

**CITY OF BARRETT**

Financial Statements

For the Year Ended December 31, 2012

# CITY OF BARRETT

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# CITY OF BARRETT

City Council  
Year Ended December 31, 2012

Term on Council Expires

Troy Johnson	12/31/2012	Mayor
Derek Getz	12/31/2014	Council Member
Earl Janshen	12/31/2012	Council Member
Todd Lang	12/31/2014	Council Member
Deborah Nelson-Pick	12/31/2012	Council Member
Marita Rhude		Clerk/Treasurer

**FINANCIAL SECTION**



## **Desautels Bartosiewski & Associates, CPAs, LLC**

**1309 Hwy. 29 North, Suite #101, Alexandria, MN 56308  
(320) 763-5188 Fax(320) 763-5180 dbacpa.net**

### INDEPENDENT AUDITOR'S REPORT

To the Mayor  
and Members of the City Council  
City of Barrett  
Barrett, Minnesota

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Barrett as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Barrett as of December 31, 2012, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-15 and 41-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Emphasis of Matter*

As discussed in Note 14 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*. We did not modify our opinion regarding this matter..

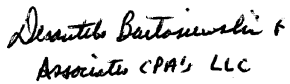
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Barrett's basic financial statements. The introductory section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our consideration of the City of Barrett's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.



Desautels Bartosiewski &  
Associates CPAs LLC

Desautels Bartosiewski & Associates CPAs LLC  
Alexandria Minnesota  
June 27, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **CITY OF BARRETT**

## **Management's Discussion and Analysis Year Ended December 31, 2012**

This section of the City of Barrett's annual financial report presents the City's management discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2012. Please read it in conjunction with the City's financial statements, which immediately follows this section.

The Management's Discussion and analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designated to make annual reports easier for the public to understand and more useful to stockholder. Specifically, Statement No. 34 establishes new reporting requirements that include new financial statements, expanded disclosure and supplemental information, including the MD&A (this section).

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2012 fiscal year include the following:

- Total net position increased 0.6% over the prior year.
- Business-type activities have total net position of \$2,548,446, of which there is \$2,120,754 invested in capital assets, net of related debt. Of the total net position of Business-type activities there is a balance of \$176,215 in unrestricted fund balance.
- General Fund balance increased by \$81,247 to \$541,796 which was a 17.6% increase.
- The City received intergovernmental revenue during 2012 of \$69,649 along with \$229,988 in Property Tax funds that were used.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and supplemental information.

The basic financial statements include two kinds of statements that present different views of the City:

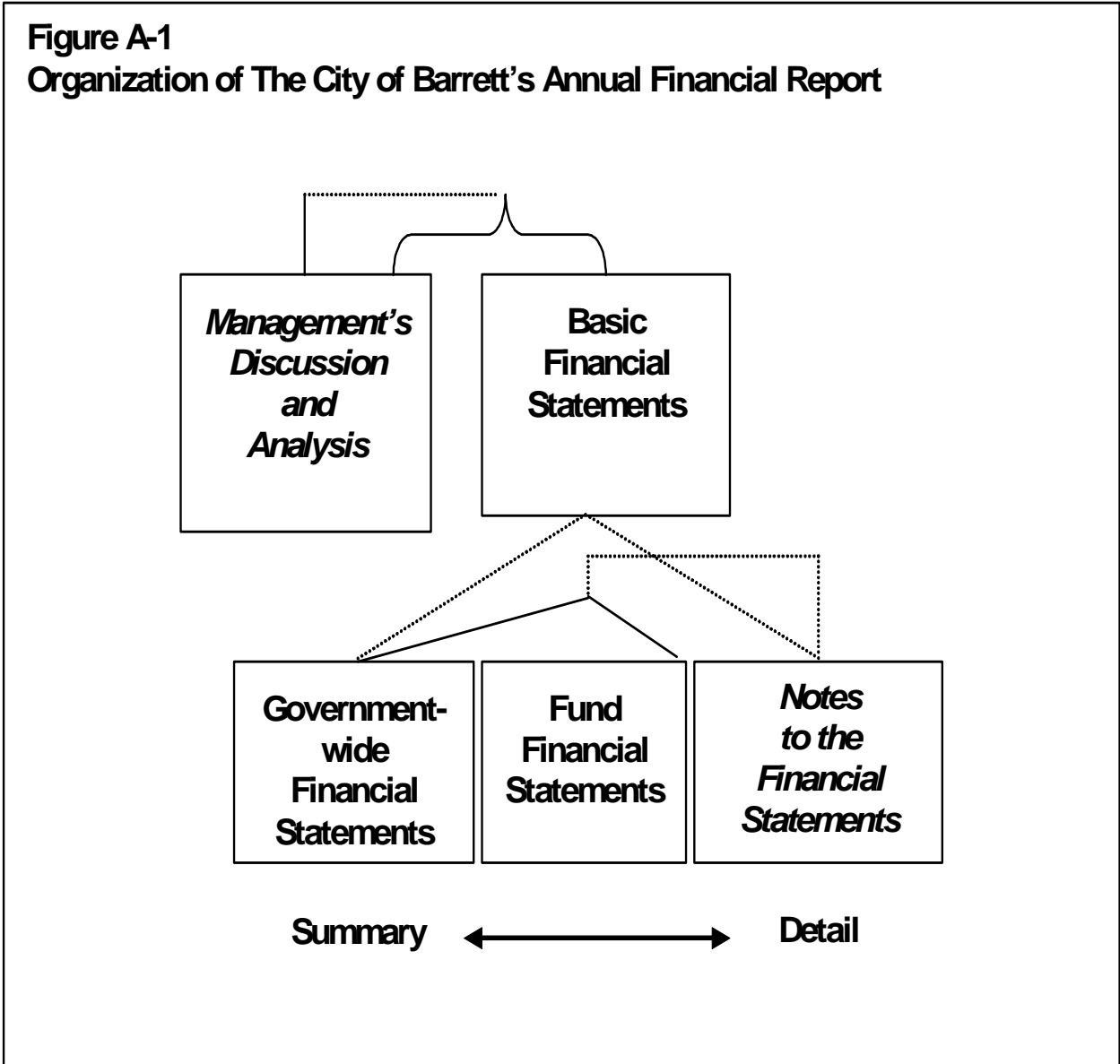
- The first statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the Government-wide financial statements.
- The governmental funds statement tell how basic service were financed in the short term as well as what remains for future spending.



**CITY OF BARRETT**

Management's Discussion and Analysis  
Year Ended December 31, 2012

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-I shows how the various parts of this annual report are arranged and related to one another.



## CITY OF BARRETT

### Management's Discussion and Analysis Year Ended December 31, 2012

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

Figure A-2 Major Features of the Government-wide and Fund Financial Statements		
	Government-wide Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire City	The activities of the City that are not proprietary or fiduciary, such as general government, special revenue, debt service
Required financial statements	<ul style="list-style-type: none"> <li>• Statements of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
Accounting Basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

#### **Government-wide Financial Statements - The Statement of Net Position and The Statement of Activities**

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

The two Government-wide financial statements report the City's net position and how they have changed. Net position (the difference between assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of roads & buildings and other facilities.

# CITY OF BARRETT

## Management's Discussion and Analysis Year Ended December 31, 2012

### **Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities (cont.)**

In the Government-wide financial statements, the City's activities are shown in two categories.

- Governmental activities - All of the City's basic services are included here, such as regular city services, debt service, and special revenue information. Property taxes, special assessments, and state aids and grants finance most of these activities.
- Business type activities - The City charges a fee to customers to cover all or most of cost of services it provides. The City's water and sewer operations are reported here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's funds - focusing on its most significant or "major" funds - not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., grants).

The City has two kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detail short-term view that helps to determine whether there are more or fewer financial resources that can be spent in a new future to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-wide financial statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.
- Proprietary funds - When the City charges customers for services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the City's Enterprise Fund presents the same information as the business-type activities in the government-wide financial statements but provides more detail and additional information, such as cash flows.

# CITY OF BARRETT

## Management's Discussion and Analysis Year Ended December 31, 2012

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

#### Net Position

The City combined net position was \$3,589,543 on December 31, 2012. This was an increase of 0.6% from the prior year (see Table A-1). The reduction in Governmental and increase in Business type current and other assets is due mainly to the transfer of special assessments receivable from the closed out Sewer Debt Service Fund to the debt account of the Water Enterprise Fund.

Table A-1  
City of Barrett  
Combined

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 571,681	\$ 788,021	\$ 499,750	\$ 299,910	\$ 1,071,431	\$ 1,087,931
Capital Assets	626,915	666,881	3,612,799	3,698,712	4,239,714	4,365,593
<b>Total Assets</b>	<b>1,198,596</b>	<b>1,454,902</b>	<b>4,112,549</b>	<b>3,998,622</b>	<b>5,311,145</b>	<b>5,453,524</b>
Long-term Liabilities	118,619	165,499	1,474,900	1,564,500	1,593,519	1,729,999
Other Liabilities	38,880	61,690	89,203	92,245	128,083	153,935
<b>Total Liabilities</b>	<b>157,499</b>	<b>227,189</b>	<b>1,564,103</b>	<b>1,656,745</b>	<b>1,721,602</b>	<b>1,883,934</b>
Net Position						
Net investment in capital assets	490,679	456,090	2,120,754	2,113,212	2,611,433	2,569,302
Restricted for Debt Service	-0-	298,822	251,477	53,080	251,477	351,902
Unrestricted	550,418	472,801	176,215	175,585	726,633	648,386
<b>Total Net Position</b>	<b>\$1,041,097</b>	<b>\$1,227,713</b>	<b>\$2,548,446</b>	<b>\$2,341,877</b>	<b>\$ 3,589,543</b>	<b>\$ 3,569,590</b>

## CITY OF BARRETT

### Management's Discussion and Analysis Year Ended December 31, 2012

The increase in net position occurs as a result of the City's revenues being more than its expenses for the year ended December 31, 2012. A summary of the revenues and expenses is presented in Table A-2 below.

