

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2014

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

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GREENBUSH, MINNESOTA**

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INTRODUCTORY SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2014**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Elected		
Scott Waage	Mayor	December 31, 2016
Brenda Sather	Councilmember	December 31, 2018
Christine Foss	Councilmember	December 31, 2018
Sandy McFarlane	Councilmember	December 31, 2016
Dennis Filer	Councilmember	December 31, 2016
Appointed		
Anita Locken	Clerk/Treasurer	Indefinite

FINANCIAL SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Knutson, CPA



Hoffman, Philipp, & Knutson, PLLC

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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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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.

Other 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 May 1, 2015, 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.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Knutson". The signature is written in a cursive, flowing style.

Hoffman, Philipp, & Knutson, PLLC

May 1, 2015



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, 2014. 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 \$1,696,423, of which \$636,969 is the net investment in capital assets, \$40,586 is restricted for specific purposes, and \$1,018,868 is unrestricted. The total net position of governmental activities increased by \$236,682 for the year ended December 31, 2014. This is attributed primarily to increased donations for fire equipment, pool renovations and decreased public safety costs.

The total net position of business-type activities are \$2,243,984, of which \$1,694,807 is the net investment in capital assets and \$549,177 is unrestricted. The total net position of business-type activities increased by \$112,252 in 2014, as a result of the start of special assessment collections for improvements to the drinking water infrastructure.

At the close of 2014, the City's governmental funds reported combined ending fund balances of \$785,286, an increase of \$118,846 from the prior year. Of the total fund balance amount, \$40,586 is legally or contractually restricted, \$663,528 is formally committed for specific purposes, and \$81,172 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.

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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 \$3,940,407 at the close of 2014. The largest portion of the City’s net position (approximately 59 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 40 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$1,568,045 as of December 31, 2014, 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 \$255,122, from the prior year, primarily due to increased cash and special assessments receivable. Total liabilities decreased by \$93,812, from the prior year, due to payment of debt related to the drinking water improvement project. This resulted in an increased net position of \$348,934 from the prior year.

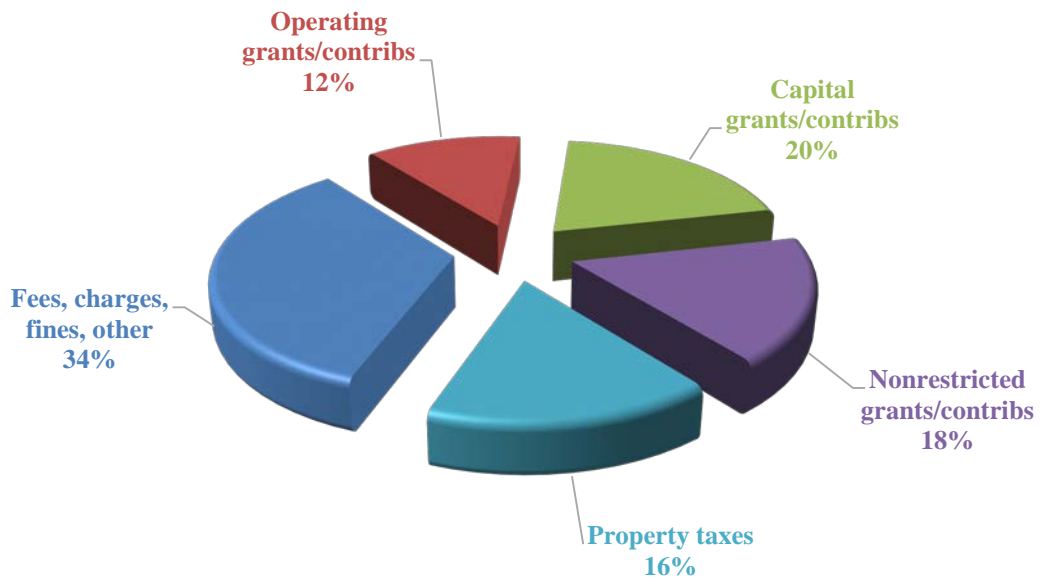
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,080,622	\$ 836,568	\$ 561,887	\$ 397,874	\$ 1,642,509	\$ 1,234,442
Capital assets	671,357	693,784	4,091,783	4,222,301	4,763,140	4,916,085
Total assets	\$ 1,751,979	\$ 1,530,352	\$ 4,653,670	\$ 4,620,175	\$ 6,405,649	\$ 6,150,527
Other liabilities	\$ 18,449	\$ 11,016	\$ 11,026	\$ 46,976	\$ 29,475	\$ 57,992
Long-term liabilities outstanding	37,107	59,595	2,398,660	2,441,467	2,435,767	2,501,062
Total liabilities	\$ 55,556	\$ 70,611	\$ 2,409,686	\$ 2,488,443	\$ 2,465,242	\$ 2,559,054
Net position						
Net Investment in capital assets	\$ 636,969	\$ 637,976	\$ 1,694,807	\$ 1,783,086	\$ 2,331,776	\$ 2,421,062
Restricted	40,586	30,567	-	-	40,586	30,567
Unrestricted	1,018,868	791,198	549,177	348,646	1,568,045	1,139,844
Total net position	\$ 1,696,423	\$ 1,459,741	\$ 2,243,984	\$ 2,131,732	\$ 3,940,407	\$ 3,591,473

