxes                      | 2,714                      | -                           | 2,714               |
| Delinquent Property Taxes                   | 4,456                      | -                           | 4,456               |
| Special Assessments - Deferred              | -                          | 4,094                       | 4,094               |
| Other Receivables                           | -                          | 41,655                      | 41,655              |
| Prepaid Insurance                           | 6,676                      | 5,497                       | 12,173              |
| Total Assets                                | <u>874,424</u>             | <u>611,553</u>              | <u>1,485,977</u>    |
| <b>CAPITAL ASSETS</b>                       |                            |                             |                     |
| Buildings                                   | 409,225                    | -                           | 409,225             |
| Equipment                                   | 469,205                    | -                           | 469,205             |
| Infrastructure                              | 1,948,791                  | 9,032,110                   | 10,980,901          |
| Accumulated Depreciation                    | <u>(684,724)</u>           | <u>(1,727,973)</u>          | <u>(2,412,697)</u>  |
| Total Capital Assets                        | <u>2,142,497</u>           | <u>7,304,137</u>            | <u>9,446,634</u>    |
| Total Assets                                | 3,016,921                  | 7,915,690                   | 10,932,611          |
| <b>DEFERRED OUTFLOWS OF RESOURCES (DOR)</b> |                            |                             |                     |
| Pensions - Fire                             | 57,370                     | -                           | 57,370              |
| Pensions                                    | 48,532                     | -                           | 48,532              |
| Total Assets and DOR                        | 3,122,823                  | 7,915,690                   | 11,038,513          |
| <b>CURRENT LIABILITIES</b>                  |                            |                             |                     |
| Payroll Liabilities Payable                 | 9,117                      | 4,659                       | 13,776              |
| Accounts Payable                            | 32,415                     | 1,911                       | 34,326              |
| Accrued Interest Payable                    | 54,729                     | 82,006                      | 136,735             |
| Current Bonds and Notes Payable             | 50,481                     | 26,001                      | 76,482              |
| Total Current Liabilities                   | <u>146,742</u>             | <u>114,577</u>              | <u>261,319</u>      |
| <b>OTHER LIABILITIES</b>                    |                            |                             |                     |
| Net Pension (Asset) Liability - Fire        | (66,276)                   | -                           | (66,276)            |
| Net Pension (Asset) Liability - PERA        | 67,103                     | -                           | 67,103              |
| Long-Term Debt Payable                      | 1,745,488                  | 2,579,780                   | 4,325,268           |
| Less Current Portion                        | <u>(50,481)</u>            | <u>(26,001)</u>             | <u>(76,482)</u>     |
| Total Other Liabilities                     | <u>1,695,834</u>           | <u>2,553,779</u>            | <u>4,249,613</u>    |
| Total Liabilities                           | 1,842,576                  | 2,668,356                   | 4,510,932           |
| <b>DEFERRED INFLOWS OF RESOURCES (DIR)</b>  |                            |                             |                     |
| Pensions - Fire                             | 43,661                     | -                           | 43,661              |
| Pensions - PERA                             | 50,463                     | -                           | 50,463              |
| <b>NET POSITION</b>                         |                            |                             |                     |
| Net Investment in Capital Assets            | 397,009                    | 4,724,357                   | 5,121,366           |
| Restricted - Debt Service                   | -                          | 32,784                      | 32,784              |
| Unrestricted                                | 789,114                    | 490,193                     | 1,279,307           |
| Total Net Position                          | <u>\$ 1,186,123</u>        | <u>\$ 5,247,334</u>         | <u>\$ 6,433,457</u> |

See accompanying notes to financial statements



## **FUND FINANCIAL STATEMENTS**

**CITY OF BARRETT, MINNESOTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2023**

|  | General           | Fire              | 2019 Capital<br>Projects | GO Bond          | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------|--------------------------|------------------|--------------------------------|
| <b>ASSETS</b>  |                   |                   |                          |                  |                                |
| Cash and Cash Equivalents  | \$ 728,009        | \$ 108,754        | \$ -                     | \$ 23,815        | \$ 860,578                     |
| Receivables:   |                   |                   |                          |                  |                                |
| Current Property Taxes   | 2,714             | -                 | -                        | -                | 2,714                          |
| Delinquent Property Taxes Receivable                                 | 4,456             | -                 | -                        | -                | 4,456                          |
| Prepaid Expenses   | 6,676             | -                 | -                        | -                | 6,676                          |
| Total Assets   | <u>741,855</u>    | <u>108,754</u>    | <u>-</u>                 | <u>23,815</u>    | <u>874,424</u>                 |
| <b>LIABILITIES</b>   |                   |                   |                          |                  |                                |
| Payroll Liabilities Payable  | 9,117             | -                 | -                        | -                | 9,117                          |
| Accounts Payable   | 31,483            | 933               | -                        | -                | 32,416                         |
| Total Liabilities  | <u>40,600</u>     | <u>933</u>        | <u>-</u>                 | <u>-</u>         | <u>41,533</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                   |                   |                          |                  |                                |
| Unavailable Revenue - Delinquent Taxes                               | 4,456             | -                 |                          |                  | 4,456                          |
| <b>FUND BALANCES</b>   |                   |                   |                          |                  |                                |
| Nonspendable for Prepays   | 6,676             | -                 | -                        | -                | 6,676                          |
| Restricted for Debt Service  | -                 | -                 | -                        | 23,815           | 23,815                         |
| Assigned for:  |                   |                   |                          |                  |                                |
| Fire Department  | -                 | 107,821           | -                        | -                | 107,821                        |
| Streets  | 110,136           | -                 | -                        | -                | 110,136                        |
| Unassigned   | 579,987           | -                 | -                        |                  | 579,987                        |
| Total Fund Balances  | <u>696,799</u>    | <u>107,821</u>    | <u>-</u>                 | <u>23,815</u>    | <u>828,435</u>                 |
|  |                   |                   |                          |                  | -                              |
| Total Liabilities Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 741,855</u> | <u>\$ 108,754</u> | <u>\$ -</u>              | <u>\$ 23,815</u> | <u>\$ 874,424</u>              |

**CITY OF BARRETT, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2023**

**Fund Balances - Total Governmental Funds** \$ 828,435

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

|                          |                  |           |
|--------------------------|------------------|-----------|
| Cost of Capital Assets   | \$ 2,827,221     |           |
| Accumulated Depreciation | <u>(684,724)</u> | 2,142,497 |

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:

|          |                    |             |
|----------|--------------------|-------------|
| GO Notes | <u>(1,745,488)</u> | (1,745,488) |
|----------|--------------------|-------------|

Long-Term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.

|                                      |              |       |
|--------------------------------------|--------------|-------|
| Delinquent Property Taxes Receivable | <u>4,457</u> | 4,457 |
|--------------------------------------|--------------|-------|

Governmental Funds do not report Long-term Amounts related to Pensions.

|  |               |        |
|--|---------------|--------|
| Deferred Outflows of Pension Resources | 105,902       |        |
| Deferred Inflows of Pension Resources  | (94,124)      |        |
| Net Pension Liability - PERA           | (67,103)      |        |
| Net Pension Asset - Fire               | <u>66,276</u> | 10,951 |

Governmental funds do not report a liability for accrued interest until due and payable.

