CITY OF BARRETT, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2024

CITY OF BARRETT, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2024

INTRODUCTORY SECTION

PRINCIPAL CITY OFFICIALS 1

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 2

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION 4

STATEMENT OF ACTIVITIES 5

FUND FINANCIAL STATEMENTS

BALANCE SHEET – GOVERNMENTAL FUNDS 6

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION 7

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS 8

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES 9

STATEMENT OF NET POSITION – ENTERPRISE FUNDS 10

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – ENTERPRISE FUNDS 11

STATEMENT OF CASH FLOWS –ENTERPRISE FUNDS 12

NOTES TO FINANCIAL STATEMENTS 13

CITY OF BARRETT, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2024

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND 37

BUDGETARY COMPARISON SCHEDULE – FIRE FUND 38

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY 39

SCHEDULE OF EMPLOYER CONTRIBUTIONS 40

NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND SCHEDULE OF EMPLOYER CONTRIBUTIONS 41

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – BARRETT FIRE DEPARTMENT 45

SCHEDULE OF PENSION CONTRIBUTIONS – BARRETT FIRE DEPARTMENT 46

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS 47

SCHEDULE OF INDEBTEDNESS 50

REPORTS RELATED TO GOVERNMENT AUDITING STANDARDS

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* 51

REPORT ON MINNESOTA LEGAL COMPLIANCE 53

SCHEDULE OF FINDINGS AND RESPONSES 54

INTRODUCTORY SECTION

CITY OF BARRETT, MINNESOTA
PRINCIPAL CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2024

Elected Officials

Position	Name	Term Expires
Mayor	Michelle Jensen	December 31, 2026
Council Member	Tim Lasch	December 31, 2024
Council Member	Aaron Ray	December 31, 2026
Council Member	Susie Sieben	December 31, 2028
Council Member	Katie Hauglie	December 31, 2026

Appointed

Clerk/Treasurer	Marita Rhude

FINANCIAL SECTION

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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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 September 29, 2025, 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 September 29, 2025, 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

Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
September 29, 2025

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BARRETT, MINNESOTA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 818,070	$ 522,713	$ 1,340,783
Restricted Cash and Cash Equivalents	-	40,060	40,060
Receivables:			
Current Property Taxes	3,032	-	3,032
Delinquent Property Taxes	2,358	-	2,358
Special Assessments - Deferred	-	641	641
Other Receivables	-	45,136	45,136
Prepaid Insurance	6,677	5,497	12,174
Total Assets	830,137	614,047	1,444,184
CAPITAL ASSETS			
Buildings	451,034	-	451,034
Equipment	482,458	-	482,458
Infrastructure	1,948,791	9,032,110	10,980,901
Accumulated Depreciation	(808,443)	(2,061,389)	(2,869,832)
Total Capital Assets	2,073,840	6,970,721	9,044,561
Total Assets	2,903,977	7,584,768	10,488,745
DEFERRED OUTFLOWS OF RESOURCES (DOR)			
Pensions - Fire	35,857	-	35,857
Pensions	27,728	-	27,728
Total Assets and DOR	2,967,562	7,584,768	10,552,330
CURRENT LIABILITIES			
Payroll Liabilities Payable	7,491	4,059	11,550
Accounts Payable	6,412	10,527	16,939
Accrued Interest Payable	33,693	47,543	81,236
Current Bonds and Notes Payable	50,915	26,766	77,681
Total Current Liabilities	98,511	88,895	187,406
OTHER LIABILITIES			
Net Pension (Asset) Liability - Fire	(102,429)	-	(102,429)
Net Pension (Asset) Liability - PERA	43,596	-	43,596
Long-Term Debt Payable	1,695,007	2,517,838	4,212,845
Less Current Portion	(50,915)	(26,766)	(77,681)
Total Other Liabilities	1,585,259	2,491,072	4,076,331
Total Liabilities	1,683,770	2,579,967	4,263,737
DEFERRED INFLOWS OF RESOURCES (DIR)			
Pensions - Fire	29,259	-	29,259
Pensions - PERA	43,733	-	43,733
NET POSITION			
Net Investment in Capital Assets	378,833	4,452,883	4,831,716
Restricted - Debt Service	-	40,060	40,060
Unrestricted	831,967	659,195	1,491,162
Total Net Position	$ 1,210,800	$ 5,152,138	$ 6,362,938

