

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2013

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

TABLE OF CONTENTS

<u>Introductory Section</u>	<u>Reference</u>	<u>Page</u>
Organization Schedule		1
 <u>Financial Section</u>		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	17
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position – Governmental Activities	Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Activities	Exhibit 6	20
Proprietary Funds		
Statement of Net Position	Exhibit 7	21
Statement of Revenues, Expenses, and Changes in Net Position	Exhibit 8	22
Statement of Cash Flows	Exhibit 9	23
Notes to the Financial Statements		25
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	42
Fire Department Special Project/Equipment Special Revenue Fund	Schedule 2	44
Notes to the Required Supplementary Information		45

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

TABLE OF CONTENTS

<u>Financial Section</u> (Continued)	<u>Reference</u>	<u>Page</u>
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet - Special Revenue Funds	Statement 1	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Funds	Statement 2	48
Budgetary Comparison Schedules		
Fire Department Special Revenue Fund	Schedule 3	49
RBEG Revolving Loan Special Revenue Fund	Schedule 4	50
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 5	51
 <u>Management and Compliance Section</u>		
Schedule of Findings and Questioned Costs	Schedule 6	52
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 <i>Government Auditing Standards</i>		54
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		56
Schedule of Expenditures of Federal Awards	Schedule 7	59
Notes to the Schedule of Expenditures of Federal Awards		60

INTRODUCTORY SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2013**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Elected		
Scott Waage	Mayor	December 31, 2014
Brenda Sather	Councilmember	December 31, 2014
Christine Foss	Councilmember	December 31, 2014
Sandy McFarlane	Councilmember	December 31, 2016
Dennis Filer	Councilmember	December 31, 2016
Appointed		
Anita Locken	Clerk/Treasurer	Indefinite

FINANCIAL SECTION



Colleen Hoffman, Manager
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GOVERNMENTAL AUDIT SERVICES

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Greenbush

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 Greenbush, Minnesota, as of and for the year ended December 31, 2013, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 Greenbush, Minnesota, as of December 31, 2013, 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.

Emphasis of Matter

As discussed in Notes I and II, the City of Greenbush has implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which required a change in accounting principles and resulted in adjustments to beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

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

Accompanying Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenbush's basic financial statements. The introductory section, the supplementary information, and the other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and other schedules sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2014, on our consideration of the City of Greenbush'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 the City's internal control over financial reporting and compliance.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

April 16, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of the City of Greenbush offers readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City of Greenbush for the fiscal year ended December 31, 2013. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$1,459,741, of which \$637,976 is the net investment in capital assets, \$30,567 is restricted for specific purposes, and \$791,198 is unrestricted. The total net position of governmental activities increased by \$122,520 for the year ended December 31, 2013. This is attributed primarily to increased donations for fire equipment and pool renovations and decreased public safety costs.

The total net position of business-type activities are \$2,131,732, of which \$1,783,086 is the net investment in capital assets and \$348,646 is unrestricted. The total net position of business-type activities increased by \$740,866 in 2013, as a result of the ongoing improvements to the drinking water infrastructure.

At the close of 2013, the City's governmental funds reported combined ending fund balances of \$666,440, an increase of \$88,503 from the prior year. Of the total fund balance amount, \$30,567 is legally or contractually restricted, \$531,332 is formally committed for specific purposes, \$1,771 is assigned for specific purposes, and \$102,770 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic statements.

Page 5

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Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Net Position* and the *Statement of Activities*, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including general government, public safety, highways and streets, culture and recreation, conservation of natural resources, and economic development. Property taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities**—The City charges fees to cover the costs of certain services it provides. Included here are the operations of the water and sewer utilities, and sanitation.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Greenbush, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions.

Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Fire Department Special Project/Equipment Special Revenue Fund, both of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the notes to the financial statements.

The City of Greenbush adopts annual budgets for its major governmental funds and the Fire Department and RBEG Revolving Loan Special Revenue Funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds The City of Greenbush maintains three proprietary funds. 1) The Sanitation Enterprise Fund is used to account for the operations of the garbage collection system. 2) The Sewer Fund is used to account for the activities of the City’s sewer utilities. Financing is provided by charges to residents for services. 3) The Water Fund is used to account for the activities of the City’s water utilities. Financing is provided by charges to residents for services. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the Statement of Net Position and the Statement of Activities as business-type activities. All of the enterprise funds are considered to be major funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 25 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City also provides supplementary and other information including combining statements, budgetary comparison schedules, a schedule of intergovernmental revenue, and a schedule of expenditures of federal awards.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City’s financial position. The City’s assets exceeded liabilities by \$3,591,473 at the close of 2013. The largest portion of the City’s net position (approximately 67 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately one percent of the City’s net position is restricted for specific purposes and 32 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$1,139,844 as of December 31, 2013, may be used to meet the City’s ongoing obligations to citizens.

The City’s overall financial position increased from last year. Total assets increased by \$1,059,036, from the prior year, primarily due to the drinking water infrastructure improvements. Total liabilities increased by \$195,650, from the prior year, due to new debt related to the drinking water improvement project. This resulted in an increased net position of \$863,386 from the prior year.

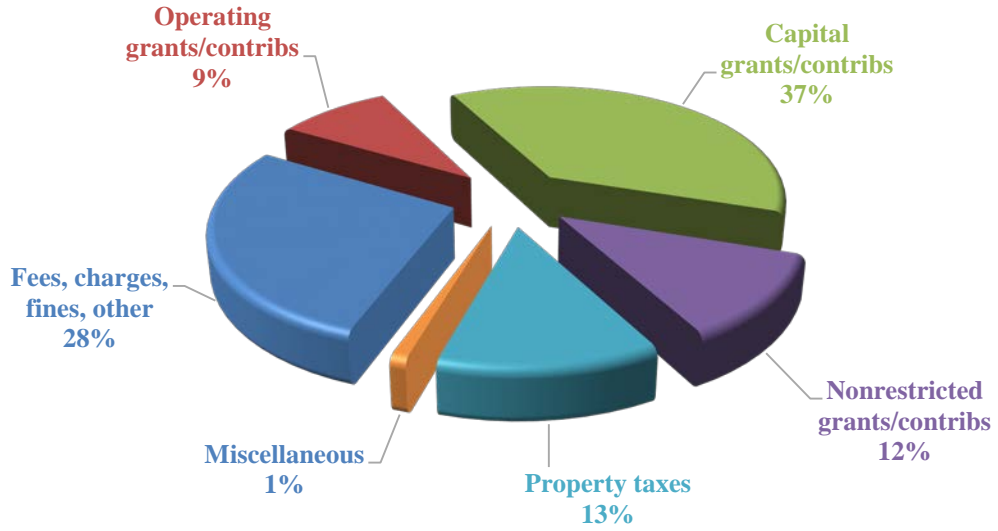
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012 as restated	2013	2012 as restated	2013	2012 as restated
Current and other assets	\$ 836,568	\$ 757,870	\$ 397,874	\$ 397,776	\$ 1,234,442	\$ 1,155,646
Capital assets	693,784	669,648	4,222,301	3,266,197	4,916,085	3,935,845
Total assets	\$ 1,530,352	\$ 1,427,518	\$ 4,620,175	\$ 3,663,973	\$ 6,150,527	\$ 5,091,491
Other liabilities	\$ 11,016	\$ 11,358	\$ 46,976	\$ 8,683	\$ 57,992	\$ 20,041
Long-term liabilities outstanding	59,595	78,939	2,441,467	2,264,424	2,501,062	2,343,363
Total liabilities	\$ 70,611	\$ 90,297	\$ 2,488,443	\$ 2,273,107	\$ 2,559,054	\$ 2,363,404
Net position						
Net Investment in capital assets	\$ 637,976	\$ 593,551	\$ 1,783,086	\$ 903,250	\$ 2,421,062	\$ 1,496,801
Restricted	30,567	13,992	-	-	30,567	13,992
Unrestricted	791,198	729,678	348,646	487,616	1,139,844	1,217,294
Total net position	\$ 1,459,741	\$ 1,337,221	\$ 2,131,732	\$ 1,390,866	\$ 3,591,473	\$ 2,728,087