(54,729)

**Total Net Position - Governmental Activities** \$ 1,186,123

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

|  | General           | Fire              | 2019 Capital<br>Projects | GO Bond          | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------|--------------------------|------------------|--------------------------------|
| <b>REVENUES</b>  |                   |                   |                          |                  |                                |
| Property Taxes   | \$ 226,691        | \$ -              | \$ -                     | \$ -             | \$ 226,691                     |
| Special Assessments  | 583               | -                 | -                        | -                | 583                            |
| Licenses and Permits   | 3,805             | -                 | -                        | -                | 3,805                          |
| Intergovernmental Revenues                                   | 105,943           | 2,000             | 178,482                  | -                | 286,425                        |
| Charges for Services   | 10,770            | 11,903            | -                        | -                | 22,673                         |
| Fines and Forefits   | 487               | -                 | -                        | -                | 487                            |
| Other Revenue  | 50,255            | 7,500             | -                        | -                | 57,755                         |
| Total Revenue  | <u>398,534</u>    | <u>21,403</u>     | <u>178,482</u>           | <u>-</u>         | <u>598,419</u>                 |
| <b>EXPENDITURES</b>  |                   |                   |                          |                  |                                |
| General Government   | 138,041           | -                 | -                        | -                | 138,041                        |
| Public Safety  | 41,298            | 44,079            | -                        | -                | 85,377                         |
| Public Works   | 68,360            | -                 | -                        | -                | 68,360                         |
| Public Works Capital Outlay                                  | -                 | -                 | 116,129                  | -                | 116,129                        |
| Culture and Recreation                                       | 25,303            | -                 | -                        | -                | 25,303                         |
| Debt Service   | -                 | -                 | 2,816,503                | -                | 2,816,503                      |
| Total Expenditures   | <u>273,002</u>    | <u>44,079</u>     | <u>2,932,632</u>         | <u>-</u>         | <u>3,249,713</u>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | 125,532           | (22,676)          | (2,754,150)              | -                | (2,651,294)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                   |                          |                  |                                |
| Transfers from   |                   |                   |                          |                  |                                |
| Government Fund  | -                 | 16,074            | -                        | 23,505           | 39,579                         |
| Transfers to   |                   |                   |                          |                  |                                |
| Government Fund  | (16,074)          | -                 | (23,505)                 | -                | (39,579)                       |
| Enterprise Fund  | -                 | -                 | (22,186)                 | -                | (22,186)                       |
| Sale of Capital Assets                                       | -                 | -                 | -                        | -                | -                              |
| Proceeds from Bonds  | -                 | -                 | 2,710,106                | -                | 2,710,106                      |
| Total Other Financing Sources (Uses)                         | <u>(16,074)</u>   | <u>16,074</u>     | <u>2,664,415</u>         | <u>23,505</u>    | <u>2,687,920</u>               |
| <b>NET CHANGE IN FUND BALANCE</b>                            | 109,458           | (6,602)           | (89,735)                 | 23,505           | 36,626                         |
| Fund Balance - Beginning of Year                             | <u>587,341</u>    | <u>114,423</u>    | <u>89,735</u>            | <u>310</u>       | <u>791,809</u>                 |
| <b>FUND BALANCE - END OF YEAR</b>                            | <u>\$ 696,799</u> | <u>\$ 107,821</u> | <u>\$ -</u>              | <u>\$ 23,815</u> | <u>\$ 828,435</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, 2023**

**Net Change in Fund Balances - Total Governmental** \$ 36,626

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

Costs of capital assets 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:

|                        |                 |        |
|------------------------|-----------------|--------|
| Cost of Capital Assets | \$ 129,729      |        |
| Depreciation Expense   | <u>(52,825)</u> | 76,904 |

|   |  |             |
|---|--|-------------|
| Transfers of Capital Assets net of related debt to Enterprise funds |  | (2,812,299) |
|---|--|-------------|

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  | (2,710,106)      |          |
| Debt Repayment | <u>2,636,628</u> | (73,478) |

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>(503)</u> | (503) |
|---------------------------------|--------------|-------|

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>(5,832)</u> | (5,832) |
|--|----------------|---------|

Long-term pension activity is not reported in governmental funds.

|  |               |               |
|--|---------------|---------------|
|  | <u>16,633</u> | <u>16,633</u> |
|--|---------------|---------------|

**Change in Net Position - Governmental Activities** \$ (2,761,949)

**CITY OF BARRETT, MINNESOTA  
ENTERPRISE FUNDS  
STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2023**

|  | Water        | Sewer        | Garbage   | Total        |
|--|--------------|--------------|-----------|--------------|
| <b>ASSETS</b>                            |              |              |           |              |
| <b>CURRENT ASSETS</b>                    |              |              |           |              |
| Cash and Cash Equivalents                | \$ 376,619   | \$ 138,051   | \$ 12,853 | \$ 527,523   |
| Restricted Cash and Cash Equivalents     | 32,784       | -            | -         | 32,784       |
| Accounts Receivable                      | 12,482       | 18,583       | 10,590    | 41,655       |
| Delinquent Special Assessment Receivable | 4,094        | -            | -         | 4,094        |
| Prepaid Items                            | 1,677        | 3,820        | -         | 5,497        |
| Total Current Assets                     | 427,656      | 160,454      | 23,443    | 611,553      |
| <b>CAPITAL ASSETS</b>                    |              |              |           |              |
| Treatment Plant and Mains                | 769,340      | -            | -         | 769,340      |
| Mains and Lines                          | 4,213,107    | 4,049,663    | -         | 8,262,770    |
| Less: Accumulated Depreciation           | (1,009,504)  | (718,469)    | -         | (1,727,973)  |
| Total Capital Assets                     | 3,972,943    | 3,331,194    | -         | 7,304,137    |
| Total Assets                             | 4,400,599    | 3,491,648    | 23,443    | 7,915,690    |
| <b>LIABILITIES AND NET POSITION</b>      |              |              |           |              |
| <b>CURRENT LIABILITIES</b>               |              |              |           |              |
| Accounts Payable                         | 1,241        | 352          | 318       | 1,911        |
| Accrued Interest Payable                 | 2,813        | 79,193       | -         | 82,006       |
| Current Portion of Long-Term Debt        | 1,961        | 24,040       | -         | 26,001       |
| Other Accrued Liabilities                | 2,578        | 1,952        | 129       | 4,659        |
| Total Current Liabilities                | 8,593        | 105,537      | 447       | 114,577      |
| <b>OTHER LIABILITIES</b>                 |              |              |           |              |
| General Obligation Revenue Bonds         | 1,063,268    | 1,516,512    | -         | 2,579,780    |
| Less: Current Portion                    | (1,961)      | (24,040)     | -         | (26,001)     |
| Total Other Liabilities                  | 1,061,307    | 1,492,472    | -         | 2,553,779    |
| Total Liabilities                        | 1,069,900    | 1,598,009    | 447       | 2,668,356    |
| <b>NET POSITION</b>                      |              |              |           |              |
| Net Investment in Capital Assets         | 2,909,675    | 1,814,682    | -         | 4,724,357    |
| Restricted - Debt Service                | 32,784       | -            | -         | 32,784       |
| Unrestricted                             | 388,240      | 78,957       | 22,996    | 490,193      |
| Total Net Position                       | \$ 3,330,699 | \$ 1,893,639 | \$ 22,996 | \$ 5,247,334 |