See accompanying notes to financial statements

CITY OF BARRETT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	$ 154,395	$ 13,730	$ -	$ 1,324	$ (139,341)	$ -	$ (139,341)
Public Safety	79,883	22,631	30,501	-	(26,751)	-	(26,751)
Streets	141,932	-	-	-	(141,932)	-	(141,932)
Sanitation	-	-	-	-	-	-	-
Culture and Recreation	25,624	-	-	-	(25,624)	-	(25,624)
Interest	25,089	-	-	-	(25,089)	-	(25,089)
Total Governmental Activities	426,923	36,361	30,501	1,324	(358,737)	-	(358,737)
BUSINESS-TYPE ACTIVITIES							
Water Enterprise	252,165	183,558	-	-	-	(68,607)	(68,607)
Sewer Enterprise	249,189	209,931	-	-	-	(39,258)	(39,258)
Garbage Enterprise	71,487	83,215	-	-	-	11,728	11,728
Total Business Activities	572,841	476,704	-	-	-	(96,137)	(96,137)
Total Activities	$ 999,764	$ 513,065	$ 30,501	$ 1,324	(358,737)	(96,137)	(454,874)
		GENERAL REVENUES					
		Property Taxes			234,410	-	234,410
		Intergovernmental			110,451	-	110,451
		Interest Earnings			27,645	941	28,586
		Donations			4,515	-	4,515
		Miscellaneous			6,393	-	6,393
		Total General Revenues			383,414	941	384,355
		CHANGE IN NET POSITION			24,677	(95,196)	(70,519)
		Net Position - Beginning			1,186,123	5,247,334	6,433,457
		NET POSITION - END OF YEAR			$ 1,210,800	$ 5,152,138	$ 6,362,938

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

CITY OF BARRETT, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2024

	General	Fire	GO Bond	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 784,181	$ 106,659	$ (72,770)	$ 818,070
Receivables:				
Current Property Taxes	3,032	-	-	3,032
Delinquent Property Taxes Receivable	2,358	-	-	2,358
Prepaid Expenses	6,677	-	-	6,677
Total Assets	796,248	106,659	(72,770)	830,137
LIABILITIES				
Payroll Liabilities Payable	7,491	-	-	7,491
Accounts Payable	5,647	766	-	6,413
Total Liabilities	13,138	766	-	13,904
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	2,358	-		2,358
FUND BALANCES				
Nonspendable for Prepaids	6,677	-	-	6,677
Assigned for:				
Fire Department	-	105,893	-	105,893
Streets	110,136	-	-	110,136
Unassigned	663,939	-	(72,770)	591,169
Total Fund Balances	780,752	105,893	(72,770)	813,875
				-
Total Liabilities Deferred Inflows of Resources and Fund Balances	$ 796,248	$ 106,659	$ (72,770)	$ 830,137

See accompanying notes to financial statements

CITY OF BARRETT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2024

Fund Balances - Total Governmental Funds		$ 813,875
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	$ 2,882,283	
Accumulated Depreciation	(808,443)	2,073,840
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	(1,695,007)	(1,695,007)
Long-Term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.		
Delinquent Property Taxes Receivable	2,359	2,359
Governmental Funds do not report Long-term Amounts related to Pensions.		
Deferred Outflows of Pension Resources	63,585	
Deferred Inflows of Pension Resources	(72,992)	
Net Pension Liability - PERA	(43,596)	
Net Pension Asset - Fire	102,429	49,426
Governmental funds do not report a liability for accrued interest until due and payable.		(33,693)
Total Net Position - Governmental Activities		$ 1,210,800