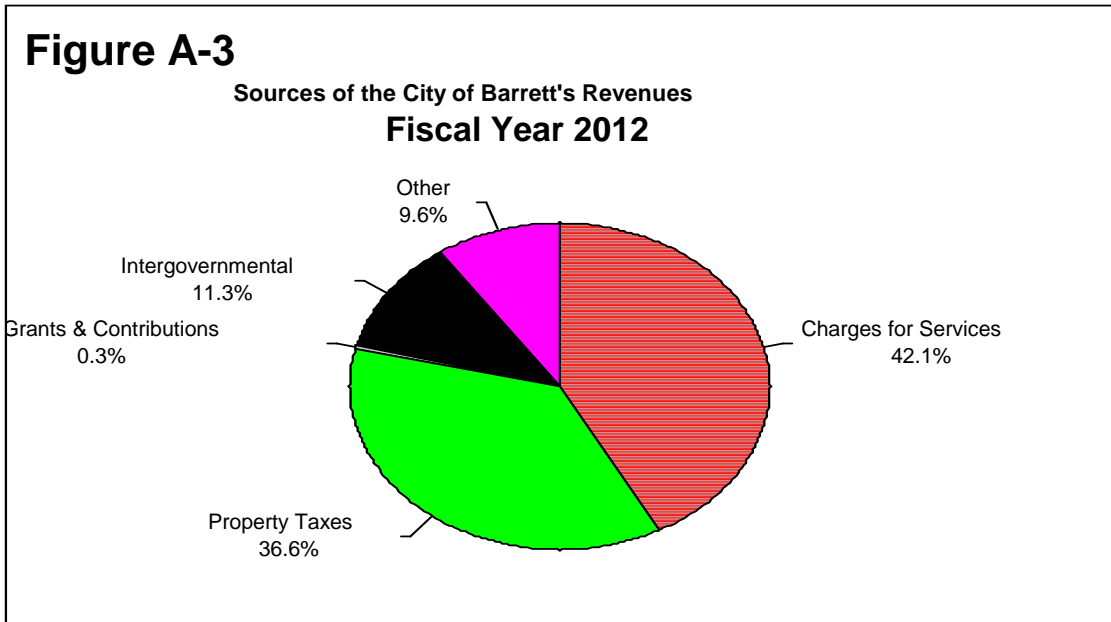
Table A-2 City of Barrett Change in Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues						
Charges for Services	\$ 98,920	\$ 89,388	\$ 160,394	\$ 180,322	\$ 259,314	\$ 269,710
Operating Grants and Contributions	1,705	7,393	-0-	-0-	1,705	7,393
Capital Grants and Contributions	-0-	10,000	-0-	63,227	-0-	73,227
General revenues						
Property taxes	225,535	210,919	-0-	-0-	225,535	210,919
Special assessments	-0-	15,644	11,081	-0-	11,081	15,644
Intergovernmental	69,649	87,373	-0-	3,068	69,649	90,441
Interest earnings	587	1,117	1,226	560	1,813	1,677
Other	42,705	27,399	3,711	3,922	46,416	31,321
<b>Total Revenues</b>	<b>439,101</b>	<b>449,233</b>	<b>176,412</b>	<b>251,099</b>	<b>615,513</b>	<b>700,332</b>
<b>Expenses:</b>						
Public Safety	101,269	121,485	-0-	-0-	101,269	121,485
General government	142,036	154,257	-0-	-0-	142,036	154,257
Streets	50,852	49,671	-0-	-0-	50,852	49,671
Culture and recreation	18,754	27,444	-0-	-0-	18,754	27,444
Sanitation	49,479	57,491	-0-	-0-	49,479	57,491
Interest	5,791	7,125	-0-	-0-	5,791	7,125
Water	-0-	-0-	158,729	152,777	158,729	152,777
Sewer	-0-	-0-	68,650	63,561	68,650	63,561
<b>Total Expenses</b>	<b>368,181</b>	<b>417,473</b>	<b>227,379</b>	<b>216,338</b>	<b>595,560</b>	<b>633,811</b>
<b>Increase in net position before transfers</b>	<b>70,920</b>	<b>31,760</b>	<b>(50,967)</b>	<b>34,761</b>	<b>19,953</b>	<b>66,521</b>
<b>Transfers</b>	<b>(257,536)</b>	<b>-0-</b>	<b>257,536</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>Increase (Decrease) in Net Position</b>	<b>(186,616)</b>	<b>31,760</b>	<b>206,569</b>	<b>34,761</b>	<b>19,953</b>	<b>66,521</b>
<b>End of Year Net Position</b>	<b>\$ 1,041,097</b>	<b>\$ 1,227,713</b>	<b>\$ 2,548,446</b>	<b>\$ 2,341,877</b>	<b>\$ 3,589,543</b>	<b>\$ 3,569,590</b>

# CITY OF BARRETT

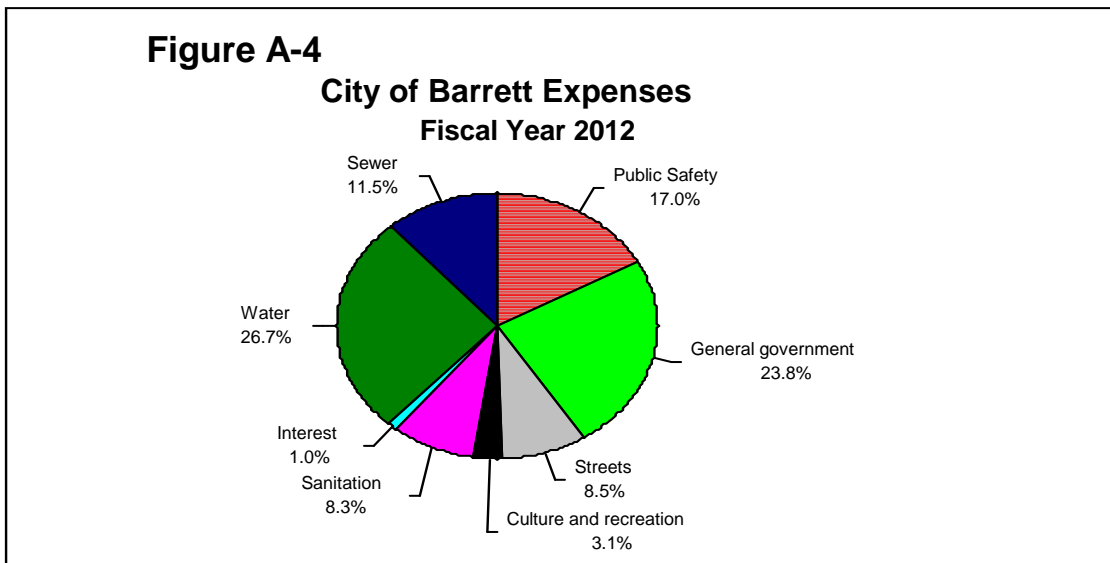
## Management's Discussion and Analysis Year Ended December 31, 2012

### Changes in net assets

The City's total revenues were \$615,513 for the year ended December 31, 2012. Property taxes accounted for 36.6% of total revenue for the year (see Figure A-3). Charges for services were 42.1% with the remaining 11.3% and 9.6% resulted from intergovernmental revenues and other revenues respectively.



The total cost of all programs and services was \$595,560. The City's expenses related to general government were 23.8% of expenses, public safety related expenses were 17.0%. Business type activity expenses for water and sewer were 26.7% and 11.5% respectively.



## CITY OF BARRETT

### Management's Discussion and Analysis Year Ended December 31, 2012

The net cost of governmental and business type activities are their total costs, less program revenues applicable to each category. Table A-3 presents these net costs for 2012.

Table A-3 City of Barrett						
Net Cost of Governmental Activities	Total Cost of Services		Percentage Change	Net Revenue (Cost) of Services		Percentage Change
	2012	2011	2011-2012	2012	2011	2011-2012
Public Safety	\$ 101,269	\$ 121,485	(16.6)%	\$ (59,842)	\$ (74,054)	(19.2)%
General Government	142,036	154,257	(7.9)%	(139,601)	(151,654)	(7.9)%
Streets	50,852	49,671	2.4%	(50,852)	(49,671)	2.4%
Culture and Recreation	18,754	27,444	(31.7)%	(17,049)	(20,051)	(15.0)%
Sanitation	49,479	57,491	(13.9)%	5,579	(8,137)	(168.6)%
Interest	5,791	7,125	(18.7)%	(5,791)	(7,125)	(18.7)%
Total	\$ 368,181	\$ 417,473	(11.8)%	\$ (267,556)	\$ (310,692)	(13.9)%
Net Cost of Business Type Activities						
Water	\$ 158,729	\$ 152,777	3.9%	\$ (53,878)	\$ 22,447	(340.0)%
Sewer	68,650	63,561	8.0%	(13,107)	4,764	(375.1)%
Total	\$ 227,379	\$ 216,338	5.1%	\$ (66,985)	\$ 27,211	(346.2)%

#### FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

The financial performance of the City as a whole is reflected in its governmental and proprietary funds as well. As the City completed the year, its governmental funds reported a combined fund balance \$541,796.