**CITY OF BARRETT, MINNESOTA  
ENTERPRISE FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2023**

|   | <u>Water</u>        | <u>Sewer</u>        | <u>Garbage</u>   | <u>Total</u>        |
|---|---------------------|---------------------|------------------|---------------------|
| <b>OPERATING REVENUES:</b>                                  |                     |                     |                  |                     |
| Sales   | \$ 164,634          | \$ 161,581          | \$ 85,070        | \$ 411,285          |
| <b>OPERATING EXPENSES</b>                                   |                     |                     |                  |                     |
| Personal Services   | 23,113              | 20,850              | -                | 43,963              |
| Contracted Services   | -                   | -                   | 74,320           | 74,320              |
| Repairs and Maintenance                                     | -                   | 40,729              | -                | 40,729              |
| Supplies & Small Equipment                                  | 3,717               | 4,636               | -                | 8,353               |
| Dues, Permits, and Fees                                     | 334                 | -                   | -                | 334                 |
| Miscellaneous Expenses                                      | 5,707               | 1,450               | -                | 7,157               |
| Depreciation  | 84,170              | 58,685              | -                | 142,855             |
| Total Operating Expenses                                    | <u>117,041</u>      | <u>126,350</u>      | <u>74,320</u>    | <u>317,711</u>      |
| <b>OPERATING INCOME</b>                                     | 47,593              | 35,231              | 10,750           | 93,574              |
| <b>NONOPERATING REVENUE (EXPENSES)</b>                      |                     |                     |                  |                     |
| Interest and Investment Revenues                            | 2,830               | 299                 | -                | 3,129               |
| Other Income  | 14,929              | -                   | -                | 14,929              |
| Interest Expense  | <u>(35,898)</u>     | <u>585</u>          | <u>-</u>         | <u>(35,313)</u>     |
| Total Nonoperating Revenue (Expenses)                       | <u>(18,139)</u>     | <u>884</u>          | <u>-</u>         | <u>(17,255)</u>     |
| <b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> | 29,454              | 36,115              | 10,750           | 76,319              |
| <b>TRANSFERS AND CONTRIBUTIONS</b>                          |                     |                     |                  |                     |
| From Other Funds  | 1,809,904           | 1,030,209           | -                | 2,840,113           |
| To Other Funds  | <u>-</u>            | <u>(5,628)</u>      | <u>-</u>         | <u>(5,628)</u>      |
| Total Transfers   | <u>1,809,904</u>    | <u>1,024,581</u>    | <u>-</u>         | <u>2,834,485</u>    |
| <b>CHANGE IN NET POSITION</b>                               | 1,839,358           | 1,060,696           | 10,750           | 2,910,804           |
| Net Position - Beginning                                    | <u>1,491,341</u>    | <u>832,943</u>      | <u>12,246</u>    | <u>2,336,530</u>    |
| <b>NET POSITION - END OF YEAR</b>                           | <u>\$ 3,330,699</u> | <u>\$ 1,893,639</u> | <u>\$ 22,996</u> | <u>\$ 5,247,334</u> |

**CITY OF BARRETT, MINNESOTA  
ENTERPRISE FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2023**

|   | Water            | Sewer            | Garbage         | Total             |
|---|------------------|------------------|-----------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                  |                 |                   |
| Cash Received from Customers  | \$ 165,025       | \$ 153,409       | \$ 82,742       | \$ 401,176        |
| Cash Paid to Suppliers  | (46,620)         | (47,922)         | (74,318)        | (168,860)         |
| Cash Paid to Employees  | (22,948)         | (20,982)         | 129             | (43,801)          |
| Net Cash Provided by Operating Activities   | <u>95,457</u>    | <u>84,505</u>    | <u>8,553</u>    | <u>188,515</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                  |                  |                 |                   |
| Intergovernmental Revenues  | 14,929           | -                |                 | 14,929            |
| Cash Received from Other Funds  | 7,229            | 20,585           | -               | 27,814            |
| Cash Paid to Other Funds  | -                | (5,628)          | -               | (5,628)           |
| Net Cash Provided by Noncapital Financing Activities  | <u>22,158</u>    | <u>14,957</u>    | <u>-</u>        | <u>37,115</u>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                               |                  |                  |                 |                   |
| Cash Paid for Capital Asset Additions   | (34,578)         | (30,907)         | -               | (65,485)          |
| Principal Paid on Capital Debt  | (35,000)         | -                | -               | (35,000)          |
| Interest Paid on Capital Debt   | (34,025)         | -                | -               | (34,025)          |
| Net Cash Used by Capital and Related Financing Activities                                     | <u>(103,603)</u> | <u>(30,907)</u>  | <u>-</u>        | <u>(134,510)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                  |                 |                   |
| Interest and Dividends  | <u>2,830</u>     | <u>298</u>       | <u>-</u>        | <u>3,128</u>      |
| <b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | 16,842           | 68,853           | 8,553           | 94,248            |
| Cash and Cash Equivalents - Beginning of Year   | <u>392,561</u>   | <u>69,198</u>    | <u>4,300</u>    | <u>466,059</u>    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <u>409,403</u>   | <u>138,051</u>   | <u>12,853</u>   | <u>560,307</u>    |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                  |                  |                 |                   |
| Operating Income  | 47,593           | 35,231           | 10,750          | 93,574            |
| Provided (Used) by Operating Activities   |                  |                  |                 |                   |
| Depreciation  | 84,170           | 58,685           | -               | 142,855           |
| (Increase) Decrease in:   |                  |                  |                 |                   |
| Accounts Receivable   | 391              | (8,172)          | (2,328)         | (10,109)          |
| Prepays   | (454)            | (1,459)          | -               | (1,913)           |
| Increase (Decrease) in:   |                  |                  |                 |                   |
| Accounts Payable  | (36,408)         | 352              | 2               | (36,054)          |
| Accrued Expenses  | 165              | (132)            | 129             | 162               |
| Net Cash Provided by Operating Activities   | <u>\$ 95,457</u> | <u>\$ 84,505</u> | <u>\$ 8,553</u> | <u>\$ 188,515</u> |

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

**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**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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 and enterprise 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  
DECEMBER 31, 2023**

E. 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 statements 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.

**Fire Fund** – This special revenue fund is used to account for the activity related to the fire department.

**2019 Capital Project Fund** – This fund is used to account for the activity related to the 2019-2022 Water and Sewer project

**Debt Service Fund** – This fund is used to make the bond payments related to the 2019-2022 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.

**Garbage Fund** - The Garbage Fund is used to account for the operations of the City's garbage collection service.

F. 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  
DECEMBER 31, 2023**

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, 2023.

**G. Taxes Receivable**

Taxes receivable represents taxes levied and collected by the county in 2023 which are not received by the city until early the subsequent year.

**H. 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 2022 which was collected during the year ended December 31, 2023. 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.

**I. Due from Other Governments**

Due from Other Governments represents amount due from state or federal agencies which were not received by the city until early the subsequent year.



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

J. 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.

K. 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.

L. 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.

M. 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  
DECEMBER 31, 2023**

N. 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.

O. 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.

P. Personal Time Off

Every permanent full-time employee of the City is entitled to personal time off (PTO). PTO is earned on the following schedule:

- Years 1-2: 12 hours per month
- Years 3-5: 15.333 hours per month
- Years 5-10: 18.666 hours per month
- Years 10 and beyond: 22 hours per month

Employees working between 32 and 40 hours a week will receive PTO on a prorated basis. PTO time can be paid out in cash with the approval of the City Council. Therefore, no liability has been accrued.

Q. 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, 2023**

R. Fund Equity

The City implemented GASB 54 Fund Balance reporting and fund type definitions starting the year ended December 31, 2017. 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.

S. 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.

T. 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, 2023**

U. 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.

V. 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.

There is a restricted cash of \$32,784 in the Water Fund as required by the General Obligation Water Revenue Bonds

W. 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.

X. 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, 2023**

**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 for the general and fire funds.

**Excess of Expenditures over Appropriations**

The general fund expenditures exceeded budget by \$5,480 for the year ended December 31, 2023. The fire fund expenditures exceeded budget by \$16,931 for the year ended December 31, 2023. These overages were deemed necessary by the City council.

**NOTE 3 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  
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A reconciliation of cash and Cash Equivalents as shown on the Statement of Net Position for the City follows:

| <b>CASH AND CASH EQUIVALENTS</b> |              |
|----------------------------------|--------------|
| Governmental Funds               | \$ 860,578   |
| Proprietary Funds                | 527,523      |
| Proprietary Funds - Restricted   | 32,784       |
| Total                            | \$ 1,420,885 |

