

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2015

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

TABLE OF CONTENTS

<u>Introductory Section</u>	<u>Reference</u>	<u>Page</u>
Organization Schedule		1
 <u>Financial Section</u>		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	17
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position – Governmental Activities	Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Activities	Exhibit 6	20
Proprietary Funds		
Statement of Net Position	Exhibit 7	21
Statement of Revenues, Expenses, and Changes in Net Position	Exhibit 8	22
Statement of Cash Flows	Exhibit 9	23
Notes to the Financial Statements		25
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	46
Fire Department Special Project/Equipment Special Revenue Fund	Schedule 2	48
RBEG Revolving Loan Special Revenue Fund	Schedule 3	49
Schedule of Contributions	Schedule 4	50
Schedule of Proportionate Share of Net Pension Liability	Schedule 5	51
Notes to the Required Supplementary Information		52

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

TABLE OF CONTENTS

<u>Financial Section</u> (Continued)	<u>Reference</u>	<u>Page</u>
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet - Special Revenue Funds	Statement 1	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Funds	Statement 2	55
Budgetary Comparison Schedules		
Fire Department Special Revenue Fund	Schedule 6	56
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 7	57
 <u>Management and Compliance Section</u>		
Schedule of Findings and Questioned Costs	Schedule 8	58
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		60

INTRODUCTORY SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2015**

<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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

Basis for Qualified Opinion on Governmental Activities

Management has not adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the Fire Relief Association. Accounting principles generally accepted in the United States of America require that GASB Statement No. 68 be adopted for governmental activities, including Fire Relief Associations. The amount by which this departure would affect the assets, net position, and revenues of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis of Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City of Greenbush, Minnesota, as of December 31, 2015, and the 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the Notes to the Financial Statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Our opinions are not modified with respect to this matter.

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 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 June 3, 2016, on our consideration of the City of Greenbush's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Hoffman, Philipp, & Knutson, PLLC

June 3, 2016



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, 2015. 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

During the current year, the City of Greenbush adopted the accounting principles discussed in further detail in the Notes to the Financial Statements. Such accounting principles have been adopted prospectively, and therefore, comparative information in this section has not been restated to reflect the effect of the adoption of these accounting principles.

The total net position of governmental activities is \$1,945,064, of which \$1,136,951 is the net investment in capital assets, \$15,943 is restricted for specific purposes, and \$792,170 is unrestricted. The total net position of governmental activities increased by \$248,641 for the year ended December 31, 2015. This is attributed primarily to pool renovations and decreased public safety costs.

The total net position of business-type activities are \$2,175,192, of which \$1,640,216 is the net investment in capital assets and \$534,976 is unrestricted. The total net position of business-type activities decreased by \$68,792 in 2015, as a result of additional engineering and repair costs in determining the cause of a lift station being over taxed to the point of needing to be replaced and then repairing the problem once it was found.

At the close of 2015, the City's governmental funds reported combined ending fund balances of \$571,187, a decrease of \$214,099 from the prior year. Of the total fund balance amount, \$15,943 is legally or contractually restricted, \$463,247 is formally committed for specific purposes, and \$91,997 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.



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, the Fire Department Special Project/Equipment Special Revenue Fund, and the RBEG Revolving Loan Special Revenue Fund, all 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 Special Revenue Fund. 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 \$4,120,256 at the close of 2015. The largest portion of the City’s net position (approximately 67 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately less than one percent of the City’s net position is restricted for specific purposes and 33 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$1,327,146 as of December 31, 2015, 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 \$335,188, from the prior year, primarily due to pool construction. Total liabilities increased by \$164,733, from the prior year, due to the issuance of General Obligation Water Revenue Bonds. This resulted in an increased net position of \$179,849 from the prior year.