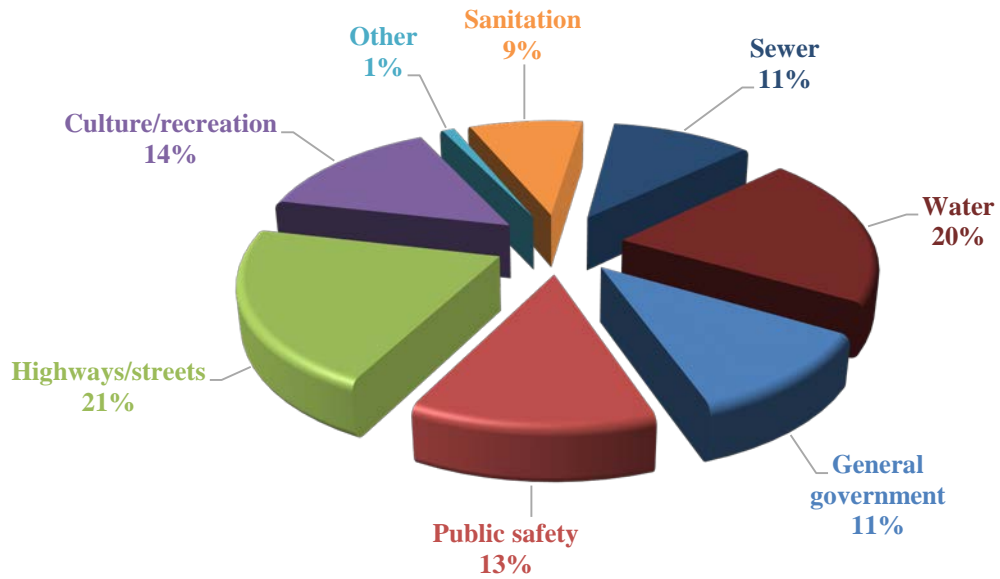
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 111,540	\$ 108,759	\$ 369,021	\$ 416,587	\$ 480,561	\$ 525,346
Operating grants and contributions	168,033	170,052	-	-	168,033	170,052
Capital grants and contributions	131,161	807	152,984	706,109	284,145	706,916
General Revenues and Transfers						
Property taxes	232,722	237,712	-	-	232,722	237,712
Grants and contributions not restricted to specific programs	251,398	224,438	-	-	251,398	224,438
Investment earnings	1,140	4,863	1,049	2,121	2,189	6,984
Insurance dividends	4,360	10,976	-	-	4,360	10,976
Transfers	(15,000)	-	15,000	-	-	-
Total revenues	\$ 885,354	\$ 757,607	\$ 538,054	\$ 1,124,817	\$ 1,423,408	\$ 1,882,424
Expenses						
General government	\$ 121,007	\$ 130,238	\$ -	\$ -	\$ 121,007	\$ 130,238
Public safety	140,060	132,254	-	-	140,060	132,254
Highways and streets	225,018	181,017	-	-	225,018	181,017
Culture and recreation	152,618	181,950	-	-	152,618	181,950
Conservation of natural resources	7,190	5,719	-	-	7,190	5,719
Interest	2,779	3,909	-	-	2,779	3,909
Sanitation	-	-	92,381	96,353	92,381	96,353
Sewer	-	-	114,159	113,610	114,159	113,610
Water	-	-	219,262	173,988	219,262	173,988
Total expenses	\$ 648,672	\$ 635,087	\$ 425,802	\$ 383,951	\$ 1,074,474	\$ 1,019,038
Increase (decrease) in net position	\$ 236,682	\$ 122,520	\$ 112,252	\$ 740,866	\$ 348,934	\$ 863,386
Net position, January 1	1,459,741	1,337,221	2,131,732	1,390,866	3,591,473	2,728,087
Net position, December 31	\$ 1,696,423	\$ 1,459,741	\$ 2,243,984	\$ 2,131,732	\$ 3,940,407	\$ 3,591,473

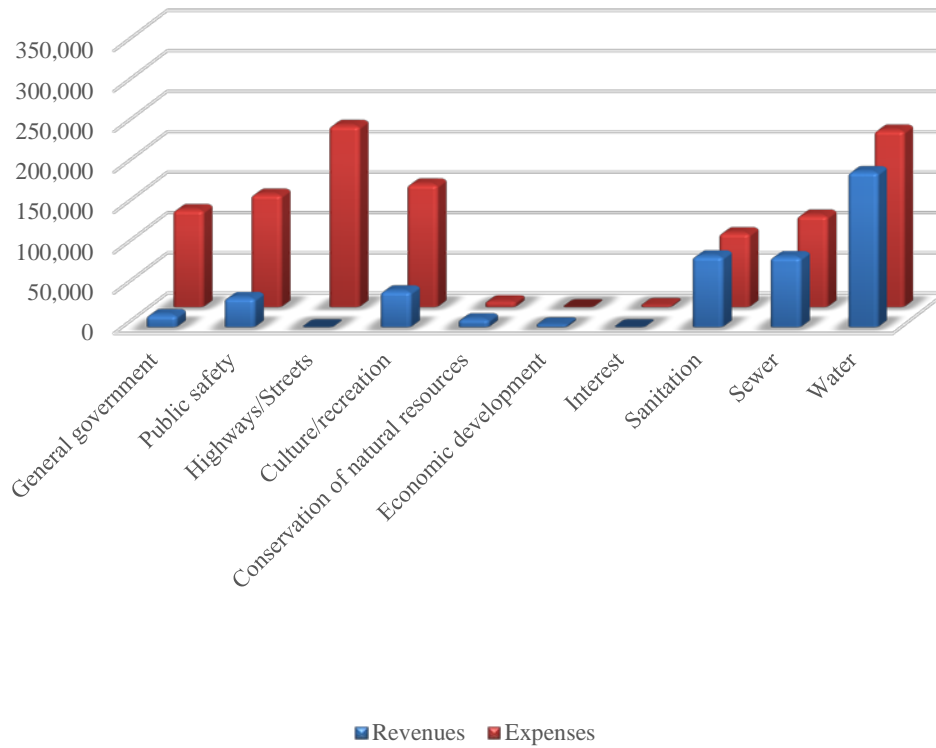
Revenues by Source



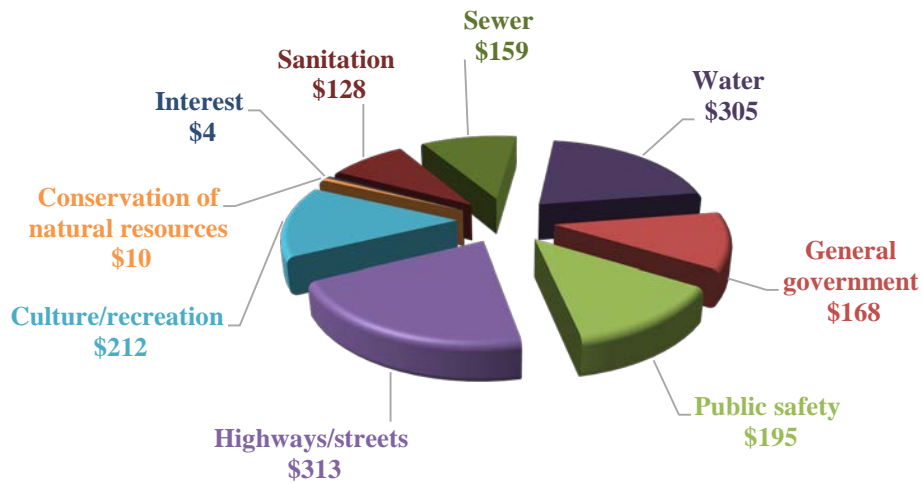
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 716 Population as of 2014



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 2014, the City's governmental funds reported combined ending fund balances of \$785,286. Of this amount, approximately five percent constitutes legally or contractually restricted fund balance, 85 percent constitutes formally committed fund balance, and 10 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 \$484,799. The General Fund's restricted fund balance was \$10,309, committed fund balance was \$393,318, and unassigned fund balance was \$81,172. 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 2014. Unrestricted fund balance represents 83 percent of total General Fund expenditures, while total fund balance represents 85 percent of that same amount.