See accompanying notes to financial statements

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

	General	Fire	GO Bond	Total Governmental Funds
REVENUES				
Property Taxes	$ 236,508	$ -	$ -	$ 236,508
Special Assessments	1,324	-	-	1,324
Licenses and Permits	4,005	-	-	4,005
Intergovernmental Revenues	110,214	17,418	-	127,632
Charges for Services	7,454	21,228	-	28,682
Fines and Forefits	207	-	-	207
Other Revenue	38,263	1,573	-	39,836
Total Revenue	397,975	40,219	-	438,194
EXPENDITURES				
General Government	150,498	-	-	150,498
Public Safety	42,537	58,371	-	100,908
Public Works	47,106	-	-	47,106
Culture and Recreation	57,657	-	-	57,657
Debt Service	-	-	96,585	96,585
Total Expenditures	297,798	58,371	96,585	452,754
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,177	(18,152)	(96,585)	(14,560)
OTHER FINANCING SOURCES (USES)				
Transfers from Government Fund	-	16,224	-	16,224
Transfers to Government Fund	(16,224)	-	-	(16,224)
Total Other Financing Sources (Uses)	(16,224)	16,224	-	-
NET CHANGE IN FUND BALANCE	83,953	(1,928)	(96,585)	(14,560)
Fund Balance - Beginning of Year	696,799	107,821	23,815	828,435
FUND BALANCE - END OF YEAR	$ 780,752	$ 105,893	$ (72,770)	$ 813,875

See accompanying notes to financial statements

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, 2024

Net Change in Fund Balances - Total Governmental		$ (14,560)
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	$ 55,062	
Depreciation Expense	(123,719)	(68,657)
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	-	
Debt Repayment	50,481	50,481
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	(2,098)	(2,098)
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.	21,036	21,036
Long-term pension activity is not reported in governmental funds.	38,475	38,475
Change in Net Position - Governmental Activities		$ 24,677

See accompanying notes to financial statements

CITY OF BARRETT, MINNESOTA
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2024

	Water	Sewer	Garbage	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 325,752	$ 165,632	$ 31,329	$ 522,713
Restricted Cash and Cash Equivalents - PFA	40,060	-	-	40,060
Restricted for Contingency	32,693	19,799		52,492
Restricted for Water/Sewer Reserve	58,253	36,592		94,845
Accounts Receivable	18,583	16,516	10,037	45,136
Delinquent Special Assessment Receivable	641	-	-	641
Prepaid Items	1,678	3,819	-	5,497
Total Current Assets	477,660	242,358	41,366	761,384
CAPITAL ASSETS				
Treatment Plant and Mains	769,340	-	-	769,340
Mains and Lines	4,213,107	4,049,663	-	8,262,770
Less: Accumulated Depreciation	(1,174,490)	(886,899)	-	(2,061,389)
Total Capital Assets	3,807,957	3,162,764	-	6,970,721
Total Assets	4,285,617	3,405,122	41,366	7,732,105
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	2,537	1,503	6,487	10,527
Accrued Interest Payable	2,768	44,775	-	47,543
Current Portion of Long-Term Debt	2,005	24,761	-	26,766
Other Accrued Liabilities	1,952	1,952	155	4,059
Total Current Liabilities	9,262	72,991	6,642	88,895
OTHER LIABILITIES				
General Obligation Revenue Bonds	1,025,366	1,492,472	-	2,517,838
Less: Current Portion	(2,005)	(24,761)	-	(26,766)
Total Other Liabilities	1,023,361	1,467,711	-	2,491,072
Total Liabilities	1,032,623	1,540,702	6,642	2,579,967
NET POSITION				
Net Investment in Capital Assets	2,782,591	1,670,292	-	4,452,883
Restricted - Debt Service	40,060	-	-	40,060
Unrestricted	430,343	194,128	34,724	659,195
				-
Total Net Position	$ 3,252,994	$ 1,864,420	$ 34,724	$ 5,152,138

See accompanying notes to financial statements

CITY OF BARRETT, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2024

	Water	Sewer	Garbage	Total
OPERATING REVENUES:				
Sales	$ 172,883	$ 209,931	$ 83,215	$ 466,029
Connection and Inspection Fees	636			636
	173,519	209,931	83,215	466,665
OPERATING EXPENSES				
Personal Services	22,323	23,432	-	45,755
Contracted Services	-	-	71,487	71,487
Repairs and Maintenance	10,477	38,234	-	48,711
Supplies & Small Equipment	5,729	6,543	-	12,272
Dues, Permits, and Fees	599	-	-	599
Miscellaneous Expenses	12,847	1,473	-	14,320
Depreciation	164,986	168,430	-	333,416
Total Operating Expenses	216,961	238,112	71,487	526,560
OPERATING INCOME	(43,442)	(28,181)	11,728	(59,895)
NONOPERATING REVENUE (EXPENSES)				
Interest and Investment Revenues	941	-	-	941
Other Income	-	10,039	-	10,039
Interest Expense	(35,204)	(11,077)	-	(46,281)
Total Nonoperating Revenue (Expenses)	(34,263)	(1,038)	-	(35,301)
CHANGE IN NET POSITION	(77,705)	(29,219)	11,728	(95,196)
Net Position - Beginning	3,330,699	1,893,639	22,996	5,247,334
NET POSITION - END OF YEAR	$ 3,252,994	$ 1,864,420	$ 34,724	$ 5,152,138