The General Fund's fund balance increased \$81,247 from the prior year. This is primarily due to a reduction capital outlay expenditures for 2012.

The Sewer Debt Service Fund's fund balance decreased \$88,756 from the prior year and was closed out during 2012 as the Sewer Debt Service Fund's debt was paid off. The remaining funds in the Sewer Debt Service Fund's account of \$45,471 were transferred to the Water Debt account in the Water Enterprise Fund in accordance with the City Council action.

The Water Enterprise Fund's net position increased \$244,797 from the prior year. This increase is due primarily to amounts transferred in from the Sewer Debt Service Fund which was closed during 2012.

The Sewer Enterprise Fund's net position decreased \$38,228 primarily due to charges for services decreasing during 2012 and also transfers out to the Water Enterprise Fund.

## CITY OF BARRETT

### Management's Discussion and Analysis Year Ended December 31, 2012

#### GENERAL FUND

The General Fund includes the primary operations of the City in providing administrative services to the City for its recreational, public protection, street maintenance, and sanitation services to the residents of The City of Barrett.

The following schedule presents a summary of General Fund Revenues for 2012.

	Year Ended December 31, 2012	Year Ended December 31, 2011	Amount of Increase (Decrease)	Percentage of Increase (Decrease)
Local sources				
Property taxes	\$ 229,988	\$ 208,999	\$ 20,989	10.0%
Licenses, Fees, and Fines	2,435	2,603	(168)	(6.5)%
State sources	69,649	87,373	(17,724)	(20.3)%
Charges for Services	96,485	86,785	9,700	11.2%
Grant Proceeds	-0-	10,000	(10,000)	(100.0)%
Interest earnings	570	713	(143)	20.1%
Public Donations	1,705	7,393	(5,688)	(76.9)%
Rental Income	10,629	13,909	(3,280)	(23.6)%
Other	17,453	12,915	4,538	35.1%
<b>Total General Fund Revenue</b>	<b>\$ 428,914</b>	<b>\$ 430,690</b>	<b>\$ (1,776)</b>	<b>(0.4)%</b>

The following schedule presents a summary of General Fund Expenditures for 2012.

	Year Ended December 31, 2012	Year Ended December 31, 2011	Amount of Increase (Decrease)	Percentage of Increase (Decrease)
Current Expenditures				
City Office Expenses	\$ 8,969	\$ 17,150	\$ (8,181)	(47.7)%
Clerk/Treasurer & Board Payroll Expense	66,707	64,525	2,182	3.4%
Insurance	19,711	18,836	875	4.6%
Public Protection	49,392	46,842	2,550	5.4%
Fire Department Expenses	31,368	53,619	(22,251)	(41.5)%
Professional Services	16,044	13,685	2,359	17.2%
Garbage Expenses	46,160	44,979	1,181	2.6%
Street/Lighting Expenses	49,479	57,491	(8,012)	(13.9)%
Recreation & Culture Expenses	13,443	23,103	(9,660)	(41.8)%
Miscellaneous	20,613	28,332	(7,719)	(27.2)%
<b>Total Current Expenditures</b>	<b>321,886</b>	<b>368,562</b>	<b>(46,676)</b>	<b>(12.7)%</b>
Capital Outlay Expenditures	-0-	89,801	(89,801)	(100.0)%
Debt Service Expenditures	24,402	4,776	19,626	410.9%
<b>Total General Fund Expenditures</b>	<b>\$ 346,288</b>	<b>\$ 463,139</b>	<b>\$ (116,851)</b>	<b>(25.2)%</b>



# CITY OF BARRETT

## Management's Discussion and Analysis Year Ended December 31, 2012

### GENERAL FUND (cont.)

Total General Fund expenditures decreased \$116,851 or 25.2% from the previous year. The decrease is mainly due to no capital assets being added during 2012. In 2012, General Fund revenues exceeded expenditures by \$82,626. Total fund balance increased to \$541,796 after sales of equipment of \$14,623 and transfers out of \$15,928.

General Fund	2012		2011	
Fund Balance	\$	541,796	\$	460,549
% Increase (Decrease)		17.6%		0.5%
Expenditures	\$	346,288	\$	463,139
% Increase (Decrease)		(25.2)%		(3.6)%

### BUDGETARY HIGHLIGHTS

#### General Fund

The City did not revise its initial adopted budget during the year. The City had revenue over budget of \$28,072 and expenditures under budget by \$47,948. Revenue exceeded budget mainly due to revenues from Changes for Services being greater than budgeted amounts. Expenditures were under budget due to street expenditures that were budgeted for that did not occur in 2012.

#### Debt Service Funds

The City did not adopt a budget for the Sewer Debt Service Fund or the G.O. Capital Improvement Bond of 2010A Debt Service Fund because it was not legally obligated and, therefore, presentation of budgetary information is not required.

### DEBT SERVICE FUNDS

The Sewer Debt Service Fund expenditures exceeded revenues by \$43,285 in 2012. The remaining fund balance of \$45,471 was transferred to the Water Debt account of the Water Enterprise Fund since no debt remained outstanding in the Sewer Debt Service Fund. Remaining special assessments receivable and related taxes receivable were also transferred to the Water Debt account of the Water Enterprise Fund.

G.O. Capital Improvement Bonds of 2010A Debt Service Fund revenues equaled its expenditures. Transfers from the General Fund finance payments of principal and interest for this debt service fund.

### PROPRIETARY FUNDS

Water and Sewer operations comprise the City's proprietary funds. Water and sewer net losses before contributions and transfers for 2012 were \$39,739 and \$11,228 respectively. The water fund's net position increased from \$1,279,484 to \$1,524,281 and the sewer fund's net position decreased from \$1,062,393 to \$1,024,165 after net transfers in the water and sewer funds of \$284,536 and \$(27,000) respectively. A transfer in from the Sewer Debt Service Fund of special assessment receivable in the amount of \$212,065 was received during 2012 that will be utilized to assist in the payoff of the Water Enterprise Fund debt.

## CITY OF BARRETT

### Management's Discussion and Analysis Year Ended December 31, 2012

#### CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of 2012, the City had invested over \$5,100,000 in capital assets, (see Table A-4). More detailed information about capital assets can be found in Note 4 to the financial statements. Accumulated depreciation on these assets is \$923,411. The City has elected to add only assets acquired after 2002 in implementing GASB 34 with the exception of the sewer and water enterprise fund capital assets which were added from inception.

Table A-4				Total Percentage Change 2011 - 2012
	2012		2011	
Buildings	\$ 378,163	\$	378,163	0.0%
City Equipment	19,742		19,742	0.0%
Fire Equipment	240,252		240,252	0.0%
Infrastructure	142,512		142,512	0.0%
Parks and Recreation	86,816		86,816	0.0%
Sewer and Water	4,295,640		4,295,640	0.0%
Less Accumulated Depreciation	(923,411)		(797,532)	15.8%
<b>Total</b>	<b>\$ 4,239,714</b>	<b>\$</b>	<b>4,365,593</b>	<b>(2.9)%</b>

#### Debt Administration

At December 31, 2012, the City had debt obligations of \$1,633,137. The bonds are General Obligation Revenue Bonds issued in 2001 and 2007, and General Obligation Capital Improvement Plan Bonds issued in 2010. The City also has a promissory note which has been included as long term debt.

#### Construction - Next Five Years

None planned

#### Long-term Liabilities

At year-end, the City had \$1,633,137 in total debt outstanding, which is a decrease of \$163,155 from last year. More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

## **CITY OF BARRETT**

### **Management's Discussion and Analysis Year Ended December 31, 2012**

#### **FACTORS BEARING ON THE CITY'S FUTURE**

The City of Barrett's population has seen a significant increase after a number of years with slight decreases each previous year. For a number of years the population was decreasing because of the boom of homes on the lakes and other homes in the city selling to people who use them for seasonal recreation and not as their principal residence. There were also a number of empty homes in town either for sale or in foreclosure, and this still exists. Also, a great number of homes were occupied by older single residents which have since sold to younger families with children. With the school in Barrett and current gas prices the City is attracting more families with children to move into town.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marita Rhude, Clerk/Treasurer, PO Box 155, Barrett, MN 56311-0155 or phone 320-528-2440.