In 2014, the fund balance amount in the General Fund increased by \$71,408. The primary reason for this was gifts and contributions revenue.

The fund balance of the Fire Department Special Project/Equipment Special Revenue Fund increased \$39,408 from the prior year, as a result of gifts and contributions revenue.

Proprietary Funds

The Sanitation Enterprise Fund reported an operating loss in 2014 of \$3,824, due to increased spending on construction bin waste. It was decided to only offer this service one week of the year to ensure the fund can operate within budget.

The Sewer Enterprise Fund reported an operating loss in 2014 of \$17,945, primarily as a result of unexpected lift station repairs.

The Water Enterprise Fund reported an operating loss in 2014 of \$2,180, primarily as a result of an unforeseen water main break.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$97,109. 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 \$49,494, largely as a result of unbudgeted capital outlay.

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, 2014, amounted to \$4,763,140 (net of accumulated depreciation). The total decrease in the City's investment in capital assets for the current fiscal year was approximately 3 percent. This decrease was primarily due to depreciation.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 84,849	\$ 94,412	\$ 4,000	\$ 4,000	\$ 88,849	\$ 98,412
Construction in progress	23,979	-	-	1,027,954	23,979	1,027,954
Infrastructure	-	-	4,055,724	3,151,821	4,055,724	3,151,821
Buildings and improvements	349,375	376,092	6,063	6,497	355,438	382,589
Machinery and equipment	213,154	223,280	25,996	32,029	239,150	255,309
Total capital assets	\$ 671,357	\$ 693,784	\$ 4,091,783	\$ 4,222,301	\$ 4,763,140	\$ 4,916,085

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 \$2,431,364 which is backed by the full faith and credit of the government.

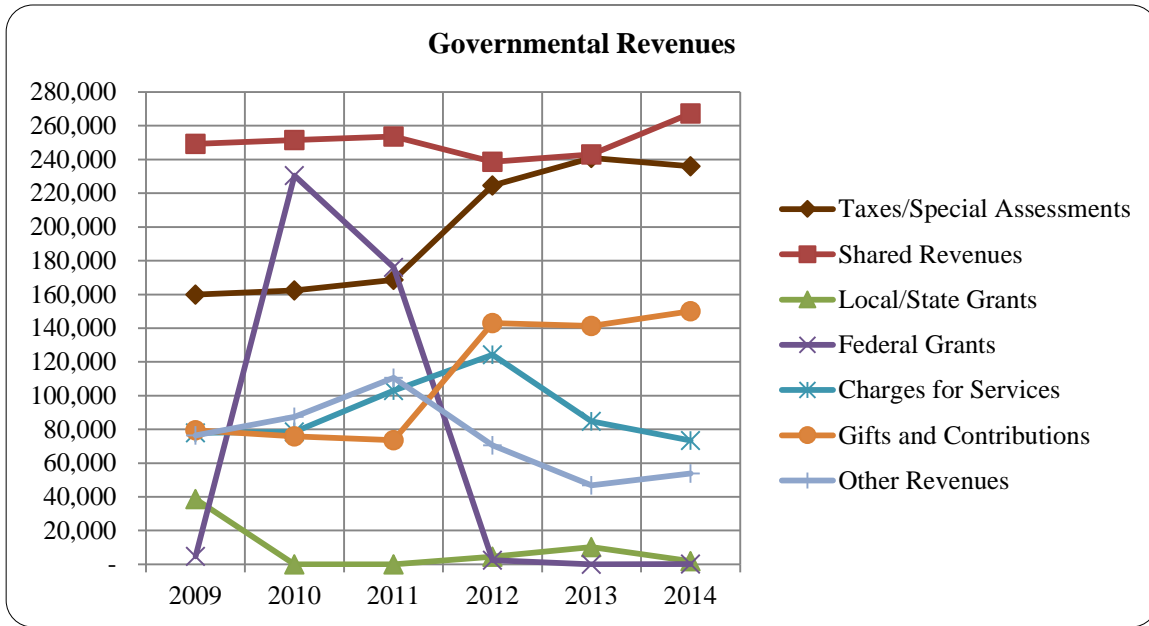
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Public Project Notes of 2001	\$ 34,388	\$ 55,808	\$ -	\$ -	\$ 34,388	\$ 55,808
G.O. Sewer Revenue Bonds of 2006	-	-	184,701	195,166	184,701	195,166
G.O. Water Revenue Note - MPFA	-	-	1,925,476	1,991,476	1,925,476	1,991,476
G.O. Water Revenue Bonds of 2013	-	-	127,799	141,000	127,799	141,000
MPFA Drinking Water State Revolving Fund Loan	-	-	159,000	111,573	159,000	111,573
Total	\$ 34,388	\$ 55,808	\$ 2,396,976	\$ 2,439,215	\$ 2,431,364	\$ 2,495,023