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 is as follows:

|   | Beginning<br>Balance | Additions    | Disposals    | Ending<br>Balance |
|---|----------------------|--------------|--------------|-------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>              |                      |              |              |                   |
| Capital Assets, Not Being Depreciated:      |                      |              |              |                   |
| Construction in Process                     | \$ 6,110,751         | \$ 116,129   | \$ 6,226,880 | \$ -              |
| Total Capital Assets, Not Being Depreciated | 6,110,751            | 116,129      | 6,226,880    | -                 |
| Capital Assets, Being Depreciated:          |                      |              |              |                   |
| Buildings                                   | 409,225              | -            | -            | 409,225           |
| Machinery and Equipment                     | 469,205              | -            | -            | 469,205           |
| Streets and Infrastructure                  | 241,900              | 1,706,891    | -            | 1,948,791         |
| Total Capital Assets, Being Depreciated     | 1,120,330            | 1,706,891    | -            | 2,827,221         |
| Total Capital Assets                        | 7,231,081            | 1,823,020    | 6,226,880    | 2,827,221         |
| Less: Accumulated Depreciation              | (631,899)            | (52,825)     | -            | (684,724)         |
| Governmental Activities Capital Assets, Net | \$ 6,599,182         | \$ 1,770,195 | \$ 6,226,880 | \$ 2,142,497      |
| <b>BUSINESS-TYPE ACTIVITIES</b>             |                      |              |              |                   |
| Capital Assets, Not Being Depreciated:      |                      |              |              |                   |
| Construction in Process                     | \$ 6,731             | \$ -         | \$ 6,731     | \$ -              |
| Total Capital Assets, Not Being Depreciated | 6,731                | -            | 6,731        | -                 |
| Capital Assets, Being Depreciated           |                      |              |              |                   |
| Infrastructure                              | 4,426,305            | 4,605,805    | -            | 9,032,110         |
| Total Capital Assets                        | 4,433,036            | 4,605,805    | 6,731        | 9,032,110         |
| Less: Accumulated Depreciation              | (1,585,118)          | (142,855)    | -            | (1,727,973)       |
| Business-Type Activities Net                | \$ 2,847,918         | \$ 4,462,950 | \$ 6,731     | \$ 7,304,137      |

Depreciation expense was charged to functions/programs as follows:

|                                     |            |
|-------------------------------------|------------|
| <b>Governmental Activities</b>      |            |
| General Government                  | \$ 22,009  |
| Public Safety                       | 7,812      |
| Public Works                        | 17,445     |
| Culture and Recreation              | 5,559      |
| Total Governmental Activities       | \$ 52,825  |
| <br><b>Business-Type Activities</b> |            |
| Water                               | \$ 58,685  |
| Sewer                               | 84,170     |
| Total Business-Type Activities      | \$ 142,855 |

**CITY OF BARRETT, MINNESOTA  
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**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, 2023.

|                                    | Outstanding<br>December 31,<br>2022 | Issued in<br>2023   | Paid in<br>2023     | Outstanding<br>December 31,<br>2023 |
|------------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| G.O. Water Rev. Ref. Bonds 2016A   | \$ 955,000                          | \$ -                | \$ 35,000           | \$ 920,000                          |
| G.O. Water Rev. Bonds 2023B        |                                     | 125,000             | -                   | 125,000                             |
| G.O. Sewer Rev. Ref. Bonds 2023A   |                                     | \$2,575,000         | \$ 145,000          | 2,430,000                           |
| G.O. Water and Sewer Revenue       |                                     |                     |                     |                                     |
| Anticipation Bond Note of 2020A    | 2,321,523                           | 10,106              | 2,331,629           | -                                   |
| Anticipation Bond Note of 2020B    | 125,000                             | -                   | 125,000             | -                                   |
| Taxable Utility Revenue Note 2022B | 867,000                             | -                   | 35,000              | 832,000                             |
| G.O. Temp Utility Rev Note of 2019 | -                                   | -                   | -                   | -                                   |
| <b>Total Bonds and Notes</b>       | <b>4,268,523</b>                    | <b>2,710,106</b>    | <b>2,671,629</b>    | <b>4,307,000</b>                    |
| Deferred amounts:                  |                                     |                     |                     |                                     |
| Unamortized Bond Premium           | 19,209                              | -                   | 941                 | 18,268                              |
| <b>Total Indebtedness</b>          | <b>\$ 4,287,732</b>                 | <b>\$ 2,710,106</b> | <b>\$ 2,672,570</b> | <b>\$ 4,325,268</b>                 |

Long-term debt maturities are as follows:

| Year Ended<br>December 31, | Governmental Activities |                        | Business-Type Activites |                        | Total                   |                        |
|----------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|
|                            | Principal<br>Maturities | Interest<br>Maturities | Principal<br>Maturities | Interest<br>Maturities | Principal<br>Maturities | Interest<br>Maturities |
| 2024                       | \$ 50,481               | \$ 46,125              | \$ 26,001               | \$ 64,527              | \$ 76,482               | \$ 110,652             |
| 2025                       | 50,915                  | 44,880                 | 61,766                  | 79,525                 | 112,681                 | 124,405                |
| 2026                       | 52,363                  | 43,623                 | 62,553                  | 77,827                 | 114,916                 | 121,450                |
| 2027                       | 53,823                  | 42,330                 | 68,365                  | 76,041                 | 122,188                 | 118,370                |
| 2028                       | 55,298                  | 41,000                 | 69,200                  | 74,166                 | 124,498                 | 115,165                |
| 2029-2033                  | 299,124                 | 183,753                | 374,417                 | 338,909                | 673,541                 | 522,662                |
| 2034-2038                  | 338,319                 | 144,807                | 434,332                 | 273,838                | 772,651                 | 418,646                |
| 2039-2043                  | 320,775                 | 100,902                | 518,158                 | 189,880                | 838,933                 | 290,782                |
| 2044-2049                  | 169,172                 | 82,140                 | 300,265                 | 145,581                | 469,437                 | 227,721                |
| 2050-2054                  | 165,796                 | 43,630                 | 293,530                 | 78,009                 | 459,326                 | 121,639                |
| 2055-2059                  | 189,423                 | 17,222                 | 334,909                 | 32,015                 | 524,332                 | 49,237                 |
| 2060-2062                  |                         |                        | 18,016                  | 1,023                  | 18,016                  | 1,023                  |
| <b>Total</b>               | <b>\$ 1,745,488</b>     | <b>\$ 790,413</b>      | <b>\$ 2,561,512</b>     | <b>\$ 1,431,339</b>    | <b>\$ 4,307,000</b>     | <b>\$ 2,221,751</b>    |

**CITY OF BARRETT, MINNESOTA  
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|   | Governmental | Proprietary  |
|---|--------------|--------------|
| GO Utility Revenue Note - This note is payable from a future debt issue.<br>\$867,000 of General Obligation Taxable Utility Revenue Note, Series 2022A, interest of 2.25%. This note matures on August, 2042.   | \$ 832,000   | \$ -         |
| G.O. Sewer Revenue Bond Note of 2023A interest of 3.1%. This note matures on February 1, 2026.  | 913,488      | 1,516,512    |
| G.O. Water Revenue Bond 2023B interest of 2.25%. This note matures on March 28, 2063.   | -            | 125,000      |
| GO Water Revenue Refunding Bonds - These bonds are payable solely from revenues of the water enterprise fund.<br>\$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. | -            | 920,000      |
| Total Bonds and Notes   | 1,745,488    | 2,561,512    |
| Unamortized Bond Premium  | -            | 18,268       |
| Total Long-Term Debt  | \$ 1,745,488 | \$ 2,579,780 |

**NOTE 6 INTERFUND TRANSFERS**

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

| Transfer Out    | Transfer In | Amount      | Purpose              |
|-----------------|-------------|-------------|----------------------|
| Governmental    | Water       | \$1,802,675 | Contributed Capital  |
| Governmental    | Sewer       | 1,009,624   | Contributed Capital  |
| Capital Project | GO Bond     | 23,505      | Close Fund           |
| Capital Project | Water       | 1,601       | Close Fund           |
| Capital Project | Sewer       | 20,585      | Close Fund           |
| General         | Fire        | 16,074      | City Share of Fire   |
| Sewer           | Water       | 5,628       | Debt Service Funding |
| Total           |             | \$2,879,692 |                      |

**NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**Summary of Significant Accounting Policies**

*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. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



**CITY OF BARRETT, MINNESOTA  
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**A. Plan Description**

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

All full-time and certain part-time employees of the City of Barrett 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**CITY OF BARRETT, MINNESOTA  
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**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 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$7,184. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

At December 31, 2022, the city reported a liability of \$67,103 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,800.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0012 percent at the end of the measurement period and .0015 percent for the beginning of the period.

|  |    |        |
|--|----|--------|
| City's proportionate share of the net pension liability  | \$ | 67,103 |
| State of Minnesota's proportionate share of the net pension liability associated with the City |    | 1,800  |
| Total  | \$ | 68,903 |