## **BASIC FINANCIAL STATEMENTS**

## CITY OF BARRETT

Statement of Net Position  
Year Ended December 31, 2012  
(with partial comparative information as of December 31, 2011)

	Primary Government			Primary Government 2011
	Governmental Activities	Business Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 538,902	\$ 315,237	\$ 854,139	\$ 840,202
Receivables:				
Current property taxes	4,733	-0-	4,733	2,911
Delinquent property taxes	5,902	-0-	5,902	17,772
Special assessments-deferred	-0-	174,358	174,358	204,575
Special assessments-delinquent	-0-	5,300	5,300	-0-
Other receivables	18,333	-0-	18,333	13,137
Total Current & Other Assets	567,870	494,895	1,062,765	1,078,597
 Unamortized debt issuance costs	 3,811	 4,855	 8,666	 9,334
 Depreciable Capital Assets:				
Buildings	378,163	-0-	378,163	378,163
City Equipment	19,742	-0-	19,742	19,742
Fire Equipment	240,252	-0-	240,252	240,252
Infrastructure	142,512	-0-	142,512	142,512
Parks & Recreation	86,816	-0-	86,816	86,816
Sewer & Water	-0-	4,295,640	4,295,640	4,295,640
Less accumulated depreciation	(240,570)	(682,841)	(923,411)	(797,532)
Total Net Depreciable Capital Assets	626,915	3,612,799	4,239,714	4,365,593
 TOTAL ASSETS	 <u>\$ 1,198,596</u>	 <u>\$ 4,112,549</u>	 <u>\$ 5,311,145</u>	 <u>\$ 5,453,524</u>
<b>LIABILITIES</b>				
Payroll liabilities payable	3,007	-0-	3,007	3,183
Sales tax payable	1,350	-0-	1,350	2,190
Accounts payable	15,815	6,944	22,759	13,704
Accrued interest payable	1,090	60,259	61,349	68,565
Current portion long-term liabilities	17,618	22,000	39,618	66,293
Total Current Liabilities	38,880	89,203	128,083	153,935
 Long-term Liabilities:				
Long-term debt payable	136,237	1,496,900	1,633,137	1,796,292
Less current portion	(17,618)	(22,000)	(39,618)	(66,293)
Total Long-term Liabilities	118,619	1,474,900	1,593,519	1,729,999
 TOTAL LIABILITIES	 <u>157,499</u>	 <u>1,564,103</u>	 <u>1,721,602</u>	 <u>1,883,934</u>
<b>NET POSITION</b>				
Net investment in capital assets	490,679	2,120,754	2,611,433	2,569,302
Restricted-Debt Service	-0-	251,477	251,477	351,902
Unrestricted	550,418	176,215	726,633	648,386
TOTAL NET POSITION	1,041,097	2,548,446	3,589,543	3,569,590
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 1,198,596</u>	 <u>\$ 4,112,549</u>	 <u>\$ 5,311,145</u>	 <u>\$ 5,453,524</u>

See accompanying notes to financial statements

# CITY OF BARRETT

## Statement of Activities Year Ended December 31, 2012

(with partial comparative information for the year ended December 31, 2011)

	Program Revenues				Net (Expense) Revenue Changes in Net Position			
	Expenses	Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	2012 Total	2011 Total
<b>GOVERNMENTAL</b>								
Public Safety	\$ 101,269	\$ 41,427	-0-	\$-0-	\$ (59,842)	-0-	\$ (59,842)	\$ (74,054)
General Government	142,036	2,435	-0-	-0-	(139,601)	-0-	(139,601)	(151,654)
Streets	50,852	-0-	-0-	-0-	(50,852)	-0-	(50,852)	(49,671)
Culture and Recreation	18,754	-0-	1,705	-0-	(17,049)	-0-	(17,049)	(20,051)
Sanitation	49,479	55,058	-0-	-0-	5,579	-0-	5,579	(8,137)
Interest	5,791	-0-	-0-	-0-	(5,791)	-0-	(5,791)	(7,125)
Total Governmental Activities	\$ 368,181	\$ 98,920	\$ 1,705	\$ -0-	\$ (267,556)	-0-	\$ (267,556)	\$ (310,692)
<b>BUSINESS TYPE</b>								
Water	158,729	104,851	-0-	-0-	-0-	(53,878)	(53,878)	22,447
Sewer	68,650	55,543	-0-	-0-	-0-	(13,107)	(13,107)	4,764
Total Business Type	\$ 227,379	\$ 160,394	\$ -0-	\$ -0-	-0-	\$ (66,985)	\$ (66,985)	\$ 27,211
General revenues:								
					\$ 225,535	-0-	\$ 225,535	\$ 210,919
					-0-	11,081	11,081	15,644
					69,649	-0-	69,649	90,441
					587	1,226	1,813	1,677
					28,156	3,711	31,867	31,321
					14,549	-0-	14,549	-0-
Transfers					(257,536)	257,536	-0-	-0-
Total General Revenue and Transfers					80,940	273,554	354,494	350,002
Changes in Net Position					(186,616)	206,569	19,953	66,521
Net Position - beginning of year					1,227,713	2,341,877	3,569,590	3,503,069
Net Position - end of year					\$ 1,041,097	\$ 2,548,446	\$ 3,589,543	\$ 3,569,590

See accompanying notes to financial statements

# CITY OF BARRETT

## Balance Sheet

### Governmental Funds

Year Ended December 31, 2012

(with partial comparative information for the year ended December 31, 2011)

	General	G. O. Capital Improvement Bonds of 2010A Debt Service	Sewer Debt Service	Total Governmental 2012	Total Governmental 2011
<b>ASSETS</b>					
Cash and cash equivalents	\$ 538,902	\$ -0-	\$ -0-	\$ 538,902	\$ 545,369
Receivables:					
Current property taxes	4,733	-0-	-0-	4,733	2,911
Delinquent property taxes receivable	5,902	-0-	-0-	5,902	17,772
Special assessments	-0-	-0-	-0-	-0-	204,575
Other receivables	18,333	-0-	-0-	18,333	13,045
Total receivables	28,968	-0-	-0-	28,968	238,303
Due from other funds	-0-	-0-	-0-	-0-	-0-
Total Assets	<u>\$ 567,870</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 567,870</u>	<u>\$ 783,672</u>
<b>LIABILITIES</b>					
Payroll liabilities payable	3,007	-0-	-0-	3,007	3,183
Sales tax payable	1,350	-0-	-0-	1,350	2,190
Accounts payable	15,815	-0-	-0-	15,815	6,648
Total Liabilities	20,172	-0-	-0-	20,172	12,021
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned Revenue - Special assessments	-0-	-0-	-0-	-0-	212,064
Unearned Revenue - Delinquent taxes	5,902	-0-	-0-	5,902	10,282
Total Deferred Inflows of Resources	5,902	-0-	-0-	5,902	222,346
<b>FUND BALANCES</b>					
Restricted for - Debt Service	-0-	-0-	-0-	-0-	88,756
Assigned for:					
Fire Department	5,652	-0-	-0-	5,652	-0-
Fire Department - Grain Tube	256	-0-	-0-	256	256
Pavilion	1,235	-0-	-0-	1,235	2,236
Parks	252	-0-	-0-	252	658
Old Time Photos	147	-0-	-0-	147	147
Streets	108,738	-0-	-0-	108,738	74,577
Unassigned	425,516	-0-	-0-	425,516	382,675
Total Fund Balances	541,796	-0-	-0-	541,796	549,305
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 567,870</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 567,870</u>	<u>\$ 78,367</u>

See accompanying notes to financial statements

## CITY OF BARRETT

### Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds Year Ended December 31, 2012 (with partial comparative information for the year ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
Total Fund Balance - Governmental Funds	\$ 541,796	\$ 549,305
Amounts reported for governmental activities in the statement of net assets 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	867,486	867,486
Less: accumulated depreciation	(240,570)	(200,604)
Notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(136,237)	(210,792)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	5,902	17,772
Special assessments receivable are collected in future years and therefore are deferred in the funds.	-0-	204,575
Governmental funds do not report a liability for accrued interest until due and payable.	(1,090)	(4,376)
Governmental funds report debt issuance premiums, discounts and costs as another financing source or use at the time of issuance. Premiums, discounts and costs are reported as an amortized asset or liability in the Government-wide financial statements.		
Bond issuance costs	5,380	5,380
Less: Accumulated amortization bond issuance costs	<u>(1,570)</u>	<u>(1,033)</u>
Total Net Position - Governmental Funds	<u>\$ 1,041,097</u>	<u>\$ 1,227,713</u>

See accompanying notes to financial statements



## CITY OF BARRETT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended December 31, 2012  
(with partial comparative information for the year end December 31, 2011)

	General	G.O. Capital Improvement Bonds of 2010A Debt Service	Sewer Debt Service	Total Governmental 2012	Total Governmental 2011
<b>Revenues</b>					
Local property tax levies	\$ 229,988	\$ -0-	\$ -0-	\$ 229,988	\$ 208,999
Special assessments	-0-	-0-	-0-	-0-	54,654
Licenses, fees and fines	2,435	-0-	-0-	2,435	2,603
Revenues from state sources	69,649	-0-	-0-	69,649	87,373
Charges for services	96,485	-0-	-0-	96,485	86,785
Grant proceeds	-0-	-0-	-0-	-0-	10,000
Investment income	570	-0-	17	587	1,117
Public donations	1,705	-0-	-0-	1,705	7,393
Rental income	10,629	-0-	-0-	10,629	13,909
Other	<u>17,453</u>	<u>-0-</u>	<u>-0-</u>	<u>17,453</u>	<u>13,490</u>
<b>Total Revenues</b>	<b>428,914</b>	<b>-0-</b>	<b>17</b>	<b>428,931</b>	<b>486,323</b>
<b>Expenditures</b>					
<b>Current</b>					
Public Safety	80,760	-0-	-0-	80,760	100,460
Governmental	132,044	-0-	-0-	132,044	142,529
Sanitation	46,160	-0-	-0-	46,160	44,979
Culture and Recreation	13,443	-0-	-0-	13,443	23,103
Streets	<u>49,479</u>	<u>-0-</u>	<u>-0-</u>	<u>49,479</u>	<u>57,491</u>
<b>Total Current</b>	<b>321,886</b>	<b>-0-</b>	<b>-0-</b>	<b>321,886</b>	<b>368,562</b>
<b>Capital Outlay</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>89,801</b>
<b>Debt Service:</b>					
Principal	22,280	11,000	41,275	74,555	61,577
Interest	<u>2,122</u>	<u>4,928</u>	<u>2,027</u>	<u>9,077</u>	<u>10,111</u>
<b>Total Debt Service</b>	<b><u>24,402</u></b>	<b><u>15,928</u></b>	<b><u>43,302</u></b>	<b><u>83,632</u></b>	<b><u>71,688</u></b>
<b>Total Expenditures</b>	<b>346,288</b>	<b>15,928</b>	<b>43,302</b>	<b>405,518</b>	<b>530,051</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>82,626</b>	<b>(15,928)</b>	<b>(43,285)</b>	<b>23,413</b>	<b>(43,728)</b>
<b>Other financing sources (uses)</b>					
Sale of equipment	14,549	-0-	-0-	14,549	-0-
Transfers out	(15,928)	-0-	-0-	(15,928)	(15,400)
Transfers in	-0-	15,928	-0-	15,928	15,400
Residual equity transfer out	-0-	-0-	(45,471)	(45,471)	-0-
Debt proceeds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>50,000</u>
<b>Total other financing sources (uses)</b>	<b><u>(1,379)</u></b>	<b><u>15,928</u></b>	<b><u>(45,471)</u></b>	<b><u>(30,922)</u></b>	<b><u>50,000</u></b>
<b>Net changes in fund balances</b>	<b>81,247</b>	<b>-0-</b>	<b>(88,756)</b>	<b>(7,509)</b>	<b>6,272</b>
<b>Fund Balances - Beginning of Year</b>	<b>460,549</b>	<b>-0-</b>	<b>88,756</b>	<b>549,305</b>	<b>543,033</b>
<b>Fund Balances - End of year</b>	<b><u>\$ 541,796</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 541,796</u></b>	<b><u>\$ 549,305</u></b>