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 2014, 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 3.6 percent as of December 31, 2014. This is lower than the statewide rate of 3.7 percent and the national average rate of 5.5 percent.
- Greenbush’s 2014 population was 716, a decrease of 3 since the 2010 census of 719.
- On December 15, 2014, the City of Greenbush set its 2015 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, 2014**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 419,461	\$ 136,864	\$ 556,325
Investments	373,780	270,730	644,510
Taxes receivable			
Current	8,002	-	8,002
Prior	15,595	318	15,913
Special assessments receivable			
Current	892	889	1,781
Prior	863	2,364	3,227
Accounts receivable	779	40,851	41,630
Accrued interest receivable	821	926	1,747
Loans receivable	122,725	-	122,725
Special assessments receivable - noncurrent	137,704	108,945	246,649
Capital assets			
Non-depreciable	108,828	4,000	112,828
Depreciable - net of accumulated depreciation	562,529	4,087,783	4,650,312
Total Assets	\$ 1,751,979	\$ 4,653,670	\$ 6,405,649
<u>Liabilities</u>			
Accounts payable	\$ 12,527	\$ 7,404	\$ 19,931
Salaries payable	3,156	1,322	4,478
Due to other governments	2,766	2,300	5,066
Long-term liabilities			
Due within one year	24,412	100,881	125,293
Due in more than one year	12,695	2,297,779	2,310,474
Total Liabilities	\$ 55,556	\$ 2,409,686	\$ 2,465,242
<u>Net Position</u>			
Net investment in capital assets	\$ 636,969	\$ 1,694,807	\$ 2,331,776
Amounts restricted for			
Economic development	30,277	-	30,277
Public safety	10,309	-	10,309
Unrestricted amounts	1,018,868	549,177	1,568,045
Total Net Position	\$ 1,696,423	\$ 2,243,984	\$ 3,940,407

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 121,007	\$ 15,572	\$ -
Public safety	140,060	36,838	89,657
Highways and streets	225,018	-	-
Culture and recreation	152,618	45,058	78,376
Conservation of natural resources	7,190	10,212	-
Economic development	-	3,860	-
Interest	2,779	-	-
Total governmental activities	\$ 648,672	\$ 111,540	\$ 168,033
Business-type activities			
Sanitation	\$ 92,381	\$ 88,557	\$ -
Sewer	114,159	87,612	-
Water	219,262	192,852	-
Total business-type activities	\$ 425,802	\$ 369,021	\$ -
Total	\$ 1,074,474	\$ 480,561	\$ 168,033

General revenues

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

Total general revenues

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (105,435)	\$ -	\$ (105,435)
-	(13,565)	-	(13,565)
131,161	(93,857)	-	(93,857)
-	(29,184)	-	(29,184)
-	3,022	-	3,022
-	3,860	-	3,860
-	(2,779)	-	(2,779)
\$ 131,161	\$ (237,938)	\$ -	\$ (237,938)
\$ -	\$ -	\$ (3,824)	\$ (3,824)
11,195	-	(15,352)	(15,352)
141,789	-	115,379	115,379
\$ 152,984	\$ -	\$ 96,203	\$ 96,203
\$ 284,145	\$ (237,938)	\$ 96,203	\$ (141,735)
	\$ 232,722	\$ -	\$ 232,722
	251,398	-	251,398
	1,140	1,049	2,189
	4,360	-	4,360
	(15,000)	15,000	-
	\$ 474,620	\$ 16,049	\$ 490,669
	\$ 236,682	\$ 112,252	\$ 348,934
	1,459,741	2,131,732	3,591,473
	\$ 1,696,423	\$ 2,243,984	\$ 3,940,407

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Fire Department Special Project/Equipment Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 300,660	\$ 76,377	\$ 42,424	\$ 419,461
Investments	192,655	170,674	10,451	373,780
Taxes receivable				
Current	8,002	-	-	8,002
Prior	15,595	-	-	15,595
Special assessments receivable				
Special assessments receivable - current	892	-	-	892
Prior	863	-	-	863
Accounts receivable	779	-	-	779
Accrued interest receivable	260	534	27	821
Loans receivable	-	-	122,725	122,725
Special assessments receivable - noncurrent	137,704	-	-	137,704
	\$ 657,410	\$ 247,585	\$ 175,627	\$ 1,080,622
<u>Liabilities, Deferred Inflows and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 12,527	\$ -	\$ -	\$ 12,527
Salaries payable	3,156	-	-	3,156
Due to other governments	2,766	-	-	2,766
	\$ 18,449	\$ -	\$ -	\$ 18,449
Deferred Inflows				
Taxes	\$ 15,595	\$ -	\$ -	\$ 15,595
Loans	-	-	122,725	122,725
Special assessments	138,567	-	-	138,567
	\$ 154,162	\$ -	\$ 122,725	\$ 276,887
Fund Balances				
Restricted for				
Economic development	\$ -	\$ -	\$ 30,277	\$ 30,277
Police DARE	10,309	-	-	10,309
Committed to				
Buildings and related equipment	35,150	-	-	35,150
Culture and recreation plan	432	-	9,237	9,669
Events	1,719	-	-	1,719
Fire department equipment	-	247,585	13,388	260,973
Pool renovations	206,017	-	-	206,017
Shop equipment	50,000	-	-	50,000
Street improvements	100,000	-	-	100,000
Unassigned	81,172	-	-	81,172
	\$ 484,799	\$ 247,585	\$ 52,902	\$ 785,286
Total Liabilities, Deferred Inflows and Fund Balances	\$ 657,410	\$ 247,585	\$ 175,627	\$ 1,080,622

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)	\$	785,286
<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>		671,357
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		276,887
<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	\$ (2,719)	
Notes payable	(34,388)	(37,107)
Net position of governmental activities (Exhibit 1)	\$	<u>1,696,423</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, 2014**

	<u>General</u>	<u>Fire Department Special Project/Equipment Special Revenue</u>	<u>Other Governmental Funds (Statement 2)</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 233,593	\$ -	\$ -	\$ 233,593
Special assessments	2,330	-	-	2,330
Licenses and permits	2,895	-	-	2,895
Intergovernmental	269,310	-	-	269,310
Charges for services	54,222	-	19,196	73,418
Fines and forfeitures	1,538	-	-	1,538
Gifts and contributions	78,376	71,328	417	150,121
Investment earnings	204	895	41	1,140
Miscellaneous	36,289	-	11,945	48,234
Total Revenues	\$ 678,757	\$ 72,223	\$ 31,599	\$ 782,579
Expenditures				
Current				
General government	\$ 110,401	\$ -	\$ -	\$ 110,401
Public safety	62,687	24,400	-	87,087
Highways and streets	219,538	-	-	219,538
Culture and recreation	103,244	-	23,569	126,813
Conservation of natural resources	6,954	-	-	6,954
Debt service				
Principal retirement	21,420	-	-	21,420
Interest	2,779	-	-	2,779
Capital outlay				
Public safety	6,090	29,122	-	35,212
Highways and streets	14,550	-	-	14,550
Culture and recreation	23,979	-	-	23,979
Total Expenditures	\$ 571,642	\$ 53,522	\$ 23,569	\$ 648,733
Excess of Revenues Over (Under) Expenditures	\$ 107,115	\$ 18,701	\$ 8,030	\$ 133,846
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 20,707	\$ -	\$ 20,707
Transfers out	(35,707)	-	-	(35,707)
Total Other Financing Sources (Uses)	\$ (35,707)	\$ 20,707	\$ -	\$ (15,000)
Net Change in Fund Balance	\$ 71,408	\$ 39,408	\$ 8,030	\$ 118,846
Fund Balance - January 1	413,391	208,177	44,872	666,440
Fund Balance - December 31	\$ 484,799	\$ 247,585	\$ 52,902	\$ 785,286