For the year ended December 31, 2023, the City recognized pension expense of \$7,150 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$8 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2023, the City 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:

**CITY OF BARRETT, MINNESOTA  
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|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Differences between expected and actual experience               | \$ 12,012                                 | \$ 433                                   |
| Change in actuarial assumptions                                  | 10,130                                    | 18,392                                   |
| Net Difference between projected and actual earnings on plan inv | 23,969                                    | 30,033                                   |
| Changes in proportion  | 1,124                                     | 9,143                                    |
| Contributions paid subsequent to the measurement date            | 3,613                                     | -  |
| <b>Total</b>   | <b>\$ 50,848</b>                          | <b>\$ 58,001</b>                         |

The \$3,613 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. 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 |
|-------------------------|------------------------|
| 2024                    | \$ (1,003)             |
| 2025                    | \$ 11,069              |
| 2026                    | \$ (2,227)             |
| 2027                    | \$ (2,316)             |
| 2028                    | \$ -                   |

**E. Long-Term Expected Return on Investment**

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

| <b>Asset Class</b>   | <b>Target<br/>Allocation</b> | <b>Long-Term Expected<br/>Real Rate of Return</b> |
|----------------------|------------------------------|---|
| Domestic Equity      | 33.50%                       | 5.10%   |
| Private Markets      | 16.50%                       | 5.30%   |
| Fixed Income         | 25.00%                       | 0.75%   |
| International Equity | 25.00%                       | 5.90%   |
| <b>Total</b>         | <b>100.00%</b>               |   |

**CITY OF BARRETT, MINNESOTA  
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**F. Actuarial Methods and Assumptions**

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

Inflation is assumed to be 2.25 percent for the General Employees Plan, 2.25 percent for the Police and Fire Plan, and 2.25 percent for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 2 percent for the Correction Plan through December 31, 2054 and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

The following changes in actuarial assumptions and plan provisions occurred in 2023:

**Changes in Actuarial Assumptions:**

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

**Changes in Plan Provisions:**

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

**CITY OF BARRETT, MINNESOTA  
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**G. Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0 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.

**H. 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:

| <b>District’s Proportionate share of NPL</b> |           |             |
|--|-----------|-------------|
| 1% decrease                                  | Current   | 1% increase |
| 6.00%  | 7.00%     | 8.00%       |
| \$ 118,710                                   | \$ 67,103 | \$ 24,654   |

**I. Pension Plan Fiduciary Net Position**

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

**NOTE 8 DEFINED BENEFIT PENSION PLAN - VOLUNTEER FIRE RELIEF ASSOCIATION**

**Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability [or asset if applicable], 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.

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**Plan Description**

The Fire Department participates in the Statewide Volunteer Firefighter Retirement 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, 2023, the plan covered 21 active firefighters and 1 vested terminated firefighter 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. 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 contributions. The State of Minnesota contributed \$13,083 in fire state aid to the fund for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2023, were \$0. The City's contributions were equal to the required contributions as set by state statute, if applicable. In addition, the City made voluntary contributions of \$0 to the plan

**Pension Costs**

At December 31, 2023, the City reported a net pension asset of \$66,276 for the Volunteer Firefighter Fund. The net pension liability was measured as of December 31, 2021. 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.

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|                                     | <b>Total<br/>Pension<br/>Liability</b> | <b>Plan<br/>Fiduciary<br/>Net Position</b> | <b>Net Pension<br/>Liability<br/>/ (Asset)</b> | <b>Deferred<br/>Outflow</b> | <b>Inflow</b> | <b>Pension<br/>Revenue</b> | <b>Pension<br/>Expense</b> |
|-------------------------------------|--|--|--|-----------------------------|---------------|----------------------------|----------------------------|
|                                     | (a)                                    | (b)  | (a-b)  |                             |               |                            |                            |
| Beginning Balance 12/31/22          | \$ 165,427                             | \$ 312,128                                 | (146,701)                                      | \$ -                        | \$ -          | \$ -                       | \$ -                       |
| Changes for the Year:               |  |  |  |                             |               |                            |                            |
| Service Cost                        | 12,456                                 | -  | 12,456   | -                           | -             | -                          | 12,456                     |
| Interest on Pension Liability       | 9,551                                  | -  | 9,551  | -                           | -             | -                          | 9,551                      |
| Projected Investment Earnings       | -                                      | 18,728                                     | (18,728)                                       | -                           | -             | -                          | (18,728)                   |
| Actuarial Experience (Gains)/Losses | 27,131                                 | -  | 27,131   | 21,705                      | -             | -                          | 5,426                      |
| Changes in Benefit Level            | -                                      | -  | -  | -                           | -             | -                          | -                          |
| Contributions (State)               | -                                      | 13,083                                     | (13,083)                                       | -                           | -             | 13,083                     | -                          |
| Asset (Gain) Loss                   | -                                      | (62,510)                                   | 62,510   | 50,008                      | -             | -                          | 12,502                     |
| Benefit Payouts                     | (37,400)                               | (37,400)                                   | -  | -                           | -             | -                          | -                          |
| PERA Administrative Fee             | -                                      | (588)                                      | 588  | -                           | -             | -                          | 588                        |
| Net Changes                         | <u>11,738</u>                          | <u>(68,687)</u>                            | <u>80,425</u>                                  | <u>71,713</u>               | <u>-</u>      | <u>13,083</u>              | <u>21,795</u>              |
| Balance End of Year 12/31/22        | <u>\$ 177,165</u>                      | <u>\$ 243,441</u>                          | <u>\$ (66,276)</u>                             | <u>\$ 71,713</u>            | <u>\$ -</u>   | <u>\$ 13,083</u>           | <u>\$ 21,795</u>           |

For the year ended December 31, 2022, the City recognized pension expense of \$21,795.

At December 31, 2023, the City reported deferred inflows of resources related to pensions from the following sources:

|                                   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|-----------------------------------|---|--|
| Actuarial Experience Gains/Losses | \$ 21,705                                 | \$ (24,578)                              |
| Asset (Gain)/Loss                 | 50,008                                    | (19,083)                                 |
| Total                             | <u>\$ 71,713</u>                          | <u>\$ (43,661)</u>                       |

There was no additional amount reported as deferred outflows of resources related to pensions resulting from City 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | Pension Expense Amount |
|-------------------------|------------------------|
| 2024                    | \$ (1,003)             |
| 2025                    | \$ 11,069              |
| 2026                    | \$ (2,227)             |
| 2027                    | \$ (2,316)             |
| 2028                    | \$ -                   |

**Actuarial Assumptions**

The total pension liability at December 31, 2023, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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- 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.

**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:

| <u>District's Proportionate share of NPL</u> |             |             |
|--|-------------|-------------|
| 1% decrease                                  | Current     | 1% increase |
| 5.00%  | 6.00%       | 7.00%       |
| \$ (58,979)                                  | \$ (66,276) | \$ (73,223) |

**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:



**CITY OF BARRETT, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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| <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 six percent 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 from a number of investment management and consulting organizations. 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 2023 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, 2023, 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](http://www.mnpera.org).

**NOTE 9 CONTINGENCIES AND COMMITMENTS**

**A. Contracts**

In July 2021 the council approved a three-year contract with the Grant County Sheriff’s office for police protection. The City paid \$41,298 in 2023 for this contract. The amounts contracted for future services for the year 2024 is \$42,537.

**B. 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.

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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 2023.

**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.

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 469.1813-469.1815) and has a maximum duration dated to 2030. Abatement payments under this agreement in 2023 were \$1,581.