See accompanying notes to financial statements

## CITY OF BARRETT

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to Statement of Activities  
Governmental Funds  
Year Ended December 31, 2012  
(with partial comparative information for the year ended December 31, 2011)

	2012	2011
Total Net Change in Fund Balance - Governmental Funds	\$ (7,509)	\$ 6,272
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital outlays	-0-	89,801
Depreciation expense	(39,966)	(41,248)
<p>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.</p>		
Debt Proceeds	-0-	(50,000)
Debt repayment	74,555	61,577
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Delinquent property tax revenue	(4,379)	1,920
Special assessment revenue	(204,575)	(39,010)
Delinquent special assessment revenue	(7,490)	
<p>Debt issuance costs and bond premiums are reported as another financing uses at the time of issuance. Discounts and premiums are amortized over the term of the debt instrument in the statement of activities.</p>		
Amortization of bond issuance costs	(538)	(538)
<p>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.</p>		
	3,286	2,986
Total Change in Net Position - Governmental Funds	\$ (186,616)	\$ 31,760

See accompanying notes to financial statements

**CITY OF BARRETT**

Statement of Net Position  
Proprietary Funds  
December 31, 2012

(with partial comparative information for December 31, 2011)

	Business Type Activities - Enterprise Fund			
	Water	Sewer	2012 Totals	2011 Totals
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 264,036	\$ 51,201	\$ 315,237	\$ 294,833
Current Special Assessments Receivable	1,971	150	2,121	92
Delinquent Special Assessments Receivable	<u>5,300</u>	<u>-0-</u>	<u>5,300</u>	<u>-0-</u>
Total Current Assets	<u>271,307</u>	<u>51,351</u>	<u>322,658</u>	<u>294,925</u>
Noncurrent Assets:				
Capital Assets:				
Treatment Plant and Mains	2,960,939	-0-	2,960,939	2,960,939
Lift Station, Lines and Sewer Ponds	-0-	1,334,701	1,334,701	1,334,701
Less Accumulated Depreciation	<u>(321,148)</u>	<u>(361,693)</u>	<u>(682,841)</u>	<u>(596,928)</u>
Capital Assets, Net	2,639,791	973,008	3,612,799	3,698,712
Other Assets:				
Special Assessments Receivable	172,237	-0-	172,237	
Unamortized debt issuance costs	<u>4,855</u>	<u>-0-</u>	<u>4,855</u>	<u>4,985</u>
Total Noncurrent Assets	<u>2,816,883</u>	<u>973,008</u>	<u>3,789,891</u>	<u>3,703,697</u>
Total Assets	<u><u>3,088,190</u></u>	<u><u>1,024,359</u></u>	<u><u>4,112,549</u></u>	<u><u>3,998,622</u></u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	6,750	194	6,944	7,056
Accrued Interest	60,259	-0-	60,259	64,189
Current Portion of Long Term Liabilities	<u>22,000</u>	<u>-0-</u>	<u>22,000</u>	<u>21,000</u>
Total Current Liabilities	89,009	194	89,203	92,245
Noncurrent Liabilities:				
Long-Term Debt Payable	1,496,900	-0-	1,496,900	1,585,500
Less Current Portion	<u>(22,000)</u>	<u>-0-</u>	<u>(22,000)</u>	<u>(21,000)</u>
Total Noncurrent Liabilities	1,474,900	-0-	1,474,900	1,564,500
Total Liabilities	<u>1,563,909</u>	<u>194</u>	<u>1,564,103</u>	<u>1,656,745</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	1,147,746	973,008	2,120,754	2,113,212
Restrict - Debt Services - Expendable	251,477	-0-	251,477	53,080
Unrestricted	<u>125,058</u>	<u>51,157</u>	<u>176,215</u>	<u>175,585</u>
Total Net Position	<u>1,524,281</u>	<u>1,024,165</u>	<u>2,548,446</u>	<u>2,341,877</u>
Total Liabilities and Net Position	<u><u>\$ 3,088,190</u></u>	<u><u>\$ 1,024,359</u></u>	<u><u>\$ 4,112,549</u></u>	<u><u>\$ 3,998,622</u></u>

See accompanying notes to financial statements

## CITY OF BARRETT

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended December 31, 2012  
 (with partial comparative information for the year ended December 31, 2011)

	Business Type Activities - Enterprise Funds			
	Water	Sewer	2012 Totals	2011 Totals
<b>Operating Revenues:</b>				
Charges for Services	\$ 103,833	\$ 55,543	\$ 159,376	\$ 179,301
Connection Fees	1,018	-0-	1,018	1,021
Miscellaneous	<u>1,902</u>	<u>1,809</u>	<u>3,711</u>	<u>3,922</u>
Total Operating Revenues	<u>106,753</u>	<u>57,352</u>	<u>164,105</u>	<u>184,244</u>
<b>Operating Expenses:</b>				
Personnel Services	14,753	14,753	29,506	28,812
Utilities	6,343	1,789	8,132	9,230
Repairs and Maintenance	7,325	18,140	25,465	14,206
Supplies & Small Equipment	6,800	5,324	12,124	9,983
Other Expenses	3,900	1,950	5,850	4,272
Depreciation	<u>59,219</u>	<u>26,694</u>	<u>85,913</u>	<u>85,516</u>
Total Operating Expenses	<u>98,340</u>	<u>68,650</u>	<u>166,990</u>	<u>152,019</u>
Operating Income (Loss)	<u>8,413</u>	<u>(11,298)</u>	<u>(2,885)</u>	<u>32,225</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest and Investment Revenues	1,156	70	1,226	560
Special Assessments	11,081	-0-	11,081	-0-
Intergovernmental Revenue	-0-	-0-	-0-	3,068
Grant Contributions	-0-	-0-	-0-	63,227
Interest Expense	(60,259)	-0-	(60,259)	(64,189)
Amortization Bond issuance costs	<u>(130)</u>	<u>-0-</u>	<u>(130)</u>	<u>(130)</u>
Total Nonoperating Revenues (Expenses)	<u>(48,152)</u>	<u>70</u>	<u>(48,082)</u>	<u>2,536</u>
Net Income (Loss) Before Contributions and Transfers	<u>(39,739)</u>	<u>(11,228)</u>	<u>(50,967)</u>	<u>34,761</u>
Transfers In	27,000	-0-	27,000	31,200
Transfers Out	-0-	(27,000)	(27,000)	(31,200)
Residual Equity Transfer In	<u>257,536</u>	<u>-0-</u>	<u>257,536</u>	<u>-0-</u>
Change in Net Position	244,797	(38,228)	206,569	34,761
Total Net Position - Beginning	<u>1,279,484</u>	<u>1,062,393</u>	<u>2,341,877</u>	<u>2,307,116</u>
Total Net Position - Ending	<u>\$ 1,524,281</u>	<u>\$ 1,024,165</u>	<u>\$ 2,548,446</u>	<u>\$ 2,341,877</u>

See accompanying notes to financial statements

## CITY OF BARRETT

### Statement of Cash Flows

#### Proprietary Funds

For the Year Ended December 31, 2012

(with partial comparative information for the year ended December 31, 2011)

	Business Type Activities - Enterprise Funds			
	Water	Sewer	2012 Totals	2011 Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 106,753	\$ 57,352	\$ 164,105	\$ 184,152
Payments to Suppliers	(18,470)	(33,213)	(51,683)	(33,312)
Payments to Employees	(14,753)	(14,753)	(29,506)	(28,812)
Net Cash Provided by Operating Activities	73,530	9,386	82,916	122,028
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers From (To) Other Funds	72,471	(27,000)	45,471	-0-
Net cash provided (used) from non capital financing activities	72,471	(27,000)	45,471	-0-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special Assessments	43,638	(58)	43,580	-0-
Proceeds from Capital Debt	-0-	-0-	-0-	-0-
Principal paid on Capital Debt	(88,600)	-0-	(88,600)	(139,500)
Interest paid on Capital Debt	(64,189)	-0-	(64,189)	(55,226)
Purchases of Capital Assets	-0-	-0-	-0-	(137,760)
Intergovernmental Revenue	-0-	-0-	-0-	20,111
Grant Contributions	-0-	-0-	-0-	121,888
Net Cash Provided by (Used in) Capital and Related Financing Activities	(109,151)	(58)	(109,209)	(190,487)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Dividends	1,156	70	1,226	560
Net Cash Provided by Investing Activities	1,156	70	1,226	560
Net Increase (Decrease) in Cash and Deposits	38,006	(17,602)	20,404	(67,899)
Balances - Beginning of the Year	226,030	68,803	294,833	362,732
Balances - End of the Year	264,036	51,201	315,237	294,833
Cash and Cash Equivalents				
Current Assets	264,036	51,201	315,237	294,833
Restricted Assets	-0-	-0-	-0-	-0-
Total Cash and Cash Equivalents - End of Year	\$ 264,036	\$ 51,201	\$ 315,237	\$ 294,833

See accompanying notes to Financial Statements.