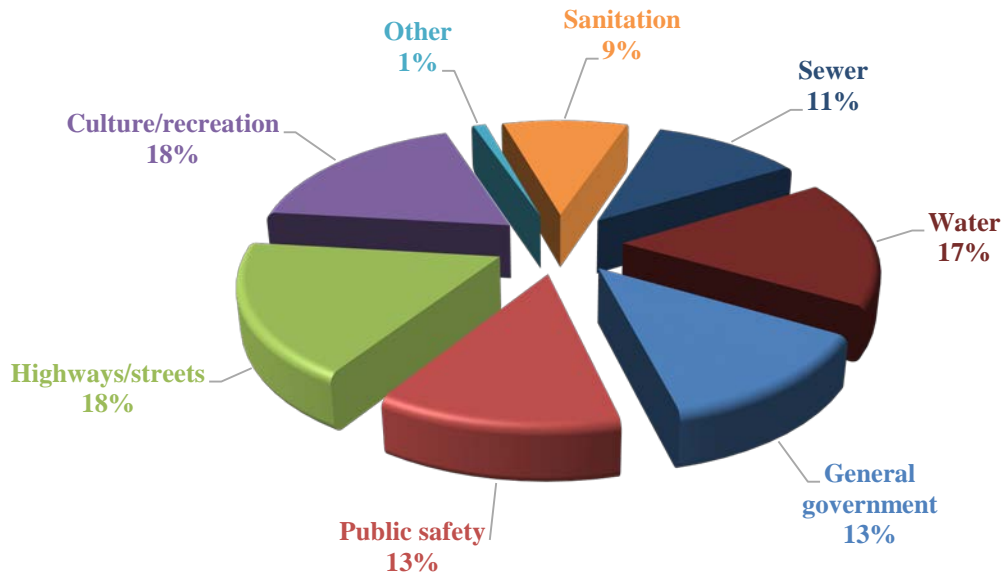
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 108,759	\$ 180,880	\$ 416,587	\$ 415,108	\$ 525,346	\$ 595,988
Operating grants and contributions	170,052	164,752	-	-	170,052	164,752
Capital grants and contributions	807	5,332	706,109	10,652	706,916	15,984
General Revenues and Transfers						
Property taxes	237,712	221,531	-	-	237,712	221,531
Grants and contributions not restricted to specific programs	224,438	221,438	-	-	224,438	221,438
Investment earnings	4,863	2,548	2,121	1,441	6,984	3,989
Insurance dividends	10,976	11,315	-	-	10,976	11,315
Transfers	-	(9,000)	-	9,000	-	-
Total revenues	\$ 757,607	\$ 798,796	\$ 1,124,817	\$ 436,201	\$ 1,882,424	\$ 1,234,997
Expenses						
General government	\$ 130,238	\$ 175,708	\$ -	\$ -	\$ 130,238	\$ 175,708
Public safety	132,254	190,249	-	-	132,254	190,249
Highways and streets	181,017	178,627	-	-	181,017	178,627
Culture and recreation	181,950	177,597	-	-	181,950	177,597
Conservation of natural resources	5,719	2,943	-	-	5,719	2,943
Economic development	-	140,022	-	-	-	140,022
Interest	3,909	4,981	-	-	3,909	4,981
Sanitation	-	-	96,353	92,912	96,353	92,912
Sewer	-	-	113,610	95,430	113,610	95,430
Water	-	-	173,988	204,771	173,988	204,771
Total expenses	\$ 635,087	\$ 870,127	\$ 383,951	\$ 393,113	\$ 1,019,038	\$ 1,263,240
Increase (decrease) in net position	\$ 122,520	\$ (71,331)	\$ 740,866	\$ 43,088	\$ 863,386	\$ (28,243)
Net position, January 1, as previously reported	-	1,239,977	-	1,345,916	-	2,585,893
Prior period adjustment	-	168,575	-	1,862	-	170,437
Net position, January 1, as restated	1,337,221	-	1,390,866	-	2,728,087	-
Net position, December 31	\$ 1,459,741	\$ 1,337,221	\$ 2,131,732	\$ 1,390,866	\$ 3,591,473	\$ 2,728,087

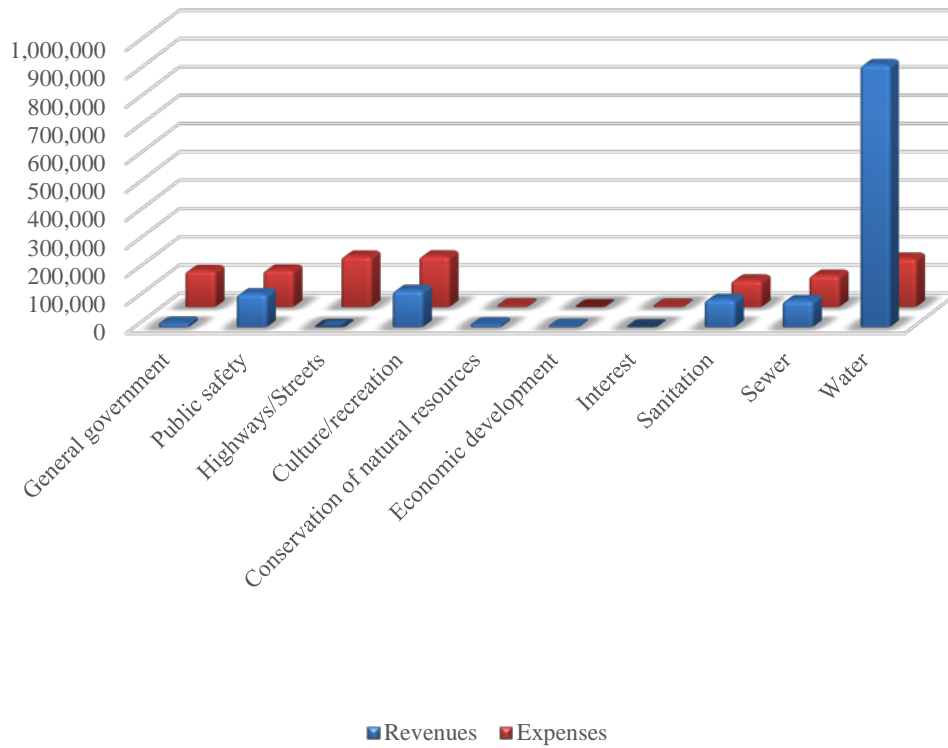
Revenues by Source



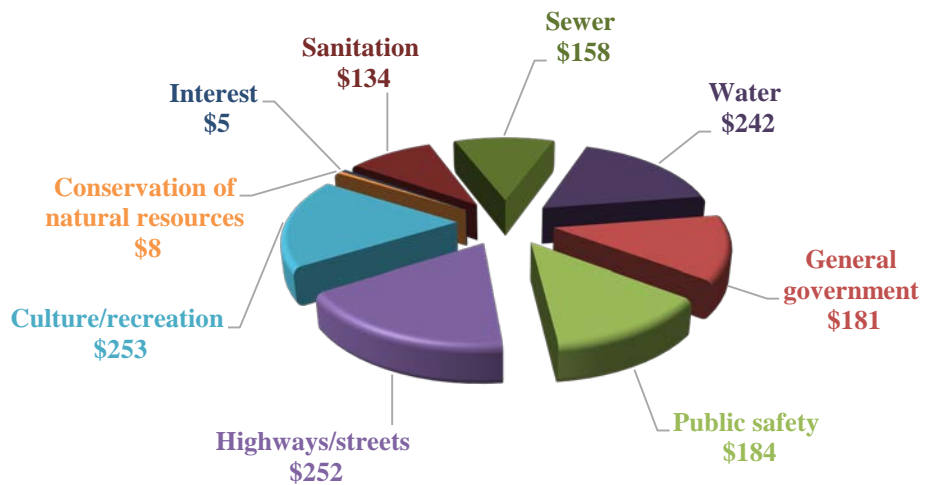
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 719 Population as of 2012



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2013, the City's governmental funds reported combined ending fund balances of \$666,440. Of this amount, approximately five percent constitutes legally or contractually restricted fund balance, 80 percent constitutes formally committed fund balance, less than one-half of one percent constitutes specifically assigned fund balance, and 15 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$413,391. The General Fund's restricted fund balance was \$12,235, committed fund balance was \$298,386, and unassigned fund balance was \$102,770. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2013. Unrestricted fund balance represents 71 percent of total General Fund expenditures, while total fund balance represents 73 percent of that same amount.

In 2013, the fund balance amount in the General Fund increased by \$66,626. The primary reason for this was decreased public safety expenditures.

The fund balance of the Fire Department Special Project/Equipment Special Revenue Fund increased \$23,339 from the prior year, as a result of increased donations.

Proprietary Funds

The Sanitation Enterprise Fund reported an operating income in 2013 of \$2,322, indicating that it is collecting fees for services at a rate consistent costs.