See accompanying notes to financial statements

CITY OF BARRETT, MINNESOTA
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2024

	Water	Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 170,871	$ 211,998	$ 83,768	$ 466,637
Cash Paid to Suppliers	(28,357)	(45,098)	(65,292)	(138,747)
Cash Paid to Employees	(22,949)	(23,432)	-	(46,381)
Net Cash Provided by Operating Activities	119,565	143,468	18,476	281,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Revenues	-	10,039	-	10,039
Net Cash Provided by Noncapital Financing Activities	-	10,039	-	10,039
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Capital Debt	(37,902)	(24,040)	-	(61,942)
Interest Paid on Capital Debt	(35,249)	(45,495)	-	(80,744)
Net Cash Used by Capital and Related Financing Activities	(73,151)	(69,535)	-	(142,686)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends	941	-	-	941
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	47,355	83,972	18,476	149,803
Cash and Cash Equivalents - Beginning of Year	409,403	138,051	12,853	560,307
CASH AND CASH EQUIVALENTS - END OF YEAR	456,758	222,023	31,329	710,110
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income	(43,442)	(28,181)	11,728	(59,895)
Provided (Used) by Operating Activities				
Depreciation	164,986	168,430	-	333,416
(Increase) Decrease in:				
Accounts Receivable	(2,648)	2,067	553	(28)
Increase (Decrease) in:				
Accounts Payable	1,295	1,152	6,169	8,616
Accrued Expenses	(626)	-	26	(600)
Net Cash Provided by Operating Activities	$ 119,565	$ 143,468	$ 18,476	$ 281,509

See accompanying notes to financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the City of Barrett "The City" 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.

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 and 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.

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.

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.

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, 2024.

G. Taxes Receivable

Taxes receivable represents taxes levied and collected by the county in 2024 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 2023 which was collected during the year ended December 31, 2024. 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.

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 December 31, 2007. 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.

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.

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.

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 $40,060 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.

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 fire fund expenditures exceeded budget by $14,407 for the year ended December 31, 2024. 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.

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

CASH AND CASH EQUIVALENTS	
Governmental Funds	$ 818,070
Proprietary Funds	522,713
Proprietary Funds - Restricted	40,060
Total	$ 1,380,843

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Being Depreciated:				
Buildings	409,225	41,809	-	451,034
Machinery and Equipment	469,205	13,253	-	482,458
Streets and Infrastructure	1,948,791	-	-	1,948,791
Total Capital Assets, Being Depreciated	2,827,221	55,062	-	2,882,283
Total Capital Assets	2,827,221	55,062	-	2,882,283
Less: Accumulated Depreciation	(684,724)	(123,719)	-	(808,443)
Governmental Activities Capital Assets, Net	$ 2,142,497	$ (68,657)	$ -	$ 2,073,840
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Being Depreciated				
Infrastructure	9,032,110	-	-	9,032,110
Total Capital Assets	9,032,110	-	-	9,032,110
Less: Accumulated Depreciation	(1,727,973)	(333,416)	-	(2,061,389)
Business-Type Activities Net	$ 7,304,137	$ (333,416)	$ -	$ 6,970,721

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	$ 15,342
Public Safety	7,812
Public Works	95,006
Culture and Recreation	5,559
Total Governmental Activities	$ 123,719
Business-Type Activities	
Water	$ 168,430
Sewer	164,986
Total Business-Type Activities	$ 333,416

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, 2024.