**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, 2014**

Net change in fund balance - total governmental funds (Exhibit 5)	\$	118,846
<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	\$ 73,741	
Net book value of assets disposed	(23,286)	
Current year depreciation	(72,882)	(22,427)
<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	\$ 127,960	
Loans receivable	(10,185)	117,775
<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		21,420
<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		1,068
Change in net position of governmental activities (Exhibit 2)	\$	<u>236,682</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 8,998	\$ 8,785	\$ 119,081	\$ 136,864
Investments	98,900	61,042	110,788	270,730
Taxes receivable - delinquent	-	318	-	318
Special assessments receivable				
Current	-	359	530	889
Prior	342	294	1,728	2,364
Accounts receivable	11,343	8,833	20,675	40,851
Accrued interest receivable	247	73	606	926
Total Current Assets	\$ 119,830	\$ 79,704	\$ 253,408	\$ 452,942
Noncurrent Assets				
Special assessments receivable	\$ -	\$ -	\$ 108,945	\$ 108,945
Capital assets				
Non-depreciable	-	-	4,000	4,000
Depreciable - net of accumulated depreciation	-	376,011	3,711,772	4,087,783
Total Noncurrent Assets	\$ -	\$ 376,011	\$ 3,824,717	\$ 4,200,728
Total Assets	\$ 119,830	\$ 455,715	\$ 4,078,125	\$ 4,653,670
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ -	\$ 6,177	\$ 1,227	\$ 7,404
Salaries payable	-	661	661	1,322
Compensated absences payable	-	363	363	726
Due to other governments	260	527	1,513	2,300
General obligation water revenue bonds payable	-	-	13,261	13,261
MPFA drinking water state revolving fund loan	-	-	8,000	8,000
General obligation revenue bonds payable	-	10,894	-	10,894
MPFA notes payable	-	-	68,000	68,000
Total Current Liabilities	\$ 260	\$ 18,622	\$ 93,025	\$ 111,907
Noncurrent Liabilities				
Compensated absences payable	\$ -	\$ 479	\$ 479	\$ 958
General obligation water revenue bonds payable	-	-	114,538	114,538
MPFA drinking water state revolving fund loan	-	-	151,000	151,000
General obligation revenue bonds payable	-	173,807	-	173,807
MPFA notes payable	-	-	1,857,476	1,857,476
Total Noncurrent Liabilities	\$ -	\$ 174,286	\$ 2,123,493	\$ 2,297,779
Total Liabilities	\$ 260	\$ 192,908	\$ 2,216,518	\$ 2,409,686
<u>Net Position</u>				
Net investment in capital assets	\$ -	\$ 191,310	\$ 1,503,497	\$ 1,694,807
Unrestricted amounts	119,570	71,497	358,110	549,177
Total Net Position	\$ 119,570	\$ 262,807	\$ 1,861,607	\$ 2,243,984

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 88,557	\$ 87,612	\$ 191,861	\$ 368,030
Miscellaneous	-	-	991	991
Total Operating Revenues	\$ 88,557	\$ 87,612	\$ 192,852	\$ 369,021
Operating Expenses				
Personnel services	\$ -	\$ 24,466	\$ 23,716	\$ 48,182
Contracted services	90,259	10,098	-	100,357
Insurance	-	1,793	2,601	4,394
Permits	-	-	1,988	1,988
Repairs and maintenance	-	8,107	20,884	28,991
Supplies	-	33,053	28,269	61,322
Utilities	-	2,677	9,123	11,800
Miscellaneous	2,122	1,548	1,748	5,418
Depreciation	-	23,815	106,703	130,518
Total Operating Expenses	\$ 92,381	\$ 105,557	\$ 195,032	\$ 392,970
Operating Income (Loss)	\$ (3,824)	\$ (17,945)	\$ (2,180)	\$ (23,949)
Nonoperating Revenues (Expenses)				
Special assessments	\$ 342	\$ 10,853	\$ 141,789	\$ 152,984
Investment earnings	293	127	629	1,049
Interest expense	-	(8,602)	(24,230)	(32,832)
Total Nonoperating Revenues (Expenses)	\$ 635	\$ 2,378	\$ 118,188	\$ 121,201
Income (Loss) Before Transfers	\$ (3,189)	\$ (15,567)	\$ 116,008	\$ 97,252
Transfers in	-	-	15,000	15,000
Change in Net Position	\$ (3,189)	\$ (15,567)	\$ 131,008	\$ 112,252
Net Position - January 1	122,759	278,374	1,730,599	2,131,732
Net Position - December 31	\$ 119,570	\$ 262,807	\$ 1,861,607	\$ 2,243,984

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
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	\$ 87,128	\$ 87,739	\$ 200,762	\$ 375,629
Payments to employees	-	(23,648)	(23,648)	(47,296)
Payments to suppliers	(92,338)	(51,099)	(64,654)	(208,091)
Net cash provided by (used in) operating activities	\$ (5,210)	\$ 12,992	\$ 112,460	\$ 120,242
Cash Flows from Noncapital Financing Activities				
Transfers in	\$ -	\$ -	\$ 15,000	\$ 15,000
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	\$ -	\$ (10,465)	\$ (13,201)	\$ (23,666)
Interest paid on bonds	-	(8,602)	(2,233)	(10,835)
Principal paid on Public Facilities Authority notes	-	-	(66,000)	(66,000)
Interest paid on Public Facilities Authority notes	-	-	(21,011)	(21,011)
Principal paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(7,364)	(7,364)
Interest paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(986)	(986)
Intergovernmental grant receipts	-	-	54,791	54,791
Purchase of capital assets	-	-	(44,576)	(44,576)
Special assessments received	-	10,211	30,719	40,930
Net cash provided by (used in) capital and related financing activities	\$ -	\$ (8,856)	\$ (69,861)	\$ (78,717)
Cash Flows from Investing Activities				
Investment earnings received	\$ 445	\$ 393	\$ 392	\$ 1,230
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (4,765)	\$ 4,529	\$ 57,991	\$ 57,755
Cash and Cash Equivalents at January 1	112,663	65,298	171,878	349,839
Cash and Cash Equivalents at December 31	\$ 107,898	\$ 69,827	\$ 229,869	\$ 407,594