**CITY OF BARRETT**

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2012

(with partial comparative information for the year ended December 31, 2011)

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>2012 Totals</u>	<u>2011 Totals</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (loss)	\$ 8,413	\$ (11,298)	\$ (2,885)	\$ 32,225
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation and amortization	59,219	26,694	85,913	85,516
Changes in assets and liabilities				
Receivables	-0-	-0-	-0-	(92)
Accounts Payable	<u>5,898</u>	<u>(6,010)</u>	<u>(112)</u>	<u>4,379</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ 73,530</u>	 <u>\$ 9,386</u>	 <u>\$ 82,916</u>	 <u>\$ 122,028</u>

See accompanying notes to Financial Statements.

**NOTES TO CITY FINANCIAL STATEMENTS**

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

#### A. Basis of Presentation

The financial statements of the City of Barrett have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated December 31, 2005. This codification and subsequent GASB pronouncement are recognized as U.S. generally accepted accounting principles for state and local government.

#### 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.



# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (cont.)

#### C. Basic Financial Statement Presentation (cont.)

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.

It is the City's policy to apply all FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

#### D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period and soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue and special assessments are generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.
2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issued are recognized on their due dates.

### GOVERNMENTAL FUND TYPES

#### Description of Funds

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

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

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (cont.)

#### GOVERNMENTAL FUNDS TYPES (cont.)

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for the payment of principal, interest and related costs on general long-term debt and special assessment debt. Components of the Debt Service Fund are described below:

**G. O. Sewer Investment Debt Service Fund** - The GO Sewer Investment Debt Service Fund is used to account for the accumulation of resources for repayment of the 1999 Sewer project.

**G. O Capital Improvement Bonds of 2010A Debt Service Fund** - The GO Capital Improvement Bonds of 2010A Debt Services Fund is used to account for the issuance and accumulation of resources for repayment of the purchase and improvement to the City office building.

#### ENTERPRISE FUNDS

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

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

#### E. Cash and Investments

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

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 Township 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, 2012.

#### F. Taxes Receivable

Taxes receivable represents taxes levied in 2012 which are not received until early 2013.

#### G. Property Taxes

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

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (cont.)**

#### **G. Property Taxes (cont.)**

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2011 which was collected during the year ended December 31, 2012. 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 represent the past six years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

#### **H. Capital Assets**

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

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

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

#### **I. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (cont.)**

#### **J. Fund Equity**

The City implemented GASB 54 Fund Balance reporting and fund type definitions starting the year ended December 31, 2011. 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:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items. There were no fund balances classified as nonspendable as of December 31, 2012 or 2011.

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. There were no fund balances classified as committed as of December 31, 2012 or 2011.

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.

#### **K. Net Position**

Net position represent 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.

#### **L. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period actual results could differ from those estimates.

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (cont.)**

#### **M. 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.

#### **N. 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.

#### **O. Operating Revenues - Proprietary Funds**

Operating revenues of the proprietary funds are defined as charges for services provided to customers and corresponding fees related to those services.

#### **P. 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**

#### **A. Deficit Fund Equity**

There were no funds with deficit equity at December 31, 2012.

**CITY OF BARRETT**

Notes to City Financial Statements  
December 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The City’s deposit policy for custodial credit risk requires compliance with provisions of state law.

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the Board.

Minnesota Statutes require that 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 treasury bills, notes, and bonds; issues of U.S. Government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City does not have any deposit policies that would further limit deposit choices.

**B. Investments**

The City may also invest idle funds as authorized by Minnesota Statutes as follows: 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 that receive the highest credit rating, are rated in one of the two highest rating categories by a static rating agency, and all of the investments have a final maturity of 13 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’ acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated 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 reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government 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 the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

Interest rate risk: As a means of limiting the City’s exposure of fair value losses arising from rising interest rates, the City’s investment policy requires maturities to be laddered to avoid undue concentration of assets in a specific maturity section.

The City has no assets as of December 31, 2012 that it considers to be investments.

**C. Deposits and Investment Balances**

As of December 31, 2012 the City’s deposit and investment balances were as follows:

	Bank Balance	Book Balance
Deposits		
Checking Accounts	\$ 854,709	\$ 854,139
Total Deposits	<u>\$ 854,709</u>	<u>\$ 854,139</u>

Deposits and investments are included on the basic financial statements as follows:

Cash and Cash Equivalents	
Governmental Funds	\$ 538,902
Propriety Funds	<u>\$ 315,237</u>
Total	<u>\$ 854,139</u>

**CITY OF BARRETT**

Notes to City Financial Statements  
December 31, 2012

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2012 is as follows:

	Balance December 31, 2011	Additions	Dispositions	Balance December 31, 2012
Governmental Activities				
Buildings	\$ 378,163	\$ -0-	\$ -0-	\$ 378,163
City Equipment	19,742	-0-	-0-	19,742
Fire Equipment	240,252	-0-	-0-	240,252
Infrastructure	142,512	-0-	-0-	142,512
Parks & Recreation	86,816	-0-	-0-	86,816
Total Governmental Activities	<u>867,485</u>	-0-	-0-	<u>867,485</u>
Business-Type Activities				
Sewer & Water	4,295,640	-0-	-0-	4,295,640
Total Business-type Activities	<u>4,295,640</u>	-0-	-0-	<u>4,295,640</u>
Total Capital Asset Activities	<u>\$ 5,163,125</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,163,125</u>

Accumulated depreciation activity for the year ended December 31, 2012, is as follows:

	Balance December 31, 2011	Additions	Dispositions	Balance December 31, 2012
Governmental Activities				
Buildings	\$ 38,211	\$ 9,454	-0-	\$ 47,665
City Equipment	19,743	-0-	-0-	19,743
Fire Equipment	107,829	20,509	-0-	128,338
Infrastructure	18,002	4,692	-0-	22,694
Parks & Recreation	16,819	5,311	-0-	22,130
Total Governmental Activities	<u>200,604</u>	39,966	-0-	<u>240,570</u>
Business-Type Activities				
Sewer & Water	596,928	85,913	-0-	682,841
Total Depreciation Activity	<u>\$ 797,532</u>	<u>\$ 125,879</u>	<u>-0-</u>	<u>\$ 923,411</u>

Depreciation expense of \$125,879 for the year ended December 31, 2012, was charged to the following functions:

Governmental	
Public Safety	\$ 20,509
General Governmental	9,454
Culture and Recreation	4,692
Streets	5,311
Enterprise	
Water	59,219
Sewer	<u>26,694</u>
	<u>\$125,879</u>

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### NOTE 5 - INTEREST EXPENSES

Total interest expense for the City during 2012 was \$66,050. All interest costs were charged to expense in 2012. The total amount of interest expense was \$5,791 as reported in the statement of activities and \$60,259 as reported in the statement of revenues, expenses and changes in net position - proprietary funds.

### NOTE 6 - LONG-TERM LIABILITIES

#### A. Components of Long-Term Liabilities

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General Obligation Bonds,					
G O Bonds, Series 1999	3/30/99	4.75%	\$ 840,000	1/1/29	\$ -0-
G O Water Revenue Bond of 2001	7/30/01	4.75%	110,990	1/1/31	29,900
G O Water Revenue Bond, of 2010	3/22/10	4.0%	1,642,000	1/1/50	1,467,000
G O Capital Improvement Plan Bonds, 2010A	2/9/10	4.5%	125,000	2/1/20	104,000
Total General Obligation Bonds					<u>1,600,900</u>
Fire Equipment Capital Lease	4/4/07	5.7%	22,500	4/4/12	-0-
Fire Truck Promissory Note	11/28/11	3.75%	50,000	11/28/18	32,237
Total Long-term Liability					<u><u>\$ 1,633,137</u></u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term liabilities segregated between governmental activities and business-type activities as of December 31, 2012:

	Fire Truck Promissory Note	G. O. Capital Improve-ment Plan Bonds 2010A	Total Governmental Activity Long-Term Debt	G.O. Water Revenue Bonds of 2001	G.O. Water Revenue Bonds, of 2010	Total Business-type Activities Long-Term Debt	Total
Current Portion	\$ 6,618	\$ 11,000	\$ 17,618	\$ 3,000	\$ 19,000	\$ 22,000	\$ 39,618
Long-term Portion	25,619	93,000	118,619	26,900	1,448,000	1,474,900	1,593,519
Total	<u>\$ 32,237</u>	<u>\$ 104,000</u>	<u>\$ 136,237</u>	<u>\$ 29,900</u>	<u>\$ 1,467,000</u>	<u>\$ 1,496,900</u>	<u>\$ 1,633,137</u>