The Sewer Enterprise Fund reported an operating loss in 2013 of \$19,392, primarily as a result of depreciation expense and sewer infrastructure repairs and replacement of the wastewater main that occurred during the improvements made to the drinking water infrastructure.

The Water Enterprise Fund reported an operating income in 2013 of \$80,423, indicating that it is collecting fees for services at a rate higher than costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget amendments consisted of an overall increase in budgeted expenditures of \$22,780, due to capital asset purchases.

Actual revenues were more than overall final budgeted revenues by \$97,363. The largest positive variances were in charges for services, gifts and contributions, and miscellaneous revenues. Actual expenditures were more than overall final budgeted expenditures by \$24,431, largely as a result of increased costs for streets and alleys.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounted to \$4,916,085 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 25 percent. This increase was primarily due to the ongoing construction of the 4th and 5th Street water main project.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 94,412	\$ 99,412	\$ 4,000	\$ 4,000	\$ 98,412	\$ 103,412
Construction in progress	-	-	1,027,954	-	1,027,954	-
Infrastructure	-	-	3,151,821	3,217,204	3,151,821	3,217,204
Buildings and improvements	376,092	368,718	6,497	6,931	382,589	375,649
Machinery and equipment	223,280	201,518	32,029	38,062	255,309	239,580
Total capital assets	<u>\$ 693,784</u>	<u>\$ 669,648</u>	<u>\$ 4,222,301</u>	<u>\$ 3,266,197</u>	<u>\$ 4,916,085</u>	<u>\$ 3,935,845</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,495,023 which is backed by the full faith and credit of the government.

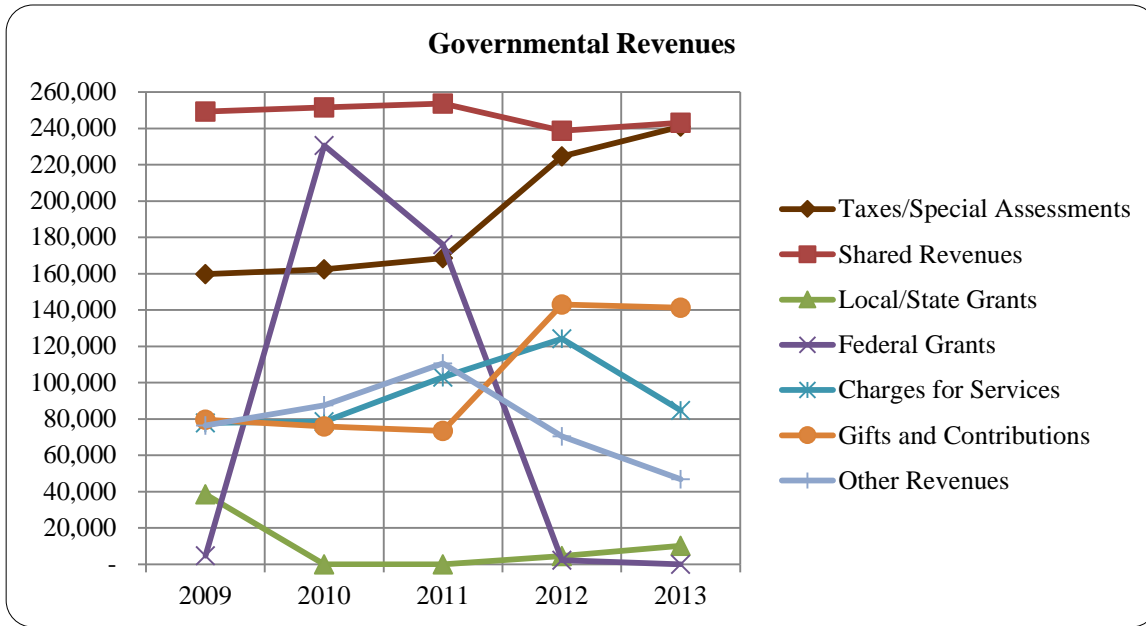
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Public Project Notes of 2001	\$ 55,808	\$ 76,097	\$ -	\$ -	\$ 55,808	\$ 76,097
G.O. Sewer Revenue Bonds of 2006	-	-	195,166	205,223	195,166	205,223
G.O. Water Revenue Note - MPFA	-	-	1,991,476	2,057,476	1,991,476	2,057,476
G.O. Water Revenue Bonds of 2013	-	-	141,000	-	141,000	-
MPFA Drinking Water State Revolving Fund Loan	-	-	111,573	-	111,573	-
	<u>\$ 55,808</u>	<u>\$ 76,097</u>	<u>\$ 2,439,215</u>	<u>\$ 2,262,699</u>	<u>\$ 2,495,023</u>	<u>\$ 2,338,796</u>

Minnesota statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2013, overall debt of the City is below the three percent debt limit.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities. The five-year analysis below focuses on the revenues of the City's governmental funds taken from Exhibit 5 and the Schedule of Intergovernmental Revenue.



- Specific unemployment statistics for the City of Greenbush are not available. However, the unemployment rate for Roseau County was 3.9 percent as of December 31, 2013. This is lower than the statewide rate of 4.7 percent and the national average rate of 6.5 percent.
- Greenbush’s 2012 population was 719, no change since the 2010 census.
- On December 16, 2013, the City of Greenbush set its 2014 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the City of Greenbush for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Greenbush Clerk/Treasurer, City Hall, P.O. Box 98, Greenbush, Minnesota 56726.

BASIC FINANCIAL STATEMENTS

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 287,945	\$ 179,807	\$ 467,752
Investments	372,277	170,032	542,309
Taxes receivable			
Current	11,151	-	11,151
Prior	16,466	329	16,795
Special assessments receivable - current	1,643	758	2,401
Accounts receivable	914	45,841	46,755
Accrued interest receivable	3,100	1,107	4,207
Due from other governments	426	-	426
Loans receivable	132,910	-	132,910
Special assessments receivable - noncurrent	9,736	-	9,736
Capital assets			
Non-depreciable	94,412	1,031,954	1,126,366
Depreciable - net of accumulated depreciation	599,372	3,190,347	3,789,719
Total Assets	\$ 1,530,352	\$ 4,620,175	\$ 6,150,527
<u>Liabilities</u>			
Accounts payable	\$ 8,233	\$ 1,478	\$ 9,711
Salaries payable	2,783	922	3,705
Contracts payable	-	44,576	44,576
Long-term liabilities			
Due within one year	24,287	98,509	122,796
Due in more than one year	35,308	2,342,958	2,378,266
Total Liabilities	\$ 70,611	\$ 2,488,443	\$ 2,559,054
<u>Net Position</u>			
Net investment in capital assets	\$ 637,976	\$ 1,783,086	\$ 2,421,062
Amounts restricted for			
Economic development	18,332	-	18,332
Public safety	12,235	-	12,235
Unrestricted amounts	791,198	348,646	1,139,844
Total Net Position	\$ 1,459,741	\$ 2,131,732	\$ 3,591,473

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 130,238	\$ 15,146	\$ -
Public safety	132,254	29,006	89,917
Highways and streets	181,017	-	-
Culture and recreation	181,950	50,997	80,135
Conservation of natural resources	5,719	10,767	-
Economic development	-	2,843	-
Interest	3,909	-	-
Total governmental activities	\$ 635,087	\$ 108,759	\$ 170,052
Business-type activities			
Sanitation	\$ 96,353	\$ 98,675	\$ -
Sewer	113,610	85,208	-
Water	173,988	232,704	-
Total business-type activities	\$ 383,951	\$ 416,587	\$ -
Total	\$ 1,019,038	\$ 525,346	\$ 170,052

General revenues

Property taxes
Grants and contributions not restricted to specific programs
Investment earnings
Insurance dividends