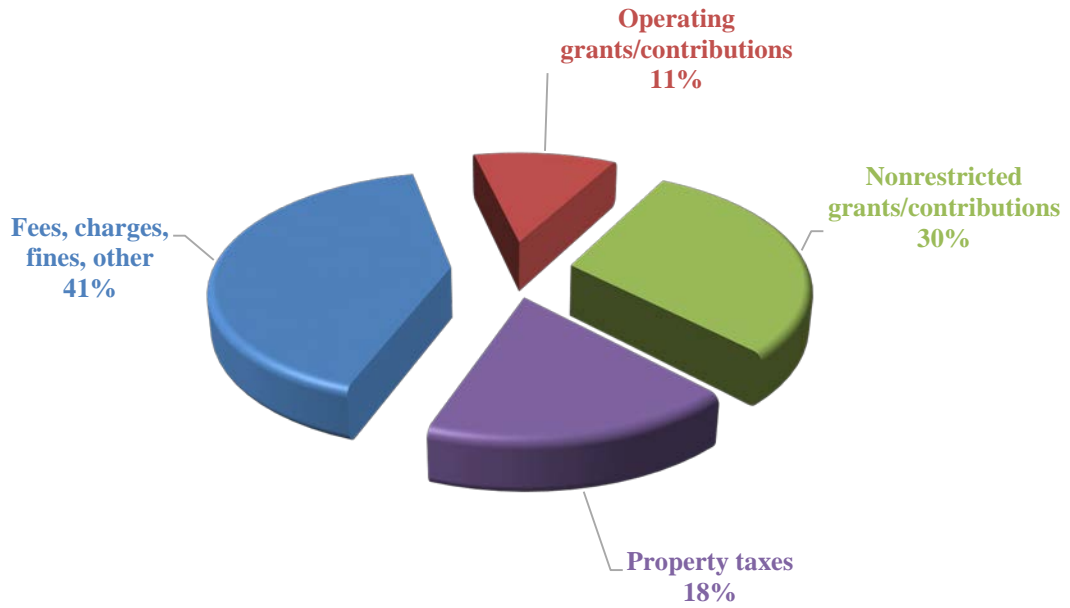
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 890,882	\$ 1,080,622	\$ 574,192	\$ 561,887	\$ 1,465,074	\$ 1,642,509
Capital assets	1,148,726	671,357	4,127,037	4,091,783	5,275,763	4,763,140
Total assets	\$ 2,039,608	\$ 1,751,979	\$ 4,701,229	\$ 4,653,670	\$ 6,740,837	\$ 6,405,649
Deferred outflows - pensions	\$ 9,942	\$ -	\$ 4,678	\$ -	\$ 14,620	\$ -
Other liabilities	\$ 15,888	\$ 18,449	\$ 7,148	\$ 11,026	\$ 23,036	\$ 29,475
Long-term liabilities outstanding	85,044	37,107	2,521,895	2,398,660	2,606,939	2,435,767
Total liabilities	\$ 100,932	\$ 55,556	\$ 2,529,043	\$ 2,409,686	\$ 2,629,975	\$ 2,465,242
Deferred inflows - pensions	\$ 3,554	\$ -	\$ 1,672	\$ -	\$ 5,226	\$ -
Net position						
Net Investment in capital assets	\$ 1,136,951	\$ 636,969	\$ 1,640,216	\$ 1,694,807	\$ 2,777,167	\$ 2,331,776
Restricted	15,943	40,586	-	-	15,943	40,586
Unrestricted	792,170	1,018,868	534,976	549,177	1,327,146	1,568,045
Total net position	\$ 1,945,064	\$ 1,696,423	\$ 2,175,192	\$ 2,243,984	\$ 4,120,256	\$ 3,940,407