	Outstanding December 31, 2023	Issued in 2024	Paid in 2024	Outstanding December 31, 2024
G.O. Water Rev. Ref. Bonds 2016A	$ 920,000	$ -	$ 35,000	$ 885,000
G.O. Water Rev. Bonds 2023B	125,000	-	1,961	123,039
G.O. Sewer Rev. Ref. Bonds 2023A	2,430,000	-	38,521	2,391,479
G.O. Water and Sewer Revenue Taxable Utility Revenue Note 2022B	832,000	-	36,000	796,000
Total Bonds and Notes	4,307,000	-	111,482	4,195,518
Deferred amounts:				
Unamortized Bond Premuim	18,268	-	941	17,327
Total Indebtedness	$ 4,325,268	$ -	$ 112,423	$ 4,212,845

Long-term debt maturities are as follows:

	Governmental Activities		Business-Type Activites		Total	
Year Ended December 31,	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities
2025	$ 50,915	$ 44,880	$ 26,766	$ 63,306	$ 77,681	$ 108,186
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	56,787	39,634	70,059	72,186	126,846	111,819
2030-2034	306,797	176,354	384,114	327,406	690,911	503,760
2035-2039	346,418	136,421	449,766	258,373	796,184	394,794
2040-2044	274,368	92,786	469,445	172,493	743,813	265,279
2045-2050	174,247	77,066	309,127	136,718	483,374	213,784
2051-2055	170,770	38,655	302,200	69,340	472,970	107,995
2056-2060	153,221	11,540	275,268	22,121	428,489	33,661
2061-2063	-	-	13,648	618	13,648	618
Total	$ 1,695,007	$ 744,288	$ 2,500,511	$ 1,350,593	$ 4,195,518	$ 2,094,881

	Governmental	Proprietary
GO Utility Revenue Note - This note is payable from a future debt issue. $867,000 of General Obligation Taxable Utility Revenue Note, Series 2022A, interest of 2.25%. This note matures on August, 2042.	$ 796,000	$ -
G.O. Sewer Revenue Bond Note of 2023A interest of 3.1%. This note matures on February 1, 2026.	899,007	1,492,472
G.O. Water Revenue Bond 2023B interest of 2.25%. This note matures on March 28, 2063.	-	123,039
GO Water Revenue Refunding Bonds - These bonds are payable solely from revenues of the water enterprise fund. $1,215,000 of General Obligation Water Revenue Refunding Bonds, Series 2016A, of 2016, interest of 1.25% to 4.00%. These bonds mature on January 1, 2043.	-	885,000
Total Bonds and Notes	1,695,007	2,500,511
Unamortized Bond Premium	-	17,327
Total Long-Term Debt	$ 1,695,007	$ 2,517,838

NOTE 6 INTERFUND TRANSFERS

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

Transfer Out	Transfer In	Amount	Purpose
General	Fire	16,224	City Share of Fire
Total		$ 16,224	

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.

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 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. The 2024 annual increase was 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. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

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 2024 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, 2024, were $7,485. The City's contributions were equal to the required contributions as set by state statute.

D. **Pension Costs**

At December 31, 2024, the city reported a liability of $43,596 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 $1,127.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0012 percent at the end of the measurement period and .0012 percent for the beginning of the period.

City's proportionate share of the net pension liability	$	43,596
State of Minnesota's proportionate share of the net pension liability asociated with the City		1,127
Total	$	44,723

For the year ended December 31, 2024, the City recognized pension expense of $7,485 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, 2024, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,358	$ -
Change in actuarial assumptions	176	12,757
Net Difference between projected and actual earnings on plan inv	14,898	25,709
Changes in proportion	-	5,268
Contributions paid subsequent to the measurement date	3,297	-
Total	$ 27,729	$ 43,734

The $3,297 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
2025	$ 19,301
2026	$ 5,023
2027	$ 4,061
2028	$ 3,189

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

- Inflation is assumed to be 2.25% for the General Employees Plan, Police & Fire Plan, and the Correctional Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police & Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% at age 60.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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:

District's Proportionate share of NPL		
1% decrease	Current	1% increase
6.00%	7.00%	8.00%
$ 95,220	$ 43,596	$ 1,130

I. Pension Plan Fiduciary Net Position

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

NOTE 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.