Total general revenues

Change in net position

Net Position - January 1, as previously reported

Prior period adjustment

Net Position - January 1, as restated

Net Position - December 31

EXHIBIT 2

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (115,092)	\$ -	\$ (115,092)
-	(13,331)	-	(13,331)
807	(180,210)	-	(180,210)
-	(50,818)	-	(50,818)
-	5,048	-	5,048
-	2,843	-	2,843
-	(3,909)	-	(3,909)
<u>\$ 807</u>	<u>\$ (355,469)</u>	<u>\$ -</u>	<u>\$ (355,469)</u>
\$ -	\$ -	\$ 2,322	\$ 2,322
9,984	-	(18,418)	(18,418)
696,125	-	754,841	754,841
<u>\$ 706,109</u>	<u>\$ -</u>	<u>\$ 738,745</u>	<u>\$ 738,745</u>
<u>\$ 706,916</u>	<u>\$ (355,469)</u>	<u>\$ 738,745</u>	<u>\$ 383,276</u>
	\$ 237,712	\$ -	\$ 237,712
	224,438	-	224,438
	4,863	2,121	6,984
	10,976	-	10,976
	<u>\$ 477,989</u>	<u>\$ 2,121</u>	<u>\$ 480,110</u>
	<u>\$ 122,520</u>	<u>\$ 740,866</u>	<u>\$ 863,386</u>
	<u>\$ 1,168,646</u>	<u>\$ 1,389,004</u>	<u>\$ 2,557,650</u>
	168,575	1,862	170,437
	<u>\$ 1,337,221</u>	<u>\$ 1,390,866</u>	<u>\$ 2,728,087</u>
	<u>\$ 1,459,741</u>	<u>\$ 2,131,732</u>	<u>\$ 3,591,473</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Fire Department Special Project/Equipment Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>				
Cash and pooled investments	\$ 215,612	\$ 37,848	\$ 34,485	\$ 287,945
Investments	192,536	169,360	10,381	372,277
Taxes receivable				
Current	11,151	-	-	11,151
Prior	16,466	-	-	16,466
Special assessments receivable - current	1,643	-	-	1,643
Accounts receivable	914	-	-	914
Accrued interest receivable	1,134	1,867	99	3,100
Due from other governments	426	-	-	426
Loans receivable	-	-	132,910	132,910
Special assessments receivable - noncurrent	9,736	-	-	9,736
Total Assets	\$ 449,618	\$ 209,075	\$ 177,875	\$ 836,568
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 7,242	\$ 898	\$ 93	\$ 8,233
Salaries payable	2,783	-	-	2,783
Total Liabilities	\$ 10,025	\$ 898	\$ 93	\$ 11,016
Deferred Inflows				
Taxes	\$ 16,466	\$ -	\$ -	\$ 16,466
Loans	-	-	132,910	132,910
Special assessments	9,736	-	-	9,736
Total Deferred Inflows	\$ 26,202	\$ -	\$ 132,910	\$ 159,112
Fund Balances				
Restricted for				
Economic development	\$ -	\$ -	\$ 18,332	\$ 18,332
Police DARE	12,235	-	-	12,235
Committed to				
Buildings and related equipment	14,150	-	-	14,150
Culture and recreation plan	134,236	-	13,610	147,846
Fire department equipment	-	206,539	12,797	219,336
Shop equipment	50,000	-	-	50,000
Street improvements	100,000	-	-	100,000
Assigned to public safety	-	1,638	133	1,771
Unassigned	102,770	-	-	102,770
Total Fund Balances	\$ 413,391	\$ 208,177	\$ 44,872	\$ 666,440
Total Liabilities, Deferred Inflows and Fund Balances	\$ 449,618	\$ 209,075	\$ 177,875	\$ 836,568

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balances - total governmental funds (Exhibit 3)	\$	666,440
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		693,784
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		159,112
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences payable	\$ (3,787)	
Notes payable	(55,808)	(59,595)
Net position of governmental activities (Exhibit 1)	\$	<u>1,459,741</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Fire Department Special Project/Equipment Special Revenue	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues				
Property taxes	\$ 238,086	\$ -	\$ -	\$ 238,086
Special assessments	2,845	-	-	2,845
Licenses and permits	2,680	-	-	2,680
Intergovernmental	253,142	-	-	253,142
Charges for services	58,204	2,956	23,608	84,768
Fines and forfeitures	2,212	-	-	2,212
Gifts and contributions	50,135	60,943	30,270	141,348
Investment earnings	1,998	2,720	145	4,863
Miscellaneous	29,332	-	7,794	37,126
Total Revenues	\$ 638,634	\$ 66,619	\$ 61,817	\$ 767,070
Expenditures				
Current				
General government	\$ 123,580	\$ -	\$ -	\$ 123,580
Public safety	67,594	28,546	-	96,140
Highways and streets	169,450	-	-	169,450
Culture and recreation	113,966	-	43,279	157,245
Conservation of natural resources	5,483	-	-	5,483
Debt service				
Principal retirement	20,289	-	-	20,289
Interest	3,909	-	-	3,909
Capital outlay				
General government	7,313	-	-	7,313
Public safety	-	40,860	-	40,860
Highways and streets	21,307	-	-	21,307
Culture and recreation	32,991	-	-	32,991
Total Expenditures	\$ 565,882	\$ 69,406	\$ 43,279	\$ 678,567
Excess of Revenues Over (Under) Expenditures	\$ 72,752	\$ (2,787)	\$ 18,538	\$ 88,503
Other Financing Sources (Uses)				
Transfers in	\$ 20,000	\$ 26,126	\$ -	\$ 46,126
Transfers out	(26,126)	-	(20,000)	(46,126)
Total Other Financing Sources (Uses)	\$ (6,126)	\$ 26,126	\$ (20,000)	\$ -
Net Change in Fund Balance	\$ 66,626	\$ 23,339	\$ (1,462)	\$ 88,503
Fund Balance - January 1	346,765	184,838	46,334	577,937
Fund Balance - December 31	\$ 413,391	\$ 208,177	\$ 44,872	\$ 666,440

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - total governmental funds (Exhibit 5)	\$	88,503
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets	\$ 102,471	
Net book value of assets disposed	(5,000)	
Current year depreciation	<u>(73,335)</u>	24,136
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds</p>		
Change in		
Taxes and special assessments receivable	\$ (2,412)	
Loans receivable	<u>(7,051)</u>	(9,463)
<p>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>		
Principal repayment of notes payable		20,289
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences payable		<u>(945)</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u>122,520</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 33,917	\$ 4,621	\$ 141,269	\$ 179,807
Investments	78,746	60,677	30,609	170,032
Taxes receivable - delinquent	-	329	-	329
Special assessments receivable				
Special assessments receivable - current	-	625	133	758
Accounts receivable	9,724	8,335	27,782	45,841
Accrued interest receivable	399	339	369	1,107
Total Current Assets	\$ 122,786	\$ 74,926	\$ 200,162	\$ 397,874
Noncurrent Assets				
Capital assets				
Non-depreciable	-	-	1,031,954	1,031,954
Depreciable - net of accumulated depreciation	-	399,826	2,790,521	3,190,347
Total Noncurrent Assets	\$ -	\$ 399,826	\$ 3,822,475	\$ 4,222,301
Total Assets	\$ 122,786	\$ 474,752	\$ 4,022,637	\$ 4,620,175
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 27	\$ -	\$ 1,451	\$ 1,478
Salaries payable	-	461	461	922
Compensated absences payable	-	369	737	1,106
Contracts payable	-	-	44,576	44,576
General obligation water revenue bonds payable	-	-	13,201	13,201
MPFA drinking water state revolving fund loan	-	-	7,737	7,737
General obligation revenue bonds payable	-	10,465	-	10,465
MPFA notes payable	-	-	66,000	66,000
Total Current Liabilities	\$ 27	\$ 11,295	\$ 134,163	\$ 145,485
Noncurrent Liabilities				
Compensated absences payable	\$ -	\$ 382	\$ 764	\$ 1,146
General obligation water revenue bonds payable	-	-	127,799	127,799
MPFA drinking water state revolving fund loan	-	-	103,836	103,836
General obligation revenue bonds payable	-	184,701	-	184,701
MPFA notes payable	-	-	1,925,476	1,925,476
Total Noncurrent Liabilities	\$ -	\$ 185,083	\$ 2,157,875	\$ 2,342,958
Total Liabilities	\$ 27	\$ 196,378	\$ 2,292,038	\$ 2,488,443
<u>Net Position</u>				
Net investment in capital assets	\$ -	\$ 204,660	\$ 1,578,426	\$ 1,783,086
Unrestricted amounts	122,759	73,714	152,173	348,646
Total Net Position	\$ 122,759	\$ 278,374	\$ 1,730,599	\$ 2,131,732