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
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)	\$ (3,824)	\$ (17,320)	\$ (2,180)	\$ (23,324)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 23,815	\$ 106,703	\$ 130,518
Decrease (increase) in assets				
Accounts receivable	(1,619)	(498)	7,107	4,990
Increase (decrease) in liabilities				
Accounts payable	(27)	6,177	(224)	5,926
Salaries payable	-	200	200	400
Compensated absences payable	-	91	(659)	(568)
Due to other governments	260	527	1,513	2,300
Total adjustments	\$ (1,386)	\$ 30,312	\$ 114,640	\$ 143,566
Net cash provided by (used in) operating activities	\$ (5,210)	\$ 12,992	\$ 112,460	\$ 120,242

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, 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 2014 were \$204. Total investment earnings for 2014 were \$2,189.

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.

Notes and loans receivable consist of rehabilitation and business loans. Notes and 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, 2014.

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 used 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. As of December 31, 2014 the City had no amount set aside for stabilization.

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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. 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, 2014, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 419,461
Investments	373,780
Business-type Activities	
Cash and pooled investments	136,864
Investments	<u>270,730</u>
Total Cash and Investments	<u><u>\$ 1,200,835</u></u>
Deposits	\$ 1,200,735
Petty cash and change funds	<u>100</u>
Total Deposits and Cash on Hand	<u><u>\$ 1,200,835</u></u>

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, 2014, the City’s deposits were not exposed to custodial credit risk.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, 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	\$ 23,597	\$ -
Special Assessments	139,459	137,704
Accounts	779	-
Accrued interest	821	-
Loans	<u>122,725</u>	<u>122,725</u>
 Total Governmental Activities	 <u>\$ 287,381</u>	 <u>\$ 260,429</u>
	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Business-Type Activities		
Taxes	\$ 318	\$ -
Special assessments	112,198	-
Accounts	40,851	108,945
Accrued interest	<u>926</u>	<u>-</u>
 Total Business-Type Activities	 <u>\$ 154,293</u>	 <u>\$ 108,945</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 94,412	\$ -	\$ 9,563	\$ 84,849
Construction in progress				
Culture & recreation	-	23,979	-	\$ 23,979
Total capital assets not depreciated	<u>\$ 94,412</u>	<u>\$ 23,979</u>	<u>\$ 9,563</u>	<u>\$ 108,828</u>
Capital assets being depreciated				
Buildings and improvements	\$ 954,471	\$ -	\$ -	\$ 954,471
Machinery and equipment	790,966	49,762	27,443	813,285
Total capital assets being depreciated	<u>\$ 1,745,437</u>	<u>\$ 49,762</u>	<u>\$ 27,443</u>	<u>\$ 1,767,756</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 578,379	\$ 26,717	\$ -	\$ 605,096
Machinery and equipment	567,686	46,165	13,720	600,131
Total accumulated depreciation	<u>\$ 1,146,065</u>	<u>\$ 72,882</u>	<u>\$ 13,720</u>	<u>\$ 1,205,227</u>
Total capital assets, depreciated, net	<u>\$ 599,372</u>	<u>\$ (23,120)</u>	<u>\$ 13,723</u>	<u>\$ 562,529</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 693,784</u>	<u>\$ 859</u>	<u>\$ 23,286</u>	<u>\$ 671,357</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. 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>\$ 1,031,954</u>	<u>\$ -</u>	<u>\$ 1,027,954</u>	<u>\$ 4,000</u>
Capital assets being depreciated				
Infrastructure	\$ 3,799,308	\$ 1,027,954	\$ -	\$ 4,827,262
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
	<u>\$ 3,886,664</u>	<u>\$ 1,027,954</u>	<u>\$ -</u>	<u>\$ 4,914,618</u>
Less: accumulated depreciation for				
Infrastructure	\$ 647,487	\$ 124,051	\$ -	\$ 771,538
Buildings and improvements	6,503	434	-	6,937
Machinery and equipment	42,327	6,033	-	48,360
	<u>\$ 696,317</u>	<u>\$ 130,518</u>	<u>\$ -</u>	<u>\$ 826,835</u>
Total capital assets, depreciated, net	<u>\$ 3,190,347</u>	<u>\$ 897,436</u>	<u>\$ -</u>	<u>\$ 4,087,783</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 4,222,301</u>	<u>\$ 897,436</u>	<u>\$ 1,027,954</u>	<u>\$ 4,091,783</u>

Depreciation Expense

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

Governmental Activities	
General government	\$ 1,730
Public safety	39,250
Highways and streets	5,861
Culture and recreation	25,805
Conservation of natural resources	236
	<u>72,882</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 72,882</u>
Business-Type Activities	
Sewer	\$ 23,815
Water	106,703
	<u>130,518</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 130,518</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

B. Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following operating transfers:

Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	\$ 20,707	Fire equipment reserves
Transfer to Water Enterprise Fund from General Fund	15,000	Water protection fees
Total Interfund Transfers	\$ 35,707	

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 \$8,343 at December 31, 2014, 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 Border State Bank, 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, 2014 is \$34,388.

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 \$10,057 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2014 is \$184,701.

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

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, 2014 is \$1,241,476.

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, 2014 is \$684,000.

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, 2014 is \$127,799.

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 with an addition of \$54,741 in 2014 for a total issue of \$166,314. 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, 2014 is \$159,000.