**CITY OF BARRETT**

Notes to City Financial Statements  
December 31, 2012

**NOTE 6 - LONG-TERM LIABILITIES (cont.)**

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending	GO Water Revenue Bonds of 2001		GO Water Revenue Bond of 2010		Fire Truck Promissory Note		G.O. Capital Improvement Plan Bonds of 2010A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
December 31,										
2013	\$ 3,000	\$ 1,533	\$ 19,000	\$ 58,726	\$ 6,618	\$ 1,209	\$ 11,000	\$ 2,340	\$ 39,618	\$ 63,808
2014	3,000	1,278	20,000	57,920	6,867	961	12,000	4,185	41,867	64,344
2015	3,000	1,135	20,000	57,120	7,124	703	12,000	3,645	42,124	62,603
2016	4,000	993	21,000	56,320	7,391	436	13,000	3,105	45,391	60,854
2017	4,000	803	22,000	55,480	4,237	159	13,000	2,520	43,237	58,962
2018 - 2022	12,900	1,310	125,000	263,400			43,000	3,915	180,900	268,625
2023 - 2027			151,000	236,400					151,000	236,400
2028 - 2032			184,000	203,680					184,000	203,680
2033 - 2037			224,000	163,800					224,000	163,800
2038 - 2042			272,000	115,360					272,000	115,360
2043 - 2047			332,000	56,320					332,000	56,320
2048 - 2049			77,000	3,160					77,000	3,160
Totals	\$ 29,900	\$ 7,052	\$1,467,000	\$ 1,327,686	\$ 32,237	\$ 3,468	\$ 104,000	\$ 19,710	\$ 1,633,137	\$ 1,357,916

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### NOTE 6 - LONG-TERM LIABILITIES (cont.)

#### C. Description of Long-Term Liabilities

**General Obligation Bonds** - These obligations were issued to finance acquisition and/or construction of the City's water distribution and waste water treatment facilities. Special assessments, together with sewer and water revenue, are dedicated for the retirement of these obligations.

The G.O. Bond Series 1999 and the G.O. Water Revenue Bond of 2001 were issued to finance the construction of a sewer treatment and water disbursement system. The details of those Bonds are described in A of Note 6 above.

The G.O. Water Revenue Bond of 2010 issued in the amount of \$1,642,000 for permanent financing of the G. O. Water Revenue Bond Anticipation Master Note of 2007 used to finance water improvements for the City. Details of this Bond is described in A and B of Note 6 above.

G. O. Capital Improvement Plan Bonds of 2010A issued in the amount of \$125,000 for permanent financing and additional capital improvements of the City offices. The details of this Bond is described in A and B of Note 6 above.

**Promissory Notes** - A promissory note in the amount of \$50,000 was entered into during 2011 to finance the purchase of a fire truck. Details of this note are described in A & B of Note 6 above.

**Capital Leases** - A fire equipment capital lease was entered into in 2007. This lease was used to finance turn out gear to be used by the City of Barrett's Fire Department.

#### D. Changes in Long-Term Liabilities

	Balance December 31, 2011	Additions	Retirement	Balance December 31, 2012
G. O. Bond Series, 1999	\$ 41,275	-0-	\$ 41,275	\$-0-
G. O. Water Revenue Bonds of 2001	78,500	-0-	48,600	29,900
G. O. Water Revenue Bonds of 2010	1,507,000	-0-	40,000	1,467,000
G. O. Capital Improvement Plan Bonds of 2010A	115,000	-0-	11,000	104,000
Fire Truck Promissory Note	50,000	-0-	17,763	32,237
Fire Equipment Lease	4,517	-0-	4,517	-0-
Total	<u>\$ 1,796,292</u>	<u>\$-0-</u>	<u>\$ 163,155</u>	<u>\$ 1,633,137</u>

### NOTE 7 - INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2012 was as follows:

	<u>General</u>	<u>Transfers Out</u>		<u>Total</u>
		<u>Sewer Debt Service</u>	<u>Sewer</u>	
Transfers In:				
2010 A Debt Service	\$ 15,928	\$ -0-	\$ -0-	\$ 15,928
Water	<u>-0-</u>	<u>257,536</u>	<u>27,000</u>	<u>284,536</u>
Total	\$ 15,928	\$ 257,536	\$ 27,000	\$ 300,464

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### **NOTE 7 - INTERFUND TRANSFERS** (con't)

These transfers were for allocating funds for debt service payments and administration as determined by the City Council.

During the year ending December 31, 2012 the Sewer Debt Service Fund transferred \$257,536 to the water debt account within the Water Enterprise Fund. This amount represents cash remaining in the Sewer Debt Service Fund of \$45,471, \$204,545 of special assessment receivables, and \$7,490 of delinquent special assessment receivables. After the final payment on long-term debt of the Sewer Debt Service Fund had been made, these amounts represent the residual equity transfer to close out this fund.

### **NOTE 8 - DEFINED BENEFIT PENSION PLANS**

#### **A. Plan Description**

The Clerk/Treasurer and public works superintendent of the City are covered by the defined benefit plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All of the City PERA participants are members in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring members receives the higher of a step rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% of average salary for Coordinated Plan members for each year of service.

For all GERF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of services equal 90. Normal retirement age is 65 for Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefits provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the web at [www.mnpera.org](http://www.mnpera.org). A copy of the report may also be obtained on by writing PERA, 60 Empire Drive, #200, St Paul, MN 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2012

### NOTE 8 - DEFINED BENEFIT PENSION PLANS (con't)

#### B. Funding Policy

*Minnesota Statutes* Chapter 353 set the rates for the employee and employer contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by the state statutes. GERS Coordinated Plan members are required to contribute 6.25%, of their annual covered salary in 2012. The City is required to contribute 7.25% for Coordinated Plan members of the annual covered payroll. The City contributions for coordinated plan members annual covered payroll for 2012 and 2011 was \$5,567 and \$4,893 respectively.

### NOTE 9 - CONTINGENCIES AND COMMITMENTS

#### A. Contracts

In August 2011 the council approved a three year contract with the Grant County Sheriff's office for police protection. The amounts contracted for these services for the years 2012, 2013, and 2014 are for \$30,870, \$31,487, and \$32,117 respectively.

#### B. Federal 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 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 2012.

### NOTE 11 - LEASES

Capital Leases: The City entered into a capital lease of fire equipment during 2007. The lease of that equipment is reported as long-term debt and is reported further in note 7.

Leasing - Lessor: The city leases a portion of its office building as office space to an unrelated party. The lease is a 10 year lease with the option to renew for five one year periods. The following is a schedule by years of future minimum rentals under the lease at December 31, 2012:

Year ending December 31,	
2013	6,144
2014	6,294
2015	6,444
2016	6,444
2017	6,444
2018	<u>3,222</u>
	<u>34,992</u>

# CITY OF BARRETT

## Notes to City Financial Statements December 31, 2011

### NOTE 12 - RELATED ORGANIZATIONS

#### Barrett Fire Department Relief Association

This Association is organized as a non-profit corporation by its members to provide pension and other benefits to such members in accordance with *Minnesota Statutes*. The Board of Trustees is elected by the membership of the organization and not by the City Council. All funding is conducted in accordance with *Minnesota Statutes*, whereby state aids flow to the Association, tax levies are requested by the Association and are only reviewed by the City and the Association pays benefits directly to its members. The Association may certify tax levies to Grant County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity.

### NOTE 13 - RELATED ORGANIZATION PENSION

#### **Barrett Fire Relief Association ( Relief Association)**

##### Plan Description

All members of the Barrett Fire Department are covered by a defined contribution plan administered by the Barrett Firemen's Relief Association ( Relief Association). The plan is a single employer retirement plan and is established and administered in accordance with *Minnesota Statutes*, Chapter 69.

The Relief Association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with state statute, and vest after twenty years of credited service. Retirement benefits are based on a member's years of service. Benefit provisions can be amended by the Relief Association within the parameters provided by state statutes.

The Relief Association prepares a publicly available financial report that includes financial information for the plan. That report may be obtained by contacting the City's Fire Hall.

##### Funding Policy

*Minnesota Statutes* Chapter 69.77 sets the minimum contributions that may be required from the City on an annual basis. These minimum contributions are determined based on the amount required to meet the normal cost plus amortizing any prior year's service cost over a ten year period. The City's contribution for December 31, 2012 was \$2,000. The Barrett Fire Department Relief Association also receives funding from the State of Minnesota as a 2% fire premium tax. The City receives the contributions and is required by statute to pass this through as payment to the Fire Relief Association. Investment earnings also add to the resources available for benefits.

##### Contributions Required and Made

The City makes contributions to the Relief Association annually in an amount equal to the fire aid received from the State of Minnesota as required by state statutes. The City is required to make additional contributions to the Association in the following year if the following years anticipated administrative expenses plus the anticipated increase in the required reserves plus amortization of the original unfunded accrued liability exceeds the anticipated revenues. The City made a contribution of \$2,000 during 2012. There were no required contributions in excess of fire aid for 2011 and 2010.

##### Related-Party Investments

As of December 31, 2012, and for the year then ended, the Relief Association held no securities issued by the City or other related-parties.