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 98,675	\$ 85,111	\$ 229,214	\$ 413,000
Special assessments	-	97	-	97
Miscellaneous	-	-	3,490	3,490
Total Operating Revenues	\$ 98,675	\$ 85,208	\$ 232,704	\$ 416,587
Operating Expenses				
Personnel services	\$ -	\$ 16,075	\$ 16,827	\$ 32,902
Payroll tax/benefits	-	3,941	3,940	7,881
Contracted services	96,353	10,826	-	107,179
Insurance	-	1,473	3,501	4,974
Permits	-	-	2,011	2,011
Repairs and maintenance	-	-	207	207
Staff training	-	-	611	611
Supplies	-	47,639	7,596	55,235
Telephone	-	-	952	952
Utilities	-	2,158	9,002	11,160
Miscellaneous	-	566	931	1,497
Depreciation	-	21,922	106,703	128,625
Total Operating Expenses	\$ 96,353	\$ 104,600	\$ 152,281	\$ 353,234
Operating Income (Loss)	\$ 2,322	\$ (19,392)	\$ 80,423	\$ 63,353
Nonoperating Revenues (Expenses)				
Special assessments	\$ -	\$ 9,984	\$ 21,177	\$ 31,161
Intergovernmental revenue	-	-	674,948	674,948
Investment earnings	749	677	695	2,121
Interest expense	-	(9,010)	(21,707)	(30,717)
Total Nonoperating Revenues (Expenses)	\$ 749	\$ 1,651	\$ 675,113	\$ 677,513
Income (Loss) Before Transfers	\$ 3,071	\$ (17,741)	\$ 755,536	\$ 740,866
Transfers in	-	21,042	-	21,042
Transfers out	-	-	(21,042)	(21,042)
Change in Net Position	\$ 3,071	\$ 3,301	\$ 734,494	\$ 740,866
Net Position - January 1, as previously reported	\$ 119,688	\$ 273,960	\$ 995,356	\$ 1,389,004
Prior period adjustment	-	1,113	749	1,862
Net Position - January 1, as restated	\$ 119,688	\$ 275,073	\$ 996,105	\$ 1,390,866
Net Position - December 31	\$ 122,759	\$ 278,374	\$ 1,730,599	\$ 2,131,732

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Cash Flows from Operating Activities				
Receipts from customers	\$ 100,560	\$ 87,885	\$ 232,684	\$ 421,129
Payments to employees	-	(20,230)	(20,230)	(40,460)
Payments to suppliers	(96,412)	(64,207)	(28,295)	(188,914)
Net cash provided by (used in) operating activities	\$ 4,148	\$ 3,448	\$ 184,159	\$ 191,755
Cash Flows from Noncapital Financing Activities				
Transfers in	\$ -	\$ 21,042	\$ -	\$ 21,042
Transfers out	-	-	(21,042)	(21,042)
Net cash provided by (used in) noncapital financing activities	\$ -	\$ 21,042	\$ (21,042)	\$ -
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	\$ -	\$ (10,057)	\$ -	\$ (10,057)
Interest paid on bonds	-	(9,010)	-	(9,010)
Principal paid on Public Facilities Authority notes	-	-	(66,000)	(66,000)
Interest paid on Public Facilities Authority notes	-	-	(21,707)	(21,707)
Intergovernmental grant receipts	-	-	674,948	674,948
Proceeds from water revenue bonds	-	-	141,000	141,000
Proceeds from loan	-	-	111,573	111,573
Purchase of capital assets	-	(56,775)	(983,378)	(1,040,153)
Special assessments received	-	10,718	21,859	32,577
Net cash provided by (used in) capital and related financing activities	\$ -	\$ (65,124)	\$ (121,705)	\$ (186,829)
Cash Flows from Investing Activities				
Investment earnings received	\$ 350	\$ 338	\$ 326	\$ 1,014
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 4,498	\$ (40,296)	\$ 41,738	\$ 5,940
Cash and Cash Equivalents at January 1	108,165	105,594	130,140	343,899
Cash and Cash Equivalents at December 31	\$ 112,663	\$ 65,298	\$ 171,878	\$ 349,839

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 2,322	\$ (19,392)	\$ 80,423	\$ 63,353
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 21,922	\$ 106,703	\$ 128,625
Decrease (increase) in assets				
Accounts receivable	2,678	2,774	178	5,630
Special assessments receivable	-	(97)		(97)
Increase (decrease) in liabilities				
Accounts payable	(35)	(1,581)	(3,520)	(5,136)
Salaries payable	-	(66)	(66)	(132)
Compensated absences payable	-	(112)	639	527
Due to other governments	(817)	-	(198)	(1,015)
Total adjustments	\$ 1,826	\$ 22,840	\$ 103,736	\$ 128,402
Net cash provided by (used in) operating activities	\$ 4,148	\$ 3,448	\$ 184,159	\$ 191,755

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

I. Summary of Significant Accounting Policies

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The Charter of the City of Greenbush was adopted in 1905, and has the powers, duties, and privileges granted by state law, codified in Minnesota Statutes, Chapter 412. The City operates under a Mayor-Council form of government and provides services such as general government, public safety, highways and streets, culture and recreation, conservation of natural resources, economic development, water and sewer utilities, and sanitation, as authorized by its charter.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental, and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Fire Department Special Project/Equipment Special Revenue Fund is used to account for and report contributions, intergovernmental revenues, and miscellaneous revenues contributed by volunteer firemen committed to fire department equipment and assigned to public safety.

The City reports the following major enterprise funds:

The Sanitation Enterprise Fund is used to account for the operations of the garbage collection system. Financing is provided by charges to residents for services.

The Sewer Enterprise Fund is used to account for operations of the sewer system. Financing is provided by charges to residents for services.

The Water Enterprise Fund is used to account for operations of the water system. Financing is provided by charges to residents for services.

Additionally, the City reports the following fund type:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand and demand deposits. Additionally, each fund's equity in the City's deposits is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of the funds are invested by the City Clerk/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Investment earnings on cash and investments are allocated to the funds. City funds also participate in a pooled checking account for operating purposes. Pooled investment earnings for 2013 were \$1,988. Total investment earnings for 2013 were \$6,984.

3. Receivables and Payables

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed by Roseau County in March with the first half payment due on May 15 and the second half due on October 15.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

3. Receivables and Payables (Continued)

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2009 through 2013 and deferred special assessments collectible in 2014 and beyond. Taxes receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

Accounts receivable consist primarily of charges for services for sanitation, sewer and water.

Loans receivable consist of rehabilitation and business loans. Loans receivable are offset by deferred inflows of resources for the balance outstanding as of year-end.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances from/to other funds” (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

4. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., sewers and water mains), buildings and improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except land and construction in progress which is capitalized regardless of cost.

Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. During the current period, the City did not have any capitalized interest.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

4. Capital Assets (Continued)

The City of Greenbush has elected to report infrastructure acquired prior to periods ending after June 30, 1980.

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	80
Buildings and improvements	5-40
Machinery and equipment	5-30

5. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position by the City that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's deferred inflows of resources arise only under a modified basis of accounting that qualifies for reporting in this category. Accordingly, deferred inflows of resources are reported only in the governmental funds balance sheet, and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

The liability for compensated absences reported in financial statements consists of the unpaid, accumulated annual vacation balance. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. In the fund financial statements, governmental fund types recognize the face amount of debt as other financing sources when issued.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

8. Net Position and Fund Balance

Certain funds of the City are classified as restricted net position 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, their use is limited by applicable laws and regulations.

In the fund financial statements, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact. The City does not have any non-spendable fund balance as of December 31, 2013.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the City Council and do not lapse at year-end. To remove the constraint on specified use of committed resources the City Council shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Clerk/Treasurer.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above mentioned categories, and negative fund balances in other governmental funds.

The City will maintain an unrestricted fund balance in the General Fund of an amount not less than four months of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of \$5,000. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by a source deemed appropriate by actions of the City Council within one year of replenishment.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

8. Net Position and Fund Balance (Continued)

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City Council will set aside amounts by resolution as deemed necessary that can only be expended when the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely, such as uncertainties in economics that leads to overstated revenue forecasts, unpredictable changes in state law, and unforeseen expenditures such as natural disasters, for which no other governmental resources are made available or there is a delay in receiving those funds from other governmental agencies.

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

9. 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, liabilities, and deferred inflows and disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Account Balance Reclassifications

Several account balances were reclassified for the year ended December 31, 2012, as previously reported. These reclassifications, due to the implementation of GASB Statement 65, were required in order to be consistent with the current year's presentation, and must be considered when comparing the financial statements of this report with those of prior reports.