Debt Service Requirements

Governmental Activities

Debt service requirements for the governmental activities for the year ended December 31, 2014, are as follows:

	Public Project Notes of 2001	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 22,613	\$ 1,585
2016	<u>11,775</u>	<u>324</u>
	<u>\$ 34,388</u>	<u>\$ 1,909</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. 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, 2014, are as follows:

Year Ending December 31	General Obligation						MPFA Drinking Water State Revolving Fund Loan	
	Water and Sewer Revenue Bonds of 2006		Water Revenue Note of 2009		Water Revenue Bonds of 2013		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2015	10,894	8,173	68,000	20,315	13,261	2,173	8,000	1,590
2016	11,341	7,726	68,000	19,598	13,487	1,947	8,000	1,510
2017	11,817	7,250	69,000	18,881	13,716	1,718	8,000	1,430
2018	12,313	6,754	70,000	18,154	13,949	1,485	8,000	1,350
2019	12,843	6,224	71,000	17,415	14,186	1,248	8,000	1,270
2020-2024	73,178	22,157	364,000	75,738	59,200	2,536	45,000	5,050
2025-2029	52,315	4,886	384,000	56,097	-	-	45,000	2,800
2030-2034	-	-	405,000	35,402	-	-	29,000	590
2035-2039	-	-	426,476	13,580	-	-	-	-
	<u>\$ 184,701</u>	<u>\$ 63,170</u>	<u>\$ 1,925,476</u>	<u>\$ 275,180</u>	<u>\$ 127,799</u>	<u>\$ 11,107</u>	<u>\$ 159,000</u>	<u>\$ 15,590</u>

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Public Project Notes of 2001	\$ 55,808	\$ -	\$ 21,420	\$ 34,388	\$ 22,613
Compensated Absences	3,787	7,536	8,604	2,719	1,799
Governmental Activities Long-Term Liabilities	<u>\$ 59,595</u>	<u>\$ 7,536</u>	<u>\$ 30,024</u>	<u>\$ 37,107</u>	<u>\$ 24,412</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities (Continued)

Changes in Long-Term Liabilities

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 195,166	\$ -	\$ 10,465	\$ 184,701	\$ 10,894
General Obligation Water Revenue Note of 2009 - MPFA	1,991,476	-	66,000	1,925,476	68,000
General Obligation Water Revenue Bonds of 2013	141,000	-	13,201	127,799	13,261
MPFA Drinking Water State Revolving Funds	111,573	54,791	7,364	159,000	8,000
Compensated Absences	<u>2,252</u>	<u>3,386</u>	<u>3,954</u>	<u>1,684</u>	<u>726</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,441,467</u>	<u>\$ 58,177</u>	<u>\$ 100,984</u>	<u>\$ 2,398,660</u>	<u>\$ 100,881</u>

III. 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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Pension Plans

Defined Benefit Plans

Plan Description

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 2014. Public Employees Police and Fire Fund members were required to contribute 9.60 percent of their annual covered salary in 2014. The contribution rate in the Public Employees Police and Fire Fund increased in 2014 to 10.20 percent. The City is required to contribute the following percentages of annual covered payroll in 2014 and 2014:

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Pension Plans

Defined Benefit Plans

Funding Policy (Continued)

	2014	2015
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	7.25%	7.50%
Public Employees Police and Fire Fund	15.30%	16.20%

The County's contributions for the years ending December 31, 2014, 2013, and 2012, 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
2014	\$ 8,534	\$ -
2013	\$ 7,077	\$ -
2012	\$ 7,203	\$ 6,306

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

IV. 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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 233,200	\$ 233,200	\$ 233,593	\$ 393
Special assessments	4,000	4,000	2,330	(1,670)
Licenses and permits	2,520	2,520	2,895	375
Intergovernmental	261,398	261,398	269,310	7,912
Charges for services	62,950	62,950	54,222	(8,728)
Fines and forfeitures	-	-	1,538	1,538
Gifts and contributions	5,000	5,000	78,376	73,376
Investment earnings	500	500	204	(296)
Miscellaneous	12,080	12,080	36,289	24,209
Total Revenues	\$ 581,648	\$ 581,648	\$ 678,757	\$ 97,109
Expenditures				
Current				
General government				
Mayor/council	\$ 8,500	\$ 8,500	\$ 9,403	\$ (903)
City clerk/treasurer	43,650	43,650	44,080	(430)
Elections	2,500	2,500	2,729	(229)
Professional services	4,500	4,500	4,900	(400)
Legal	1,500	1,500	1,457	43
Assessor	3,200	3,200	3,382	(182)
Buildings and grounds	17,050	17,050	21,269	(4,219)
Insurance	16,500	16,500	16,881	(381)
Other general government	1,900	1,900	6,300	(4,400)
Total general government	\$ 99,300	\$ 99,300	\$ 110,401	\$ (11,101)
Public safety				
Police	\$ 22,670	\$ 22,670	\$ 2,145	\$ 20,525
Fire	39,000	39,000	43,569	(4,569)
Fire relief association	11,000	11,000	16,973	(5,973)
Total public safety	\$ 72,670	\$ 72,670	\$ 62,687	\$ 9,983
Highways and streets				
Streets and alleys	\$ 187,446	\$ 189,246	\$ 201,844	\$ (12,598)
Street lighting	18,500	18,500	17,694	806
Total highways and streets	\$ 205,946	\$ 207,746	\$ 219,538	\$ (11,792)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Culture and recreation				
Ice rinks	\$ 2,150	\$ 2,150	\$ 2,174	\$ (24)
Library	20,504	20,504	21,118	(614)
Parks	24,500	22,700	21,345	1,355
Recreational programs	9,800	9,800	9,810	2,990
Swimming pool	54,680	54,680	47,749	6,931
Other culture and recreation	900	900	4,048	(3,148)
Total culture and recreation	\$ 112,534	\$ 110,734	\$ 103,244	\$ 7,490
Conservation of natural resources				
Weed and pest control	\$ 5,000	\$ 5,000	\$ 6,954	\$ (1,954)
Economic development				
Other economic development	\$ 2,500	\$ 2,500	\$ -	\$ 2,500
Debt service				
Principal retirement	\$ 21,419	\$ 21,419	\$ 21,420	\$ (1)
Interest	2,779	2,779	2,779	-
Total debt service	\$ 24,198	\$ 24,198	\$ 24,199	\$ (1)
Capital outlay				
Public Safety	\$ -	\$ -	\$ 6,090	\$ (6,090)
Highways and streets	-	-	14,550	(14,550)
Culture and recreation	-	-	23,979	(23,979)
Total capital outlay	\$ -	\$ -	\$ 44,619	\$ (44,619)
Total Expenditures	\$ 522,148	\$ 522,148	\$ 571,642	\$ (49,494)
Excess of Revenues Over (Under)				
Expenditures	\$ 59,500	\$ 59,500	\$ 107,115	\$ 47,615
Other Financing Sources (Uses)				
Transfers in	\$ 32,000	\$ 32,000	\$ -	\$ (32,000)
Transfers out	(60,000)	(60,000)	(35,707)	24,293
Total other financing sources (uses)	\$ (28,000)	\$ (28,000)	\$ (35,707)	\$ (7,707)
Net Change in Fund Balance	\$ 31,500	\$ 31,500	\$ 71,408	\$ 39,908