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 13 active firefighters. 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 $15,058 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 $102,429 for the Volunteer Firefighter Fund. The net pension liability was measured as of December 31, 2023. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)	Deferred Outflow	Deferred Inflow	Pension Revenue	Pension Expense
	(a)	(b)	(a-b)				
Beginning Balance 12/31/2022	$ 177,165	$ 243,441	(66,276)	$ 71,713	$ 43,661	$ -	$ -
Changes for the Year:							
Service Cost	12,456	-	12,456	-	-	-	12,456
Interest on Pension Liability	11,377	-	11,377	-	-	-	11,377
Projected Investment Earnings	-	15,058	(15,058)	-	-	-	(15,058)
Actuarial Experience (Gains)/Losses	(7,808)	-	(7,808)	-	7,207	-	(601)
Prior Reporting Periods							
Actual Experience (Gain)/Loss	-	-	-	(5,426)	(9,178)	-	(3,752)
Asset (Gain)/Loss	-	-	-	(12,502)	(10,788)	-	1,714
Changes in Benefit Level	-	-	-	-	-	-	-
Contributions (State)	-	15,058	(15,058)	-	-	15,058	-
Asset (Gain) Loss	-	22,062	(22,062)	-	17,650	-	(4,412)
Benefit Payouts	-	-	-	-	-	-	-
PERA Administrative Fee		-	-	-	-	-	-
Net Changes	16,025	52,178	(36,153)	(17,928)	4,891	15,058	1,724
Balance End of Year 12/31/2023	$ 193,190	$ 295,619	$ (102,429)	$ 53,785	$ 48,552	$ 15,058	$ 1,724

For the year ended December 31, 2023, the City recognized pension expense of $1,724.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Investment Earnings	$ 25,943	$ 37,506
Actuarial Experience (Gains)/Losses	22,608	16,279
Total	$ 48,551	$ 53,785

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
2025	$ 19,301
2026	$ 5,023
2027	$ 4,061
2028	$ 3,189

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:

- 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:

District's Proportionate share of NPL		
1% decrease	Current	1% increase
5.00%	6.00%	7.00%
$ (94,894)	$ (102,429)	$ (109,752)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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.

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 $42,537 in 2024 for this contract.

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.

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 2024 were $3546.38.

NOTE 13 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, 2024

	Original and Final	Actual	Variance with Final Budget
REVENUES			
Property Taxes	$ 177,516	$ 236,508	$ 58,992
Special Assessments		1,324	1,324
Licenses and Permits	4,125	4,005	(120)
Intergovernmental Revenues	115,733	110,214	(5,519)
Charges for Services	9,544	7,454	(2,090)
Fines and Forefits	500	207	(293)
Other Revenue	17,137	38,263	21,126
Total Revenues	324,555	397,975	73,420
EXPENDITURES			
Current:			
General Government	163,497	150,498	(12,999)
Public Safety	42,537	42,537	-
Public Works	59,731	47,106	(12,625)
Culture and Recreation	34,466	57,657	23,191
Total Expenditures	300,231	297,798	(2,433)
EXCESS OF REVENUES OVER EXPENDITURES	24,324	100,177	75,853
OTHER FINANCING USES			
Transfer to Other Funds	(24,224)	(16,224)	8,000
NET CHANGE IN FUND BALANCE	100	83,953	83,853
Fund Balance - Beginning of Year	696,799	696,799	-
FUND BALANCE - END OF YEAR	$ 696,899	$ 780,752	$ 83,853

NOTE 1 SUMARY 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 though 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, 2024

	Original and Final	Actual	Variance with Final Budget
REVENUES			
Intergovernmental Revenues	$ -	$ 17,418	$ 17,418
Charges for Services	16,224	21,228	5,004
Other Revenue	-	1,573	1,573
Total Revenues	16,224	40,219	23,995
EXPENDITURES			
Current:			
Public Safety	28,298	45,118	16,820
Capital Outlay			
Public Safety	-	13,253	13,253
Total Expenditures	28,298	58,371	30,073
EXCESS OF REVENUES OVER EXPENDITURES	(12,074)	(18,152)	(6,078)
OTHER FINANCING USES			
Transfer From Other Funds	-	16,224	16,224
NET CHANGE IN FUND BALANCE	(12,074)	(1,928)	10,146
Fund Balance - Beginning of Year	107,821	107,821	-
FUND BALANCE - END OF YEAR	$ 95,747	$ 105,893	$ 10,146

NOTE 1 SUMARY 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 though 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, 2024