11. Comparative Data

Comparative data has not been provided due to the implementation of GASB 65, however, comparative information may be provided in future years when prior year information is available.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Change in Accounting Principles

Effective January 1, 2013, the City implemented GASB Statement 65, which required a change in accounting principles and resulted in adjustments to beginning net position. The following table outlines the changes in net position as reported on the City's financial statements:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Sewer Enterprise Fund</u>	<u>Water Enterprise Fund</u>
Net position, December 31, 2012, as previously reported	\$ 1,168,646	\$ 1,389,004	\$ 273,960	\$ 995,356
Taxes	16,840	364	364	-
Notes	1,157	-	-	-
Loans	138,804	-	-	-
Special assessments	<u>11,774</u>	<u>1,498</u>	<u>749</u>	<u>749</u>
Net position, January 1, 2013, as restated	<u>\$ 1,337,221</u>	<u>\$ 1,390,866</u>	<u>\$ 275,073</u>	<u>\$ 996,105</u>

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City's total deposits and investments to the basic financial statements, as of December 31, 2013, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 287,945
Investments	372,277
Business-type Activities	
Cash and pooled investments	179,807
Investments	<u>170,032</u>
Total Cash and Investments	<u>\$ 1,010,061</u>
Deposits	
Petty cash and change funds	<u>\$ 1,009,961</u> 100
Total Deposits and Cash on Hand	<u>\$ 1,010,061</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all City deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution’s banking day, 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 not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. However, the City complies with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2013, the City’s deposits were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2013, for the City’s governmental activities and business-type activities, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 27,617	\$ -
Special Assessments	11,379	9,736
Accounts	914	-
Accrued interest	3,100	-
Due from other governments	426	-
Loans	<u>132,910</u>	<u>132,910</u>
Total Governmental Activities	<u>\$ 176,346</u>	<u>\$ 142,646</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Business-Type Activities		
Taxes	\$ 329	\$ -
Special assessments	758	-
Accounts	45,841	-
Accrued interest	1,107	-
	<u>48,035</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 48,035</u>	<u>\$ -</u>

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2013, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 99,412	\$ -	\$ 5,000	\$ 94,412
Capital assets being depreciated				
Buildings and improvements	\$ 921,480	\$ 32,991	\$ -	\$ 954,471
Machinery and equipment	721,486	69,480	-	790,966
	<u>1,642,966</u>	<u>102,471</u>	<u>-</u>	<u>1,745,437</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 552,762	\$ 25,617	\$ -	\$ 578,379
Machinery and equipment	519,968	47,718	-	567,686
	<u>1,072,730</u>	<u>73,335</u>	<u>-</u>	<u>1,146,065</u>
Total capital assets, depreciated, net	<u>\$ 570,236</u>	<u>\$ 29,136</u>	<u>\$ -</u>	<u>\$ 599,372</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 669,648</u>	<u>\$ 29,136</u>	<u>\$ 5,000</u>	<u>\$ 693,784</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	-	1,027,954	-	1,027,954
	<u>\$ 4,000</u>	<u>\$ 1,027,954</u>	<u>\$ -</u>	<u>\$ 1,031,954</u>
Capital assets being depreciated				
Infrastructure	\$ 3,742,533	\$ 56,775	\$ -	\$ 3,799,308
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
	<u>\$ 3,829,889</u>	<u>\$ 56,775</u>	<u>\$ -</u>	<u>\$ 3,886,664</u>
Less: accumulated depreciation for				
Infrastructure	\$ 525,329	\$ 122,158	\$ -	\$ 647,487
Buildings and improvements	6,069	434	-	6,503
Machinery and equipment	36,294	6,033	-	42,327
	<u>\$ 567,692</u>	<u>\$ 128,625</u>	<u>\$ -</u>	<u>\$ 696,317</u>
Total capital assets, depreciated, net	<u>\$ 3,262,197</u>	<u>\$ (71,850)</u>	<u>\$ -</u>	<u>\$ 3,190,347</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,266,197</u>	<u>\$ 956,104</u>	<u>\$ -</u>	<u>\$ 4,222,301</u>

Depreciation Expense

Depreciation expense was charged to functions of the City as follows:

Governmental Activities	
General government	\$ 999
Public safety	36,114
Highways and streets	11,281
Culture and recreation	24,705
Conservation of natural resources	236
	<u>73,335</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 73,335</u>
Business-Type Activities	
Sewer	\$ 21,922
Water	106,703
	<u>128,625</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 128,625</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

B. Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following operating transfers:

Transfer to General Fund from Other Governmental	\$ 20,000	Transfer of contribution funds for capital asset purchases
Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	26,126	Fire equipment and protection fees
Transfer to Sewer Enterprise Fund from Water Enterprise Fund	21,042	Sewer Fund's portion of redeemed Certificate of Deposit
Total Interfund Transfers	\$ 67,168	

C. Liabilities

Compensated Absences

Under the City's personnel policies, full-time employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 6 to 16 days per year. Sick leave accrual for full-time employees is 12 days per year. Compensated absences are generally liquidated by the General Fund and the Water and Sewer Enterprise Funds.

Unused accumulated vacation and vested sick leave is paid to full-time employees upon termination. Unvested sick leave, approximately \$5,992 at December 31, 2013, is available to full-time employees in the event of illness-related absences and is not paid to them at termination.

Long-Term Debt

Governmental Activities

City of Greenbush Public Project Notes of 2001, from the Minnesota Public Facilities Authority, represent debt incurred for economic development. These notes have an original issue amount of \$245,000. They carry a net interest rate of 5.5 percent, and are due in annual installments of \$11,775 to \$22,613 through February 1, 2016. The balance outstanding at December 31, 2013 is \$55,808.

Business-Type Activities

City of Greenbush General Obligation Water and Sewer Revenue Bonds of 2006 represent debt incurred for improvements made to the sewer main and pond. These bonds have an original issue amount of \$250,000. They carry a net interest rate of 4.42 percent, and are due in annual installments of \$10,465 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2013 is \$195,166.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

The City of Greenbush General Obligation Water Revenue Note of 2009 - MPFA #1 represents debt incurred to finance the construction of the replacement and looping of the water main and gate valve repairs. This note has an original issue amount of \$349,676 with an addition of \$1,109,435 in 2010 for a total issue of \$1,459,111. It carries a net interest rate of 1.01 percent and is due in annual installments of between \$43,000 and \$55,476 through August 20, 2039. The balance due on December 31, 2013 is \$1,284,476.

The City of Greenbush General Obligation Water Revenue Note of 2009 - MPFA #2 represents debt incurred to finance the construction of the new water treatment plant and installation of water meters. This note has an original issue amount of \$668,344 with an addition of \$108,112 in 2011 for a total issue of \$776,456. It carries a net interest rate of 1.15 percent and is due in annual installments of between \$23,000 and \$31,000 through August 20, 2039. The balance due on December 31, 2013 is \$707,000.

City of Greenbush General Obligation Water Revenue Bonds of 2013 represent debt incurred for water main improvements. These bonds have an original issue amount of \$141,000. They carry a net interest rate of 1.70 percent and are due in annual installments of \$13,201 to \$15,177 through June 15, 2023. The balance outstanding at December 31, 2013 is \$141,000.

City of Greenbush MPFA Drinking Water State Revolving Fund Loan represents debt incurred for water main improvements. This loan has an original issue amount of \$111,573. It carries a net interest rate of 1.00 percent and is due in annual installments of \$7,737 to \$9,000 through 2026. The balance outstanding at December 31, 2013 is \$111,573.