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NOTES TO FINANCIAL STATEMENTS  
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**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. The project was completed during 2023. The transfer between governmental activities and the water and sewer funds to close out the project was as follows:

| <u>Transfer from Governmental</u> | <u>Transfer to</u>  |                     | <u>Total</u>        |
|-----------------------------------|---------------------|---------------------|---------------------|
|                                   | <u>Water</u>        | <u>Sewer</u>        |                     |
| Capital Assets                    | \$ 1,927,675        | \$ 2,605,914        | \$ 4,533,589        |
| Debt from Project                 | (125,000)           | (1,516,512)         | (1,641,512)         |
| Accrued Interest                  |                     | (79,778)            | (79,778)            |
| Net Transfer In                   | <u>\$ 1,802,675</u> | <u>\$ 1,009,624</u> | <u>\$ 2,812,299</u> |

**NOTE 14 ISSUED BUT NOT YET EFFECTIVE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City. The effect these standards may have on future financial statements is not determinable at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

|   | Original<br>and<br>Final | Actual            | Variance with<br>Final Budget |
|---|--------------------------|-------------------|-------------------------------|
| <b>REVENUES</b>                             |                          |                   |                               |
| Property Taxes                              | \$ 170,758               | \$ 226,691        | \$ 55,933                     |
| Special Assessments                         |                          | 583               | 583                           |
| Licenses and Permits                        | 4,000                    | 3,805             | (195)                         |
| Intergovernmental Revenues                  | 89,697                   | 105,943           | 16,246                        |
| Charges for Services                        | 9,044                    | 10,770            | 1,726                         |
| Fines and Forefits                          | 300                      | 487               | 187                           |
| Other Revenue                               | 9,797                    | 50,255            | 40,458                        |
| Total Revenues                              | 283,596                  | 398,534           | 114,938                       |
| <b>EXPENDITURES</b>                         |                          |                   |                               |
| Current:                                    |                          |                   |                               |
| General Government                          | 157,158                  | 138,041           | (19,117)                      |
| Public Safety                               | 41,298                   | 41,298            | -                             |
| Public Works                                | 50,866                   | 68,360            | 17,494                        |
| Culture and Recreation                      | 18,200                   | 25,303            | 7,103                         |
| Total Expenditures                          | 267,522                  | 273,002           | 5,480                         |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | 16,074                   | 125,532           | 109,458                       |
| <b>OTHER FINANCING USES</b>                 |                          |                   |                               |
| Transfer to Other Funds                     | (16,074)                 | (16,074)          | -                             |
| <b>NET CHANGE IN FUND BALANCE</b>           | -                        | 109,458           | 109,458                       |
| Fund Balance - Beginning of Year            | 587,341                  | 587,341           | -                             |
| <b>FUND BALANCE - END OF YEAR</b>           | <b>\$ 587,341</b>        | <b>\$ 696,799</b> | <b>\$ 109,458</b>             |

**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  
BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
YEAR ENDED DECEMBER 31, 2023**

|   | Original<br>and<br>Final | Actual                   | Variance with<br>Final Budget |
|---|--------------------------|--------------------------|-------------------------------|
| <b>REVENUES</b>                             |                          |                          |                               |
| Intergovernmental Revenues                  | -                        | 2,000                    | 2,000                         |
| Charges for Services                        | \$ 16,074                | \$ 11,903                | \$ (4,171)                    |
| Other Revenue                               | -                        | 7,500                    | 7,500                         |
| Total Revenues                              | <u>16,074</u>            | <u>21,403</u>            | <u>5,329</u>                  |
| <b>EXPENDITURES</b>                         |                          |                          |                               |
| Current:                                    |                          |                          |                               |
| Public Safety                               | 27,148                   | 41,968                   | 14,820                        |
| Capital Outlay                              |                          |                          |                               |
| Public Safety                               | -                        | 2,111                    | 2,111                         |
| Total Expenditures                          | <u>27,148</u>            | <u>44,079</u>            | <u>16,931</u>                 |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | <u>(11,074)</u>          | <u>(22,676)</u>          | <u>(11,602)</u>               |
| <b>OTHER FINANCING USES</b>                 |                          |                          |                               |
| Transfer From Other Funds                   | <u>-</u>                 | <u>16,074</u>            | <u>16,074</u>                 |
| <b>NET CHANGE IN FUND BALANCE</b>           | (11,074)                 | (6,602)                  | 4,472                         |
| Fund Balance - Beginning of Year            | <u>114,423</u>           | <u>114,423</u>           | <u>-</u>                      |
| <b>FUND BALANCE - END OF YEAR</b>           | <u><u>\$ 103,349</u></u> | <u><u>\$ 107,821</u></u> | <u><u>\$ 4,472</u></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 fire 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  
YEAR ENDED DECEMBER 31, 2023**

| Actuarial<br>Valuation<br>Date | Employer's<br>Proportion<br>of the Net<br>Pension | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(a) | State's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(b) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability and<br>The State's<br>Share<br>(a+b) | Employer's<br>Covered-<br>Employee<br>Payroll<br>(c) | Proportionate<br>Share of the<br>Net Pension<br>Liability<br>as a Percentage<br>of its Covered-<br>Employee Payroll<br>(a+b)/c | Plan Fiduciary<br>Net Position<br>as a Percentage<br>of the Total<br>Pension<br>Liability |
|--------------------------------|---|--|---|--|--|--|---|
| 6/30/2023                      | 0.0012%   | \$ 67,103  | \$ 1,800  | \$ 68,903  | 95,333   | 72.28%   | 83.10%  |
| 6/30/2022                      | 0.0014%   | 102,960  | 3,158   | 106,118  | 100,747  | 105.33%  | 76.70%  |
| 6/30/2021                      | 0.0015%   | 64,057   | 1,898   | 65,955   | 106,827  | 61.74%   | 87.00%  |
| 6/30/2020                      | 0.0014%   | 83,936   | 2,511   | 86,447   | 99,653   | 86.75%   | 79.06%  |
| 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%  |

This schedule is intended to show ten-year trends. Additional years will be reported as they become available.

**CITY OF BARRETT, MINNESOTA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2023**

**Schedule of Employer PERA Contributions**

| Year Ended<br>June 30, | Contributions<br>in Relation                   |   |   | Covered-<br>Employee<br>Payroll<br>(d) | Contributions<br>as a Percentage<br>of Covered-<br>Employee<br>Payroll<br>(b/d) |
|------------------------|--|---|---|--|---|
|                        | Statutorily<br>Required<br>Contribution<br>(a) | to the Statutorily<br>Required<br>Contribution<br>(b) | Contribution<br>Deficiency<br>(Excess)<br>(a-b) |  |   |
| 2023                   | \$ 7,150                                       | \$ 7,150  | \$ -  | \$ 95,333                              | 7.50%   |
| 2022                   | 7,556  | 7,556   | -   | 100,747                                | 7.50%   |
| 2021                   | 8,012  | 8,012   | -   | 106,827                                | 7.50%   |
| 2020                   | 7,474  | 7,474   | -   | 99,653                                 | 7.50%   |
| 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%   |

This schedule is intended to show ten-year trends. Additional years will be reported as they become available.



**CITY OF BARRETT, MINNESOTA**  
**NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**YEAR ENDED DECEMBER 31, 2023**

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

**General Employees Fund**

**2023 Changes in Actuarial Assumptions:**

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

**2023 Changes in Plan Provisions:**

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

**2022 Changes in Actuarial Assumptions:**

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

**2022 Changes in Plan Provisions:**

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

**2021 Changes in Actuarial Assumptions:**

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

**2021 Changes in Plan Provisions:**

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

**2020 Changes in Actuarial Assumptions:**

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality

**CITY OF BARRETT, MINNESOTA**  
**NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**YEAR ENDED DECEMBER 31, 2023**

table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**2020 Changes in Plan Provisions**

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

**2019 Changes in Actuarial Assumptions:**

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

**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 mortality 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.

**CITY OF BARRETT, MINNESOTA**  
**NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**YEAR ENDED DECEMBER 31, 2023**