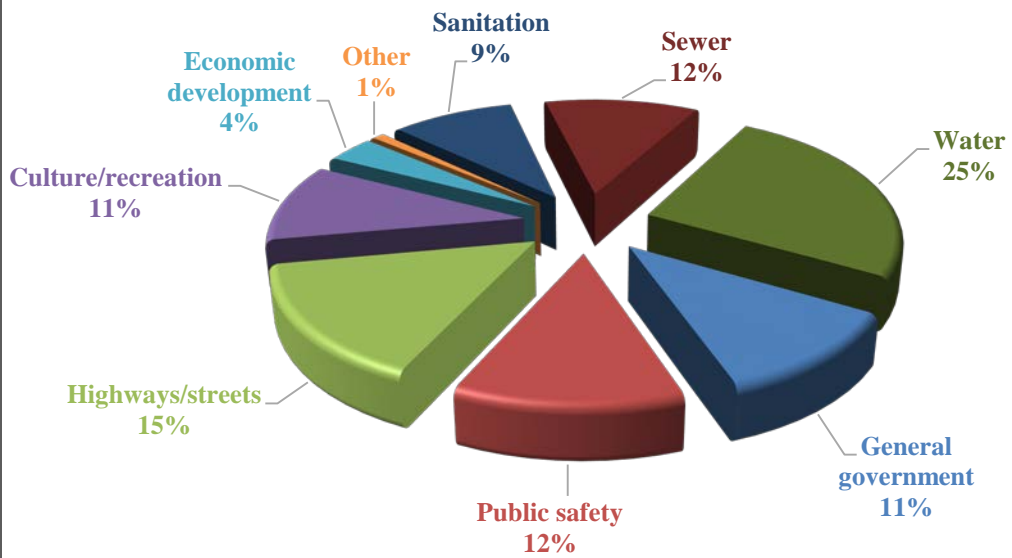
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 125,605	\$ 111,540	\$ 404,137	\$ 369,021	\$ 529,742	480,561
Operating grants and contributions	147,571	168,033	-	-	147,571	168,033
Capital grants and contributions	-	131,161	14,056	152,984	14,056	284,145
General Revenues and Transfers						
Property taxes	229,162	232,722	-	-	229,162	232,722
Grants and contributions not restricted to specific programs	364,461	251,398	-	-	364,461	251,398
Investment earnings	2,203	1,140	1,303	1,049	3,506	2,189
Insurance dividends	6,532	4,360	-	-	6,532	4,360
Transfers	(15,415)	(15,000)	15,415	15,000	-	-
Total revenues	\$ 860,119	\$ 885,354	\$ 434,911	\$ 538,054	\$ 1,295,030	\$ 1,423,408
Expenses						
General government	\$ 116,176	\$ 121,007	\$ -	\$ -	\$ 116,176	\$ 121,007
Public safety	125,366	140,060	-	-	125,366	140,060
Highways and streets	156,269	225,018	-	-	156,269	225,018
Culture and recreation	107,275	152,618	-	-	107,275	152,618
Conservation of natural resources	7,321	7,190	-	-	7,321	7,190
Economic development	36,520	-	-	-	36,520	-
Interest	1,585	2,779	-	-	1,585	2,779
Sanitation	-	-	95,145	92,381	95,145	92,381
Sewer	-	-	119,550	114,159	119,550	114,159
Water	-	-	260,318	219,262	260,318	219,262
Total expenses	\$ 550,512	\$ 648,672	\$ 475,013	\$ 425,802	\$ 1,025,525	\$ 1,074,474
Increase (decrease) in net position	\$ 309,607	\$ 236,682	\$ (40,102)	\$ 112,252	\$ 269,505	\$ 348,934
Net position, January 1, as previously reported	\$ 1,696,423	\$ -	\$ 2,243,984	\$ -	\$ 3,940,407	\$ -
Prior period adjustment	(60,966)	-	(28,690)	-	(89,656)	-
Net position, January 1, as restated	1,635,457	1,459,741	2,215,294	2,131,732	3,850,751	3,591,473
Net position, December 31	\$ 1,945,064	\$ 1,696,423	\$ 2,175,192	\$ 2,243,984	\$ 4,120,256	\$ 3,940,407