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 2,000	\$ 81,272	\$ 71,328	\$ (9,944)
Investment earnings	-	-	895	895
Total Revenues	\$ 2,000	\$ 81,272	\$ 72,223	\$ (9,049)
Expenditures				
Current				
Public safety				
Fire	\$ 2,000	\$ 53,505	\$ 24,400	\$ 29,105
Capital outlay				
Public safety	-	-	29,122	(29,122)
Total Expenditures	\$ 2,000	\$ 53,505	\$ 53,522	\$ (17)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 27,767	\$ 18,701	\$ (9,066)
Other Financing Sources				
Transfers in	13,000	13,000	20,707	7,707
Net Change in Fund Balance	\$ 13,000	\$ 40,767	\$ 39,408	\$ (1,359)
Fund Balance - January 1	208,177	208,177	208,177	-
Fund Balance - December 31	\$ 221,177	\$ 248,944	\$ 247,585	\$ (1,359)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Mayor/council	\$ 9,403	\$ 8,500	\$ (903)
City clerk/treasurer	44,080	43,650	(430)
Elections	2,729	2,500	(229)
Professional services	4,900	4,500	(400)
Assessor	3,382	3,200	(182)
Buildings and grounds	21,269	17,050	(4,219)
Insurance	16,881	16,500	(381)
Other general government	6,300	1,900	(4,400)
Public safety			
Fire	43,569	39,000	(4,569)
Fire relief association	16,973	11,000	(5,973)
Highways and streets			
Streets and alleys	201,844	189,246	(12,598)
Culture and recreation			
Ice rinks	2,174	2,150	(24)
Library	21,118	20,504	(614)
Other culture and recreation	4,048	900	(3,148)
Conservation of natural resources			
Weed and pest control	6,954	5,000	(1,954)
Debt service			
Principal retirement	21,420	21,419	(1)
Capital outlay			
Public safety	6,090	-	(6,090)
Highways and streets	14,550	-	(14,550)
Culture and recreation	23,979	-	(23,979)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Fire Department Special Project/Equipment Special Revenue Fund Capital outlay Public safety	\$ 29,122	\$ -	\$ (29,122)

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, 2014**

	Fire Department	General Special Projects	RBE Revolving Loan Special Revenue	Small Cities Development Program Special Revenue	Total (Exhibit 3)
<u>Assets</u>					
Cash and pooled investments	\$ 2,910	\$ 9,237	\$ 29,113	\$ 1,164	\$ 42,424
Investments	10,451	-	-	-	10,451
Accrued interest receivable	27	-	-	-	27
Loans receivable	-	-	122,725	-	122,725
Total Assets	<u>\$ 13,388</u>	<u>\$ 9,237</u>	<u>\$ 151,838</u>	<u>\$ 1,164</u>	<u>\$ 175,627</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>					
Deferred Inflows					
Loans	\$ -	\$ -	\$ 122,725	\$ -	\$ 122,725
Fund Balances					
Restricted for economic development	\$ -	\$ -	\$ 29,113	\$ 1,164	\$ 30,277
Committed to					
Culture and recreation plan	-	9,237	-	-	9,237
Fire department equipment	13,388	-	-	-	13,388
Total Fund Balance	<u>\$ 13,388</u>	<u>\$ 9,237</u>	<u>\$ 29,113</u>	<u>\$ 1,164</u>	<u>\$ 52,902</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 13,388</u>	<u>\$ 9,237</u>	<u>\$ 151,838</u>	<u>\$ 1,164</u>	<u>\$ 175,627</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, 2014**

	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	\$ -	\$ -	\$ 19,196	\$ -	\$ -	\$ 19,196
Gifts and contributions	417	-	-	-	-	417
Investment earnings	41	-	-	-	-	41
Miscellaneous	-	-	-	11,945	-	11,945
Total Revenues	\$ 458	\$ -	\$ 19,196	\$ 11,945	\$ -	\$ 31,599
Expenditures						
Current						
Culture and recreation	-	4,373	19,196	-	-	23,569
Excess of Revenues Over (Under) Expenditures	\$ 458	\$ (4,373)	\$ -	\$ 11,945	\$ -	\$ 8,030
Fund Balance - January 1	12,930	13,610	-	17,168	1,164	44,872
Fund Balance - December 31	\$ 13,388	\$ 9,237	\$ -	\$ 29,113	\$ 1,164	\$ 52,902

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 750	\$ 750	\$ 417	\$ (333)
Investment earnings	-	-	41	41
Total Revenues	\$ 750	\$ 750	\$ 458	\$ (292)
Expenditures				
Current				
Public safety				
Fire protection	100	100	-	100
Excess of Revenues Over (Under)				
Expenditures	\$ 650	\$ 650	\$ 458	\$ (192)
Fund Balance - January 1	12,930	12,930	12,930	-
Fund Balance - December 31	\$ 13,580	\$ 13,580	\$ 13,388	\$ (192)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 9,141	\$ 9,141	\$ 11,945	\$ 2,804
Excess of Revenues Over (Under)				
Expenditures	\$ 9,141	\$ 9,141	\$ 11,945	\$ 2,804
Fund Balance - January 1	17,168	17,168	17,168	-
Fund Balance - December 31	\$ 26,309	\$ 26,309	\$ 29,113	\$ 2,804

OTHER SCHEDULES

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

Shared Revenue

State

Fire state aid	\$	16,973
Local government aid		249,730
PERA rate reimbursement		<u>668</u>

Total Shared Revenue **\$** 267,371

Grants

Local

Northwest Minnesota Foundation	\$	1,000
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State

Minnesota Department of Public Safety		780
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Federal

Department of

Homeland Security		<u>159</u>
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Total Grants **\$** 1,939

Total Intergovernmental Revenue **\$** 269,310

MANAGEMENT AND COMPLIANCE SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

**I. 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 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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6
(Continued)

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.



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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, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated May 1, 2015.

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, Philipp, & Knutson, PLLC

May 1, 2015