**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.

**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 YEAR - BARRETT FIRE DEPARTMENT**  
**ENDED DECEMBER 31, 2023**

|   | 2022                              | 2021                              | 2020                              | 2019                              | 2018                              |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|   | (Fire Relief Report<br>Date 2021) | (Fire Relief Report<br>Date 2020) | (Fire Relief Report<br>Date 2019) | (Fire Relief Report<br>Date 2018) | (Fire Relief Report<br>Date 2017) |
| <b>Total Pension Liability</b>  |                                   |                                   |                                   |                                   |                                   |
| Service Cost  | \$ 12,456                         | \$ 11,795                         | \$ 5,660                          | \$ 5,535                          | \$ 5,451                          |
| Interest  | 9,551                             | 6,681                             | 5,846                             | 5,507                             | 5,283                             |
| Changes of Benefit Terms  | -                                 | 84,044                            | -                                 | -                                 | (7,094)                           |
| Actuarial Experience (Gains)/Losses   | 27,131                            | (36,640)                          | (3,725)                           | (5,521)                           | -                                 |
| Change of Assumptions   | -                                 | -                                 | -                                 | -                                 | -                                 |
| Benefit Payments, Including Refunds of Employee Contributions                           | (37,400)                          | -                                 | -                                 | -                                 | -                                 |
| <b>Net Change In Total Pension Liability</b>  | <b>11,738</b>                     | <b>65,880</b>                     | <b>7,781</b>                      | <b>5,521</b>                      | <b>3,640</b>                      |
| <b>Total Pension Liability - January 1</b>  | <b>165,427</b>                    | <b>99,547</b>                     | <b>91,766</b>                     | <b>86,245</b>                     | <b>82,605</b>                     |
| <b>Total Pension Liability - December 31 (A)</b>  | <b>\$ 177,165</b>                 | <b>\$ 165,427</b>                 | <b>\$ 99,547</b>                  | <b>\$ 91,766</b>                  | <b>\$ 86,245</b>                  |
| <b>Plan Fiduciary Net Position</b>  |                                   |                                   |                                   |                                   |                                   |
| Contributions - City  | \$ -                              | \$ -                              | \$ -                              | \$ -                              | \$ 2,000                          |
| Contributions - State   | 13,083                            | 12,902                            | 12,650                            | 12,262                            | 12,236                            |
| Projected Investment Earnings   | -                                 | 16,378                            | -                                 | -                                 | -                                 |
| Net Investment Income   | (43,782)                          | 10,434                            | 34,198                            | 33,790                            | (7,160)                           |
| Benefit Payments, including Refunds of Employee Contributions                           | (37,400)                          | -                                 | -                                 | -                                 | -                                 |
| Administrative Expense  | (587)                             | (556)                             | (554)                             | (582)                             | (640)                             |
| <b>Net Change In Plan Fiduciary Net Position</b>  | <b>(68,686)</b>                   | <b>39,158</b>                     | <b>46,294</b>                     | <b>45,470</b>                     | <b>6,436</b>                      |
| <b>Plan Fiduciary Net Position - January 1</b>  | <b>312,127</b>                    | <b>272,969</b>                    | <b>226,675</b>                    | <b>181,205</b>                    | <b>174,769</b>                    |
| <b>Plan Fiduciary Net Position - December 31 (B)</b>                                    | <b>\$ 243,441</b>                 | <b>\$ 312,127</b>                 | <b>\$ 272,969</b>                 | <b>\$ 226,675</b>                 | <b>\$ 181,205</b>                 |
| <b>Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)</b>                  | <b>\$ (66,276)</b>                | <b>\$ (146,700)</b>               | <b>\$ (173,422)</b>               | <b>\$ (134,909)</b>               | <b>\$ (94,960)</b>                |
| <b>Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (B/A)</b> | 137%                              | 189%                              | 274%                              | 247%                              | 210%                              |
| <b>Covered Payroll</b>  | *                                 | *                                 | *                                 | *                                 | *                                 |
| <b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>   | *                                 | *                                 | *                                 | *                                 | *                                 |

\* 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.

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, 2023**

| Year<br>Ending | Statutory<br>Required<br>Contribution<br>(a) | Contributions<br>in Related to<br>the Statutorily<br>Required<br>Contribution<br>(b) | Contribution<br>Deficiency<br>(Excess) (a-<br>b) | Covered<br>Payroll<br>(c) | Contributions<br>as a<br>Percentage<br>of Covered<br>Employee<br>Payroll<br>(b/c) |
|----------------|--|--|--|---------------------------|---|
| 12/31/2022     | \$ -   | \$ -   | \$ -   | *                         | *   |
| 12/31/2021     | \$ -   | \$ -   | \$ -   | *                         | *   |
| 12/31/2020     | \$ -   | \$ -   | \$ -   | *                         | *   |
| 12/31/2019     | \$ -   | \$ -   | \$ -   | *                         | *   |
| 12/31/2018     | \$ -   | \$ 2,000   | \$ (2,000)                                       | *                         | *   |

\* The Barrett Fire Department is comprised of volunteers, therefore there are no payroll

Note 1: Schedule is intended to show 10-Year trend. Additional years will be reported as they become 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.

## **SUPPLEMENTARY INFORMATION**

**CITY OF BARRETT, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2023**

|                                     | General    | Fire      | 2019 Capital<br>Project | GO Bond | Total<br>Governmental<br>Funds |
|-------------------------------------|------------|-----------|-------------------------|---------|--------------------------------|
| <b>REVENUES</b>                     |            |           |                         |         |                                |
| Taxes                               |            |           |                         |         |                                |
| Property Taxes                      | \$ 226,691 | \$ -      | \$ -                    | \$ -    | \$ 226,691                     |
| Special Assessments                 | 583        | -         | -                       | -       | 583                            |
| Total Taxes                         | 227,274    | -         | -                       | -       | 227,274                        |
| Licenses and Permits                |            |           |                         |         |                                |
| Business                            | 3,550      | -         | -                       | -       | 3,550                          |
| Nonbusiness                         | 255        | -         | -                       | -       | 255                            |
| Total Licenses and Permits          | 3,805      | -         | -                       | -       | 3,805                          |
| Intergovernmental Revenues          |            |           |                         |         |                                |
| Federal                             | -          | -         | 178,482                 | -       | 178,482                        |
| State                               |            |           |                         |         |                                |
| Local Government Aid                | 89,181     | -         | -                       | -       | 89,181                         |
| Market Value Credits - Agricultural | 614        | -         | -                       | -       | 614                            |
| Other                               | 16,148     | 2,000     | -                       | -       | 18,148                         |
| Total Intergovernmental Revenues    | 105,943    | 2,000     | 178,482                 | -       | 286,425                        |
| Charges for Services                |            |           |                         |         |                                |
| Township Fire Contracts             | -          | 11,903    | -                       | -       | 11,903                         |
| Other Charges for Services          | 10,770     | -         | -                       | -       | 10,770                         |
| Total Charges for Services          | 10,770     | 11,903    | -                       | -       | 22,673                         |
| Fines and Forfeits                  | 487        | -         | -                       | -       | 487                            |
| Other Revenues                      |            |           |                         |         |                                |
| Interest                            | 22,115     | -         | -                       | -       | 22,115                         |
| Donations                           | 27,442     | 7,500     | -                       | -       | 34,942                         |
| Other                               | 698        | -         | -                       | -       | 698                            |
| Total Other Revenues                | 50,255     | 7,500     | -                       | -       | 57,755                         |
| Total Revenues                      | \$ 398,534 | \$ 21,403 | \$ 178,482              | \$ -    | \$ 598,419                     |