Debt Service Requirements

Governmental Activities

Debt service requirements for the governmental activities for the year ended December 31, 2013, are as follows:

Year Ending December 31	Public Project Notes of 2001	
	Principal	Interest
2014	\$ 21,420	\$ 2,779
2015	22,613	1,585
2016	11,775	324
	\$ 55,808	\$ 4,688

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Debt Service Requirements (Continued)

Business-Type Activities

Debt service requirements for the business-type activities for the year ended December 31, 2013, are as follows:

Year Ending December 31	General Obligation							
	Water and Sewer Revenue Bonds of 2006		Water Revenue Note of 2009		Water Revenue Bonds of 2013		MPFA Drinking Water State Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 10,465	\$ 8,602	\$ 66,000	\$ 21,011	\$ 13,201	\$ 2,233	\$ 7,737	\$ 1,742
2015	10,894	8,173	68,000	20,315	13,261	2,173	8,000	1,610
2016	11,341	7,726	68,000	19,598	13,487	1,947	8,000	1,530
2017	11,817	7,250	69,000	18,881	13,716	1,718	8,000	1,450
2018	12,313	6,754	70,000	18,154	13,949	1,485	8,000	1,370
2019-2023	70,078	25,257	361,000	79,545	73,386	3,784	45,000	5,550
2024-2028	68,258	8,010	380,000	60,107	-	-	26,836	3,300
2029-2033	-	-	401,000	39,634	-	-	-	299
2034-2038	-	-	422,000	18,034	-	-	-	-
2039	-	-	86,476	913	-	-	-	-
	<u>\$ 195,166</u>	<u>\$ 71,772</u>	<u>\$ 1,991,476</u>	<u>\$ 296,192</u>	<u>\$ 141,000</u>	<u>\$ 13,340</u>	<u>\$ 111,573</u>	<u>\$ 16,851</u>

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Public Project Notes of 2001	\$ 76,097	\$ -	\$ 20,289	\$ 55,808	\$ 21,420
Compensated Absences	2,842	6,564	5,619	3,787	2,867
Governmental Activities Long-Term Liabilities	<u>\$ 78,939</u>	<u>\$ 6,564</u>	<u>\$ 25,908</u>	<u>\$ 59,595</u>	<u>\$ 24,287</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Changes in Long-Term Liabilities (Continued)

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 205,223	\$ -	\$ 10,057	\$ 195,166	\$ 10,465
General Obligation Water Revenue Note of 2009 - MPFA	2,057,476	-	66,000	1,991,476	66,000
General Obligation Water Revenue Bonds of 2013	-	141,000	-	141,000	13,201
MPFA Drinking Water State Revolving Fund Loan	-	111,573	-	111,573	7,737
Compensated Absences	<u>1,725</u>	<u>2,920</u>	<u>2,393</u>	<u>2,252</u>	<u>1,106</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,264,424</u>	<u>\$ 255,493</u>	<u>\$ 78,450</u>	<u>\$ 2,441,467</u>	<u>\$ 98,509</u>

V. Pension Plans

Defined Benefit Plans

Plan Description

All part-time employees of the City of Greenbush are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund and the Public Employees police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Public Employees Retirement Fund 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 police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. As of January 1, 2013, the City had no employees in this category.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

V. Pension Plans

Defined Benefit Plans

Plan Description (Continued)

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The 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 Coordinated and Basic Plan members. The retiring member 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 Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit 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 yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee 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 state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2013. The City is required to contribute the following percentages of annual covered payroll in 2013 and 2014:

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

V. Pension Plans

Defined Benefit Plans

Funding Policy (Continued)

	2013	2014
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	7.25%	7.25%
Public Employees Police and Fire Fund	14.40%	15.30%

The County’s contributions for the years ending December 31, 2013, 2012, and 2011, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
2013	\$ 7,077	\$ -
2012	\$ 7,203	\$ 6,306
2011	\$ 6,358	\$ 5,689

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

VI. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

The City, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The City Council estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; employee health coverage; or natural disasters. The City has entered into a joint powers agreement with other Minnesota cities to form the League of Minnesota Cities Insurance Trust (LMCIT) to cover workers’ compensation and property and casualty liabilities. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The City pays an annual premium based on its annual payroll and an experience modification factor for workers’ compensation coverage.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 233,200	\$ 233,200	\$ 238,086	\$ 4,886
Special assessments	4,000	4,000	2,845	(1,155)
Licenses and permits	2,470	2,470	2,680	210
Intergovernmental	232,438	232,438	253,142	20,704
Charges for services	52,488	52,488	58,204	5,716
Fines and forfeitures	-	-	2,212	2,212
Gifts and contributions	5,000	5,000	50,135	45,135
Investment earnings	500	500	1,998	1,498
Miscellaneous	11,175	11,175	29,332	18,157
Total Revenues	\$ 541,271	\$ 541,271	\$ 638,634	\$ 97,363
Expenditures				
Current				
General government				
Mayor/council	\$ 8,500	\$ 8,500	\$ 7,871	\$ 629
City clerk/treasurer	44,500	44,500	40,750	3,750
Professional services	4,500	4,500	4,500	-
Legal	1,500	1,500	7,599	(6,099)
Assessor	3,200	3,200	3,165	35
Buildings and grounds	5,500	35,960	31,364	4,596
Real estate taxes	3,050	3,050	2,856	194
Utilities	8,000	8,000	8,489	(489)
Insurance	15,350	15,350	15,628	(278)
Other general government	1,900	1,900	1,358	542
Total general government	\$ 96,000	\$ 126,460	\$ 123,580	\$ 2,880
Public safety				
Police	\$ 31,220	\$ 4,540	\$ 5,525	\$ (985)
Fire	52,185	52,185	40,577	11,608
Fire relief association	11,000	11,000	16,459	(5,459)
Ambulance	4,314	4,314	5,033	(719)
Total public safety	\$ 98,719	\$ 72,039	\$ 67,594	\$ 4,445
Highways and streets				
Streets and alleys	\$ 99,450	\$ 106,450	\$ 151,647	\$ (45,197)
Street lighting	18,500	18,500	17,803	697
Total highways and streets	\$ 117,950	\$ 124,950	\$ 169,450	\$ (44,500)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Culture and recreation				
Ice rinks	\$ 2,150	\$ 2,150	\$ 2,852	\$ (702)
Library	20,504	20,504	23,604	(3,100)
Parks	21,000	23,000	16,806	6,194
Recreational programs	9,800	9,800	7,684	2,116
Swimming pool	54,680	64,680	56,684	7,996
Other culture and recreation	900	900	6,336	(5,436)
Total culture and recreation	\$ 109,034	\$ 121,034	\$ 113,966	\$ 7,068
Conservation of natural resources				
Weed and pest control	\$ 7,500	\$ 7,500	\$ 5,483	\$ 2,017
Debt service				
Principal retirement	\$ 20,289	\$ 20,289	\$ 20,289	\$ -
Interest	3,910	3,910	3,909	1
Total debt service	\$ 24,199	\$ 24,199	\$ 24,198	\$ 1
Capital outlay				
General government	\$ -	\$ -	\$ 7,313	\$ (7,313)
Highways and streets	65,269	65,269	21,307	43,962
Culture and recreation	-	-	32,991	(32,991)
Total capital outlay	\$ 65,269	\$ 65,269	\$ 61,611	\$ 3,658
Total Expenditures	\$ 518,671	\$ 541,451	\$ 565,882	\$ (24,431)
Excess of Revenues Over (Under)				
Expenditures	\$ 22,600	\$ (180)	\$ 72,752	\$ 72,932
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 20,000	\$ 20,000
Transfers out	-	-	(26,126)	(26,126)
Total other financing sources (uses)	\$ -	\$ -	\$ (6,126)	\$ (6,126)
Net Change in Fund Balance	\$ 22,600	\$ (180)	\$ 66,626	\$ 66,806
Fund Balance - January 1	346,765	346,765	346,765	-
Fund Balance - December 31	\$ 369,365	\$ 346,585	\$ 413,391	\$ 66,806

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 10,956	\$ 10,956	\$ 2,956	\$ (8,000)
Gifts and contributions	2,000	82,000	60,943	(21,057)
Investment earnings	-	-	2,720	2,720
Total Revenues	\$ 12,956	\$ 92,956	\$ 66,619	\$ (26,337)
Expenditures				
Current				
Public safety				
Fire	\$ 2,000	\$ 2,000	\$ 28,546	\$ (26,546)
Capital outlay				
Public safety	-	68,000	40,860	27,140
Total Expenditures	\$ 2,000	\$ 70,000	\$ 69,406	\$ 594
Excess of Revenues Over (Under) Expenditures	\$ 10,956	\$ 22,956	\$ (2,787)	\$ (25,743)
Other Financing Sources				
Transfers in	8,000	8,000	26,126	18,126
Net Change in Fund Balance	\$ 18,956	\$ 30,956	\$ 23,339	\$ (7,617)
Fund Balance - January 1	184,838	184,838	184,838	-
Fund Balance - December 31	\$ 203,794	\$ 215,794	\$ 208,177	\$ (7,617)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

I. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

In September of each year, the City Council drafts a preliminary budget after giving interested citizens a reasonable opportunity to be heard. The final budget is approved in December and a certified levy is sent to Roseau County. Truth in taxation requires that a final levy may not exceed a preliminary levy.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

II. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2013:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Legal	\$ 7,599	\$ 1,500	\$ (6,099)
Utilities	8,489	8,000	(489)
Insurance	15,628	15,350	(278)
Public safety			
Police	5,525	4,540	(985)
Fire relief association	16,459	11,000	(5,459)
Ambulance	5,033	4,314	(719)
Highways and streets			
Streets and alleys	151,647	106,450	(45,197)
Culture and recreation			
Ice rinks	2,852	2,150	(702)
Library	23,604	20,504	(3,100)
Other culture and recreation	6,336	900	(5,436)
Capital outlay			
General government	7,313	-	(7,313)
Culture and recreation	32,991	-	(32,991)
Fire Department Special Project/Equipment			
Special Revenue Fund			
Public safety			
Fire	28,546	2,000	(26,546)

SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Fire Department Special Revenue Fund is used to account for and report the financial transactions of the fire department. Financing is provided by miscellaneous revenues, contributions, and memorials committed to fire equipment and assigned to public safety.