**CITY OF BARRETT**

Notes to City Financial Statements  
December 31, 2012

**NOTE 14 - PRIOR PERIOD RECLASSIFICATIONS**

**Change in Accounting Principle for new GASB Statement**

During the year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as Deferred Inflows of Resources, Deferred Outflows of Resources, or as outflows or resources. As a result of implementing these statements, the following liabilities have been reclassified, as indicated:

	<u>Audited 2011</u>	<u>Reclassified 2011</u>
<u>Liabilities</u>		
Payroll taxes payable	\$ 3,183	\$ 3,183
Sales tax payable	2,190	2,190
Accounts payable	6,648	6,648
Deferred revenue	<u>202,346</u>	<u>-0-</u>
Total Liabilities	\$ 234,367	\$ 12,021
 <u>Deferred Inflows of resources</u>		
Unearned revenue - special assessments	\$ -0-	\$ 212,064
Unearned revenue - delinquent taxes	<u>-0-</u>	<u>10,282</u>
Total Deferred Inflows of Resources	\$ -0-	\$ 222,346

**REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF BARRETT

### Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund Budget and Actual (Non-GAAP Budgetary Basis) Year Ended December 31, 2012

	Budgeted Amounts Original & Final	Actual General Fund	Variances with Final Budget Favorable (unfavorable)
<b>Revenues</b>			
Local property tax levies	\$ 232,688	\$ 232,068	\$ (620)
Licenses, fees and fines	2,470	2,435	(35)
Revenues from state sources	62,545	64,361	1,816
Charges for services	86,966	100,864	13,898
Public donations	-0-	1,705	1,705
Other	17,344	28,652	11,308
<b>Total Revenues</b>	<b>\$ 402,013</b>	<b>\$ 430,085</b>	<b>\$ 28,072</b>
<b>Expenditures</b>			
<b>Current:</b>			
Public Safety	89,848	80,760	9,088
Governmental	129,400	123,893	5,507
Sanitation	47,650	46,160	1,490
Culture and recreation	26,800	13,443	13,357
Streets	92,387	49,479	42,908
<b>Total Current</b>	<b>\$ 386,085</b>	<b>\$ 313,735</b>	<b>\$ 72,350</b>
Capital Outlay	-0-	-0-	-0-
Debt Services	-0-	24,402	(24,402)
<b>Total Expenditures</b>	<b>386,085</b>	<b>338,137</b>	<b>47,948</b>
Excess (deficiency) of revenue over expenditures	15,928	91,948	76,020
<b>Other financing sources (uses)</b>			
Sales of equipment	-0-	14,549	14,549
Transfers out	(15,928)	(15,928)	-0-
Transfers in	-0-	-0-	-0-
<b>Total other financing sources (uses)</b>	<b>(15,928)</b>	<b>(1,379)</b>	<b>14,549</b>
<b>Net change in Fund Balance</b>	<b>-0-</b>	<b>90,569</b>	<b>90,569</b>
Fund Balances - Beginning of Year	460,549	460,549	-0-
Fund Balances - End of year	<b>\$ 460,549</b>	<b>\$ 551,118</b>	<b>\$ 90,569</b>
Reconciliation of budgetary Basis to GAAP Basis:		-0-	
Budgetary Basis Fund Balance - End of Year		551,118	
Revenue Accruals		(1,171)	
Expenditure Accruals		(8,151)	
<b>GAAP Basis Fund Balance - End of Year</b>		<b>\$ 541,796</b>	

See accompanying notes to the required supplementary information



# CITY OF BARRETT

## Notes of Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Year Ended December 31, 2012

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Accounting policies

The budget for the General fund is prepared on the budgetary basis of accounting. This basis is other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements. Each March the City Council adopts an annual budget for the following fiscal year for the General Fund. The city did not adopt a budget for both the Sewer Debt Service Fund and G.O. Capital Improvement Plan Bonds 2010A Debt Service Fund because it was not legally obligated and, therefore, presentation of budgetary information is not required.

Formal budgetary integration is employed as a management control device during the year for the General Fund and all special revenue funds.

No encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to serve that portion of the applicable appropriations, is employed by the City to assure effective budgetary control and to facilitate effective cash planning and control. Encumbrance information has not been incorporated into the financial statement, however.

Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual present the General Fund.



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### INDEPENDENT AUDITOR'S 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*

To the Mayor and Members of City Council  
City of Barrett  
Barrett, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Barrett, (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2013.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider that we consider to be material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2012-1 and 2012-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, item 2012-3, to be a significant deficiency.

#### **Compliance and Other Matters**

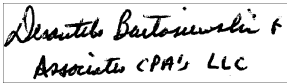
As part of obtaining reasonable assurance about whether the financial statements of the City are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Barrett, Minnesota Response to Findings**

The City's responses to the findings identified in our audit have been included in the schedule of findings and responses. The City's responses were not subject to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Desautels Bartosiewski &  
Associates CPAs LLC

Desautels Bartosiewski & Associates CPAs LLC  
June 27, 2013

# CITY OF BARRETT

## Summary Schedule of Audit Findings and Responses Year Ended December 31, 2012

The following significant deficiency findings have been identified as material weaknesses.

### **Finding 2012-1 Separation of Duties**

**Condition:** The same person makes deposits, records transactions, drafts disbursements and does the bank reconciliations.

**Criteria:** The City should have sufficient separation of duties in place to prevent one person from having control of the receipt and disbursement process.

**Effect:** No effect on the financial statements.

**Cause:** The City has not adequately separated duties among its personnel.

**Recommendation:** We recommend that these duties continue to be monitored closely by the City Council and Mayor. We also recommend that the bank statement and its contents, along with the reconciliation, continue to be reviewed by someone not involved in the reconciliation process and signed off as being reviewed.

### **CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:** City does not dispute the finding. Resources do not allow hiring additional personnel.

**Actions Planned in Response to Finding:** City management will continue to have oversight of bank statements and reconciliations with a designated council member reviewing and signing off.

**Official Responsible for Ensuring CAP:** Clerk/Treasurer

**Planned Completion Date for CAP:** Ongoing

**Plan to Monitor Completion of CAP:** Clerk/Treasurer will review the bank statements and reconciliation each month, with the sign off by the designated council member.

## CITY OF BARRETT

### Summary Schedule of Audit Findings and Responses (continued) Year Ended December 31, 2012

#### **Finding 2012-2 Financial Oversight & Monitoring Controls**

**Condition:** The audit firm proposed, and the City posted to its general ledger journal entries to correct material misstatements that were not initially identified by the City's internal control procedures. These adjustments were mostly related to the City's change to the modified accrual basis of accounting.

**Criteria:** The City should have controls in place to prevent and detect material misstatements in the financial statements in a timely manner.

**Context:** Due to lack of personnel the City may continue to rely upon the audit firm to propose audit adjustments.

**Effect:** These instances resulted in proposed and accepted audit adjustments that materially effected the financial statements.

**Cause:** The City has not established controls to insure that all accounts are adjusted to their appropriate year end balances.

**Recommendation:** We recommend the City evaluate its oversight and monitoring controls to help reduce the possibility that any of the financial accounts are materially misstated. This may not be practical for every financial account; nevertheless, these types of controls are essential to ensure that the information contained in the financial statements is materially correct.

#### **CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:** City does not dispute the finding.

**Actions Planned in Response to Finding: Official Responsible for Ensuring CAP:** Clerk/Treasurer will monitor account balances especially related to accruals.

**Official Responsible for Ensuring CAP:** Clerk/Treasurer

**Planned Completion Date for CAP:** Ongoing

**Plan to Monitor Completion of CAP:** Clerk/Treasurer will monitor account balances.

## CITY OF BARRETT

### Summary Schedule of Audit Findings and Responses (continued) Year Ended December 31, 2012

The following findings have been identified as significant deficiencies:

#### **Finding 2012-3 Period End Financial Reporting Process**

**Condition:** Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes in accordance with GAAP.

**Criteria:** Initial controls should be in place to provide reasonable assurance to the City that management prepare, monitor, and report annual financial activities without auditor intervention.

**Context:** The City will continue to rely upon the audit firm to assist in drafting the financial statements and footnotes. Management will review and approve.

**Effect:** No effect on financial statement balances.

**Cause:** The City personnel do not have the time, money, or resources to prepare the financial statements and related footnotes in accordance with GAAP.

**Recommendation:** Due to time and monetary constraints we recommend the City get limited additional training annually to stay updated with GAAP changes; but continue to rely on the audit firm to assist in the preparation of financial statements and footnotes.

#### **CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:** City does not dispute the findings.

**Actions Planned in Response to Finding:** City personnel will get additional training on GAAP requirements and continue to utilize auditing firm to prepare financial statements and footnotes.

**Official Responsible for Ensuring CAP:** Clerk/Treasurer

**Planned Completion Date for CAP:** Ongoing

**Plan to Monitor Completion of CAP:** City personnel will get additional training on GAAP requirements through League of Minnesota Cities support organization and continue to work with the auditing firm to prepare financial statement and footnotes.



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**INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE**

To the Mayor and Members of the City Council  
City of Barrett  
Barrett, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the City of Barrett, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with tax increment financing because it did not apply to the City of Barrett.

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

The purpose of this report is solely to describe the scope of our 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.

A handwritten signature in black ink, enclosed in a rectangular box. The signature reads "Desautels Bartosiewski & Associates CPAs, LLC".

Desautels Bartosiewski & Associates, CPAs, LLC  
June 27, 2013