Actuarial Valuation Date	Employer's Proportion of the Net Pension	Employer's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability (b)	Employer's Porportionate Share of the Net Pension Liability and The State's Share (a+b)	Employer's Covered-Employee Payroll (c)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a+b)/c	Plan Fudiciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0012%	$ 43,596	$ 1,127	$ 44,723	99,800	44.81%	89.10%
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%

CITY OF BARRETT, MINNESOTA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2024

Schedule of Employer PERA Contributions

Year Ended June 30,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
2024	$ 7,485	$ 7,485	$ -	$ 99,800	7.50%
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%
2015	6,144	6,144	-	81,920	7.50%

CITY OF BARRETT, MINNESOTA
NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY, AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2024

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

General Employees Fund

2024 Changes in Actuarial Assumptions:

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

2024 Changes in Plan Provisions:

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

2023 Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 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 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 morality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in Plan Provisions

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

2018 Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2018 Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

2017 Changes in Plan Provisions

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

2016 Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2016 Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

2015 Changes in Plan Provisions:

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

CITY OF BARRETT, MINNESOTA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - BARRETT FIRE DEPARTMENT
YEAR ENDED DECEMBER 31, 2024

	2023	2022	2021	2020	2019
Total Pension Liability	(Fire Relief Report Date 2023)	(Fire Relief Report Date 2021)	(Fire Relief Report Date 2020)	(Fire Relief Report Date 2019)	(Fire Relief Report Date 2018)
Service Cost	$ 12,456	$ 12,456	$ 11,795	$ 5,660	$ 5,535
Interest	11,377	9,551	6,681	5,846	5,507
Changes of Benefit Terms	-	-	84,044	-	-
Actuarial Experience (Gains)/Losses	(7,808)	27,131	(36,640)	(3,725)	(5,521)
Change of Assumptions					
Benefit Payments, Including Refunds of Employee		(37,400)			
Net Change In Total Pension Liability	16,025	11,738	65,880	7,781	5,521
Total Pension Liability - January 1	177,165	165,427	99,547	91,766	86,245
Total Pension Liability - December 31 (A)	$ 193,190	$ 177,165	$ 165,427	$ 99,547	$ 91,766
Plan Fiduciary Net Position					
Contributions - City	$ -	$ -	$ -	$ -	$ -
Contributions - State	15,058	13,083	12,902	12,650	12,262
Projected Investment Earnings	15,058	-	16,378		
Net Investment Income	22,062	(43,782)	10,434	34,198	33,790
Benefit Payments, including Refunds of Employee Contributions		(37,400)			
Administrative Expense		(587)	(556)	(554)	(582)
Net Change In Plan Fiduciary Net Position	52,178	(68,686)	39,158	46,294	45,470
Plan Fiduciary Net Position - January 1	243,441	312,127	272,969	226,675	181,205
Plan Fiduciary Net Position - December 31 (B)	$ 295,619	$ 243,441	$ 312,127	$ 272,969	$ 226,675
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	$ (102,429)	$ (66,276)	$ (146,700)	$ (173,422)	$ (134,909)
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability (B/A)	153%	137%	189%	274%	247%
Covered Payroll	*	*	*	*	*
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	*	*	*	*	*

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

Note 1: Schedule is intended to show 10-Year trend. Additional years will be reported as they become available.
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 finan Barrett Fire Department Relief Association.

CITY OF BARRETT, MINNESOTA
SCHEDULE OF PENSION CONTRIBUTIONS – BARRETT FIRE DEPARTMENT
YEAR ENDED DECEMBER 31, 2024

Year Ending	Statutory Required Contribution (a)	Contributions in Related to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b/c)
12/31/2024	$ -	$ -	$ -	*	*
12/31/2023	$ -	$ -	$ -	*	*
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 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

SUPPLEMENTARY INFORMATION

CITY OF BARRETT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General	Fire	GO Bond	Total Governmental Funds
REVENUES				
Taxes				
Property Taxes	$ 236,508	$ -	$ -	$ 236,508
Special Assessments	1,324	-		1,324
Total Taxes	237,832	-	-	237,832
Licenses and Permits				
Business	3,525	-	-	3,525
Nonbusiness	480	-	-	480
Total Licenses and Permits	4,005	-	-	4,005
Intergovernmental Revenues				
State				-
Local Government Aid	99,206	-	-	99,206
Market Value Credits - Agricultural	564	-	-	564
State Fire Aid	-	15,666	-	15,666
Other	10,444	1,752	-	12,196
Total Intergovernmental Revenues	110,214	17,418	-	127,632
Charges for Services				
Township Fire Contracts	-	21,228	-	21,228
Other Charges for Services	7,454	-		7,454
Total Charges for Services	7,454	21,228	-	28,682
Fines and Forfeits	207	-	-	207
Other Revenues				
Interest	27,645	-	-	27,645
Donations	4,345	170	-	4,515
Other	6,273	1,403	-	7,676
Total Other Revenues	38,263	1,573	-	39,836
Total Revenues	$ 397,975	$ 40,219	$ -	$ 438,194