The General Special Projects Special Revenue Fund is used to account for and report special projects funded by donations as specified by contributors committed to culture and recreation plan.

The Golf Course Special Revenue Fund is used to account for and report the financial transactions of the golf course committed to parks.

The RBEG Revolving Loan Special Revenue Fund is used to account for and report loans to commercial properties restricted for economic development.

The Small Cities Development Program Special Revenue Fund is used to account for and report program income and grants restricted to economic development for residential and commercial rehabilitation funded by small cities development program grants.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2013**

	Fire Department	General Special Projects	RBEG Revolving Loan Special Revenue	Small Cities Development Program Special Revenue	Total (Exhibit 3)
<u>Assets</u>					
Cash and pooled investments	\$ 2,450	\$ 13,703	\$ 17,168	\$ 1,164	\$ 34,485
Investments	10,381	-	-	-	10,381
Accrued interest receivable	99	-	-	-	99
Loans receivable	-	-	132,910	-	132,910
Total Assets	<u>\$ 12,930</u>	<u>\$ 13,703</u>	<u>\$ 150,078</u>	<u>\$ 1,164</u>	<u>\$ 177,875</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 93	\$ -	\$ -	\$ 93
Deferred Inflows					
Loans	\$ -	\$ -	\$ 132,910	\$ -	\$ 132,910
Fund Balances					
Restricted for economic development	\$ -	\$ -	\$ 17,168	\$ 1,164	\$ 18,332
Committed to					
Culture and recreation plan	-	13,610	-	-	13,610
Fire department equipment	12,797	-	-	-	12,797
Assigned to public safety	133	-	-	-	133
Total Fund Balance	<u>\$ 12,930</u>	<u>\$ 13,610</u>	<u>\$ 17,168</u>	<u>\$ 1,164</u>	<u>\$ 44,872</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 12,930</u>	<u>\$ 13,703</u>	<u>\$ 150,078</u>	<u>\$ 1,164</u>	<u>\$ 177,875</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fire Department	General Special Projects	Golf Course	RBEG Revolving Loan Special Revenue	Small Cities Development Program Special Revenue	Total (Exhibit 5)
Revenues						
Charges for services	\$ -	\$ -	\$ 23,608	\$ -	\$ -	\$ 23,608
Gifts and contributions	270	30,000	-	-	-	30,270
Investment earnings	145	-	-	-	-	145
Miscellaneous	-	-	-	6,630	1,164	7,794
Total Revenues	\$ 415	\$ 30,000	\$ 23,608	\$ 6,630	\$ 1,164	\$ 61,817
Expenditures						
Current						
Culture and recreation	-	19,671	23,608	-	-	43,279
Excess of Revenues Over (Under) Expenditures	\$ 415	\$ 10,329	\$ -	\$ 6,630	\$ 1,164	\$ 18,538
Other Financing Sources (Uses)						
Transfers out	-	(20,000)	-	-	-	(20,000)
Net Change in Fund Balance	\$ 415	\$ (9,671)	\$ -	\$ 6,630	\$ 1,164	\$ (1,462)
Fund Balance - January 1	12,515	23,281	-	10,538	-	46,334
Fund Balance - December 31	\$ 12,930	\$ 13,610	\$ -	\$ 17,168	\$ 1,164	\$ 44,872

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 750	\$ 750	\$ 270	\$ (480)
Investment earnings	-	-	145	145
Total Revenues	\$ 750	\$ 750	\$ 415	\$ (335)
Expenditures				
Current				
Public safety				
Fire protection	100	100	-	100
Excess of Revenues Over (Under)				
Expenditures	\$ 650	\$ 650	\$ 415	\$ (235)
Fund Balance - January 1	12,515	12,515	12,515	-
Fund Balance - December 31	\$ 13,165	\$ 13,165	\$ 12,930	\$ (235)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 9,141	\$ 9,141	\$ 6,630	\$ (2,511)
Excess of Revenues Over (Under)				
Expenditures	\$ 9,141	\$ 9,141	\$ 6,630	\$ (2,511)
Fund Balance - January 1	10,538	10,538	10,538	-
Fund Balance - December 31	\$ 19,679	\$ 19,679	\$ 17,168	\$ (2,511)

OTHER SCHEDULES

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

Shared Revenue

State

Fire state aid	\$	16,459
Local government aid		220,770
PERA rate reimbursement		668
Police state aid		5,128
		<hr/>

Total Shared Revenue

\$ 243,025

Grants

Local

Northwest Minesota Foundation	\$	3,000
		<hr/>

State

Minnesota Department/Board of

Natural Resources	\$	5,107
Public Safety		2,010
		<hr/>

Total State Grants

\$ 7,117

Federal

Environmental Protection Agency	\$	674,948
		<hr/>

Total Grants

\$ 685,065

Total Intergovernmental Revenue

\$ 928,090

MANAGEMENT AND COMPLIANCE SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unmodified opinion on the financial statements of the City of Greenbush.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of the City of Greenbush and are reported in the "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*." None of the significant deficiencies were material weaknesses.
- C. No instances of noncompliance material to the financial statements of the City of Greenbush were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program was reported in the "Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for the City of Greenbush expresses an unmodified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program was Capitalization Grants for Drinking Water State Revolving Funds, CFDA #66.468.
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. The City of Greenbush was determined not to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

2004-001 Segregation of Duties

Due to the limited number of personnel within the City office, segregation of accounting duties

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**Schedule 6
(Continued)**

necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the City of Greenbush; however, the City's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

A control deficiency 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.

We recommend that the City's management be aware of the lack of segregation of duties within the accounting function and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

City's Response:

The Council reviews check registers at monthly meetings and also approves bills to be paid. All checks require two signatures. A new policy was put into place requiring a council member to balance the check register at least every six months or on random basis. Random checks are to never exceed a 6 month time for this review.

2007-001 Internal Controls

The financial statements are the responsibility of the City of Greenbush's management. Internal control over financial reporting is a process designed to provide reasonable assurance about the achievement of the City's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the City's objective of reliable financial reporting. In this section, the term financial reporting relates to the preparation of reliable financial statements that are fairly presented in conformity with GAAP. Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and to maintain suitable skills, knowledge, and expertise to sufficiently review, understand, and approve the City's financial statements, including notes.

City's Response:

The City Council implemented an investment policy to provide a safeguard for City investments. Any investment made by the Clerk-Treasurer has to follow all regulations in this policy. If necessary the Investment Policy can be changed to add more restrictions.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.



GOVERNMENTAL AUDIT SERVICES

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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**

City Council
City of Greenbush

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Greenbush'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2004-001 and 2007-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Greenbush's financial statements 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*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute, § 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 we did not test for compliance with the provisions for tax increment financing because the City of Greenbush has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *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.

City's Responses to Findings

The City's responses to the findings identified in our audit have been included in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied 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, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the result 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.



Hoffman, Dale, & Swenson, PLLC

April 16, 2014



GOVERNMENTAL AUDIT SERVICES

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

City Council
City of Greenbush

Report on Compliance for the Major Federal Program

We have audited the City of Greenbush's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2013. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Greenbush's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Greenbush complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the City of Greenbush is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 16, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and

other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hoffman, Dale, & Swenson

Hoffman, Dale, & Swenson, PLLC

April 16, 2014

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of the Environmental Protection Agency		
Passed Through Minnesota Public Facilities Authority		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 786,521
Total Federal Award Expenditures		\$ 786,521

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

I. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of Greenbush. The City's reporting entity is defined in Note I to the financial statements.

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Greenbush under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Greenbush, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Greenbush.

III. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

IV. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 674,948
Plus: Capitalization Grants for Drinking Water State Revolving Fund Loan (CFDA #66.468)	<u>111,573</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 786,521</u></u>

V. Subrecipients

During 2013, the City did not pass any federal money to subrecipients.