**CITY OF BARRETT, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

|                             | General    | Fire      | 2019 Capital<br>Project | GO Bond | Total<br>Governmental<br>Funds |
|-----------------------------|------------|-----------|-------------------------|---------|--------------------------------|
| <b>EXPENDITURES</b>         |            |           |                         |         |                                |
| General Government          |            |           |                         |         |                                |
| Mayor and Council           | \$ 9,173   | \$ -      | \$ -                    | \$ -    | \$ 9,173                       |
| Municipal Clerk             | 66,179     | -         | -                       | -       | 66,179                         |
| Elections                   | -          | -         | -                       | -       | -                              |
| Other General Government    | 62,689     | -         | -                       | -       | 62,689                         |
| Total General Government    | 138,041    | -         | -                       | -       | 138,041                        |
| Public Safety               |            |           |                         |         |                                |
| Police Protection           |            |           |                         |         |                                |
| Current Expense             | 41,298     | -         | -                       | -       | 41,298                         |
| Fire Protection             |            |           |                         |         |                                |
| Current Expense             | -          | 41,968    | -                       | -       | 41,968                         |
| Capital Outlay              | -          | 2,111     | -                       | -       | 2,111                          |
| Total Public Safety         | 41,298     | 44,079    | -                       | -       | 85,377                         |
| Public Works                |            |           |                         |         |                                |
| Highways and Streets        |            |           |                         |         |                                |
| Street Maintenance/Cleaning | 39,357     | -         | 19,750                  | -       | 59,107                         |
| Street Lighting             | 94         | -         | -                       | -       | 94                             |
| Snow Removal                | 28,909     | -         | -                       | -       | 28,909                         |
| Capital Outlay - Streets    | -          | -         | 96,379                  | -       | 96,379                         |
| Total Public Works          | 68,360     | -         | 116,129                 | -       | 184,489                        |
| Culture and Recreation      |            |           |                         |         |                                |
| Current Expense             | 25,303     | -         | -                       | -       | 25,303                         |
| Debt Service                |            |           |                         |         |                                |
| Principal                   | -          | -         | 2,636,628               | -       | 2,636,628                      |
| Interest                    | -          | -         | 179,875                 | -       | 179,875                        |
| Total Debt Service          | -          | -         | 2,816,503               | -       | 2,816,503                      |
| Total Expenditures          | \$ 273,002 | \$ 44,079 | \$ 2,932,632            | \$ -    | \$ 3,249,713                   |



**CITY OF BARRETT, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
AS OF DECEMBER 31, 2023  
(UNAUDITED)**

|  | General           | Fire              | 2019 Capital<br>Project | GO Bond          | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------|-------------------------|------------------|--------------------------------|
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | \$ 125,532        | \$ (22,676)       | \$ (2,754,150)          | \$ -             | \$ (2,651,294)                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                   |                   |                         |                  |                                |
| Transfers from Other Funds                                   | -                 | 16,074            | -                       | 23,505           | 39,579                         |
| Transfers to Other Funds                                     | (16,074)          | -                 | (45,691)                | -                | (61,765)                       |
| Proceeds from Bonds  | -                 | -                 | 2,710,106               | -                | 2,710,106                      |
| Total Other Financing Sources (Uses)                         | (16,074)          | 16,074            | 2,664,415               | 23,505           | 2,687,920                      |
| <b>NET CHANGE IN FUND BALANCE</b>                            | 109,458           | (6,602)           | (89,735)                | 23,505           | 36,626                         |
| Fund Balance - Beginning of Year                             | 587,341           | 114,423           | 89,735                  | 310              | 791,809                        |
| <b>FUND BALANCE - END OF YEAR</b>                            | <b>\$ 696,799</b> | <b>\$ 107,821</b> | <b>\$ -</b>             | <b>\$ 23,815</b> | <b>\$ 828,435</b>              |

**CITY OF BARRETT, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
AS OF DECEMBER 31, 2023  
(UNAUDITED)**

|   | Interest<br>Rate | Issue<br>Date | Final<br>Maturity | Outstanding<br>January 1,<br>2023 | Issued in<br>2023 | Paid in<br>2023     | Outstanding<br>December<br>31,<br>2023 | Principal<br>Due in<br>2024 | Interest<br>Due in<br>2024 |
|---|------------------|---------------|-------------------|-----------------------------------|-------------------|---------------------|--|-----------------------------|----------------------------|
| <b>BONDED INDEBTEDNESS</b>                                      |                  |               |                   |                                   |                   |                     |  |                             |                            |
| <b>General Obligation Bonds</b>                                 |                  |               |                   |                                   |                   |                     |  |                             |                            |
| G.O. Water Revenue Ref Bonds of 2016A                           | 1.25-4.00%       | 01/15/16      | 01/01/43          | \$ 955,000                        | \$ -              | \$ 35,000           | \$ 920,000                             | \$ -                        | \$ 16,219                  |
| G.O. Sewer Revenue Bonds of 2023A                               | 3.00%            | 03/28/23      | 03/28/63          | -                                 | 2,575,000         | 145,000             | 2,430,000                              | 38,521                      | 72,900                     |
| G.O. Water Revenue Bonds of 2023B                               | 2.25%            | 03/28/23      | 03/28/63          |                                   | 125,000           |                     | 125,000                                | 1,961                       | 2,813                      |
| <b>General Obligation Note</b>                                  |                  |               |                   |                                   |                   |                     |  |                             |                            |
| G.O. Water and Sewer Revenue<br>Anticipation Bond Note of 2020A | 3.10%            | 12/23/20      | 02/01/26          | 2,321,523                         | 10,206            | 2,331,729           | -                                      | -                           | -                          |
| G.O. Water Revenue Anticipation Bond<br>Note of 2020B           | 3.10%            | 12/23/20      | 02/01/26          | 125,000                           | -                 | 125,000             | -                                      | -                           | -                          |
| G.O. Taxable Utility Revenue Bond of<br>2022A                   | 2.25%            | 08/16/22      | 08/16/42          | 867,000                           | -                 | 35,000              | 832,000                                | 36,000                      | 18,720                     |
| <b>TOTAL BONDED INDEBTEDNESS</b>                                |                  |               |                   | <u>4,268,523</u>                  | <u>2,710,206</u>  | <u>2,671,729</u>    | <u>4,307,000</u>                       | <u>76,482</u>               | <u>110,652</u>             |
| <b>BOND PREMIUM</b>   |                  |               |                   |                                   |                   |                     |  |                             |                            |
| Unamortized Bond Premium 2016A                                  | N/A              | 01/15/16      | 01/01/43          | 19,209                            | -                 | 941                 | 18,268                                 | 941                         | -                          |
| <b>TOTAL INDEBTEDNESS</b>                                       |                  |               |                   | <u>\$ 4,287,732</u>               | <u>2,710,206</u>  | <u>\$ 2,672,670</u> | <u>\$ 4,325,268</u>                    | <u>\$ 77,423</u>            | <u>\$ 110,652</u>          |

**REPORTS RELATED TO GOVERNMENT AUDITING STANDARDS**

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## 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, 2023, 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 08/12/2024.

### Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City 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.

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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, and 2023-003 that I consider to be material weaknesses.

**Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of my 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*.

**The City of Barrett, Minnesota’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Barrett, Minnesota’s response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. the City of Barrett, Minnesota’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

**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*  
**Brian D. Koehn, CPA, PLLC**  
Parkers Prairie, Minnesota  
08/12/2024

# BRIAN D. KOEHN, CPA, PLLC



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## 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, 2023, and the related notes to the financial statements, and have issued my report thereon dated 08/12/2024.

In connection with my audit, I noted that the City failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and responses as item 2023-004. Also 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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, 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's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of 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  
08/12/2024

**CITY OF BARRETT, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2023**

**2023-001 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.

**Response:** Administration will review the segregation of accounting duties to attempt to resolve the lack of segregation of duties within the City office until it becomes cost prohibitive.

**2023-002 YEAR-END CLOSING PROCEDURES (MATERIAL ADJUSTING JOURNAL ENTRIES)**

**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.

**Response:** City personnel will continue to annually get additional training on GAAP requirements and prepare more of the adjusting journal entries.

**CITY OF BARRETT, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2023**

**2023-003 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.

**Response:** City personnel will continue to annually get additional training on GAAP requirements and continue to utilize auditing firm to prepare financial statements and footnotes. In addition, City will document its review of the statements prepared by auditor to assure accuracy and retain documentation of those reviews.

**2024-004 DISBURSEMENTS**

**Condition:** The City does not have an internal control process in place to ensure all disbursements of city funds are approved by the City Council prior to payment.

**Criteria:** Minnesota Statute 412.271 requires all disbursements to be approved by the City Council prior to payment.

**Cause:** The City was using a debit card for some purchases.

**Effect:** The City was not in compliance with Minnesota Statutes.

**Recommendation:** The City should cease using the debit card and instead obtain and use a city credit card or utilize checks. The City has previously adopted a credit card policy.

**Response:** The City ceased using the debit and started using a credit card in accordance with the previously adopted credit card policy during 2024.