CITY OF BARRETT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	General	Fire	GO Bond	Total Governmental Funds
EXPENDITURES				
General Government				
Mayor and Council	$ 11,008	$ -	$ -	$ 11,008
Municipal Clerk	71,817	-	-	71,817
Elections	870	-	-	870
Other General Government	66,803	-	-	66,803
Total General Government	150,498	-	-	150,498
Public Safety				
Police Protection				
Current Expense	42,537	-	-	42,537
Fire Protection				
Current Expense	-	45,118	-	45,118
Capital Outlay	-	13,253	-	13,253
Total Public Safety	42,537	58,371	-	100,908
Public Works				
Highways and Streets				
Street Maintenance/Cleaning	24,094	-	-	24,094
Snow Removal	23,012	-	-	23,012
Total Public Works	47,106	-	-	47,106
Culture and Recreation				
Current Expense	57,657	-	-	57,657
Debt Service				
Principal	-	-	50,481	50,481
Interest	-	-	46,104	46,104
Total Debt Service	-	-	96,585	96,585
Total Expenditures	$ 297,798	$ 58,371	$ 96,585	$ 452,754

CITY OF BARRETT, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	General	Fire	GO Bond	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 100,177	$ (18,152)	$ (96,585)	$ (14,560)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	16,224	-	16,224
Transfers to Other Funds	(16,224)	-	-	(16,224)
Total Other Financing Sources (Uses)	(16,224)	16,224	-	-
NET CHANGE IN FUND BALANCE	83,953	(1,928)	(96,585)	(14,560)
Fund Balance - Beginning of Year	696,799	107,821	23,815	828,435
FUND BALANCE - END OF YEAR	$ 780,752	$ 105,893	$ (72,770)	$ 813,875

CITY OF BARRETT, MINNESOTA
SCHEDULE OF INDEBTEDNESS
AS OF DECEMBER 31, 2024
(UNAUDITED)

	Interest Rate	Issue Date	Final Maturity	Outstanding January 1, 2024	Issued in 2024	Paid in 2024	Outstanding December 31, 2024	Principal Due in 2025	Interest Due in 2025
BONDED INDEBTEDNESS									
General Obligation Bonds									
G.O. Water Revenue Ref Bonds of 2016A	1.25-4.00%	01/15/16	01/01/43	$ 920,000	$ -	$ 35,000	$ 885,000	$ -	$ 15,764
G.O. Sewer Revenue Bonds of 2023A	3.00%	03/28/23	03/28/63	2,430,000	-	38,521	2,391,479	39,676	71,744
G.O. Water Revenue Bonds of 2023B	2.25%	03/28/23	03/28/63	125,000	-	1,961	123,039	2,005	2,768
General Obligation Note									
G.O. Taxable Utility Revenue Bond of 2022A	2.25%	08/16/22	08/16/42	832,000	-	36,000	796,000	36,000	17,910
TOTAL BONDED INDEBTEDNESS				4,307,000	-	111,482	4,195,518	77,681	108,186
BOND PREMIUM									
Unamortozed Bond Premium 2016A	N/A	01/15/16	01/01/43	18,268	-	941	17,327	941	-
TOTAL INDEBTEDNESS				$ 4,325,268	-	$ 112,423	$ 4,212,845	$ 78,622	$ 108,186

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, 2024, 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 September 29, 2025.

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 2024-001, 2024-002, and 2024-003 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 responses. 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
September 29, 2025

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, 2024, and the related notes to the financial statements, and have issued my report thereon dated September 29, 2025.

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 2024-004. 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

Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
September 29, 2025

CITY OF BARRETT, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2024

2024-001 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.

2024-002 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, 2024

2024-003 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.