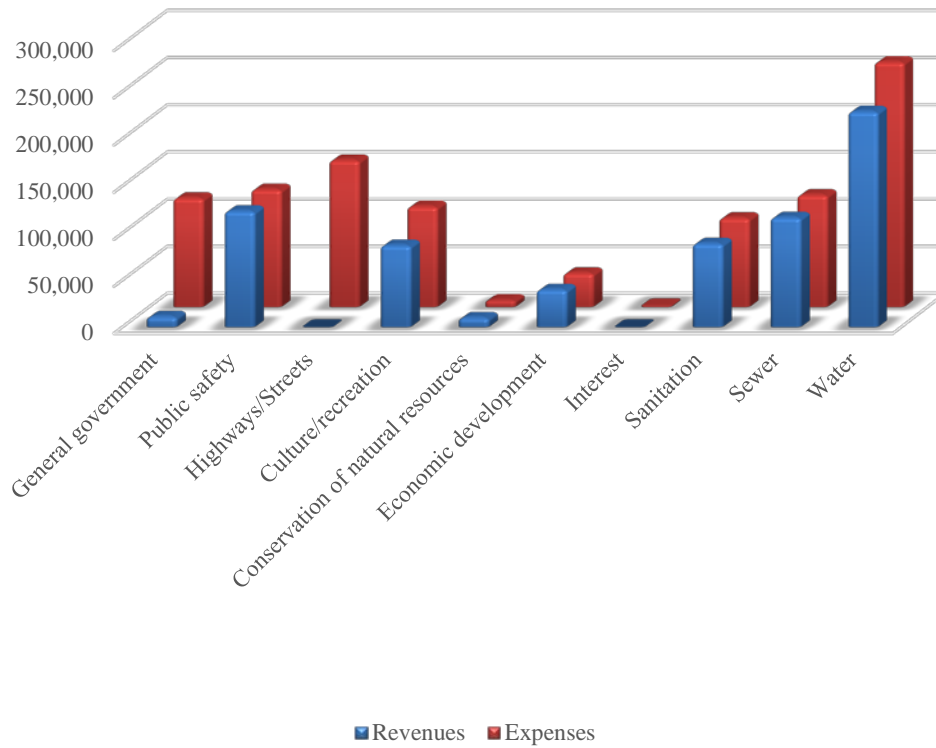
Revenues by Source



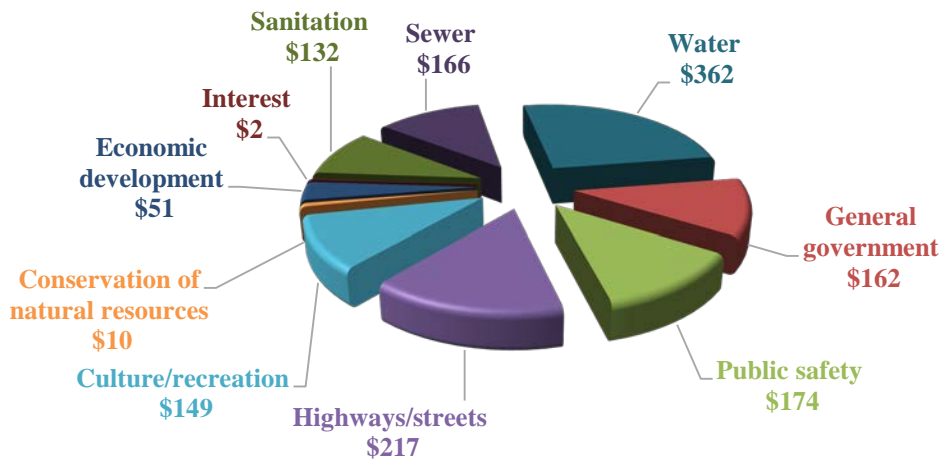
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 716 Population as of 2015



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 2015, the City's governmental funds reported combined ending fund balances of \$571,187. Of this amount, approximately 3 percent constitutes legally or contractually restricted fund balance, 81 percent constitutes formally committed fund balance, and 16 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 \$273,496. The General Fund's restricted fund balance was \$9,421, committed fund balance was \$172,078, and unassigned fund balance was \$91,997. 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 2015. Unrestricted fund balance represents 28 percent of total General Fund expenditures, while total fund balance represents 29 percent of that same amount.

In 2015, the fund balance amount in the General Fund decreased by \$211,303. The primary reason for this was due to pool construction.

The fund balance of the Fire Department Special Project/Equipment Special Revenue Fund increased \$29,422 from the prior year, as a result of gifts and contributions revenue.

The fund balance of the Rural Business Enterprise Grant Revolving Special Revenue Fund decreased by \$49,562 from the prior year, as a result of a new economic development loan disbursement.

Proprietary Funds

The Sanitation Enterprise Fund reported an operating loss in 2015 of \$5,797, due to an increase in sanitation costs.

The Sewer Enterprise Fund reported an operating loss in 2015 of \$5,194, primarily as a result of unexpected maintenance and engineering.

The Water Enterprise Fund reported an operating loss in 2015 of \$23,833, primarily as a result of unexpected maintenance and engineering.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$191,864. The largest positive variances were in intergovernmental, gifts and contributions, and miscellaneous revenues. Actual expenditures were more than overall final budgeted expenditures by \$408,842, 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, 2015, amounted to \$5,275,763 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 10 percent. This increase was primarily due to the pool construction project and a water project.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 87,849	\$ 84,849	\$ 4,000	\$ 4,000	\$ 91,849	\$ 88,849
Construction in progress	492,575	23,979	-	-	492,575	23,979
Infrastructure	52,063	-	4,097,445	4,055,724	4,149,508	4,055,724
Buildings and improvements	322,658	349,375	5,629	6,063	328,287	355,438
Machinery and equipment	193,581	213,154	19,963	25,996	213,544	239,150
Total capital assets	<u>\$ 1,148,726</u>	<u>\$ 671,357</u>	<u>\$ 4,127,037</u>	<u>\$ 4,091,783</u>	<u>\$ 5,275,763</u>	<u>\$ 4,763,140</u>

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

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,498,596 which is backed by the full faith and credit of the government.

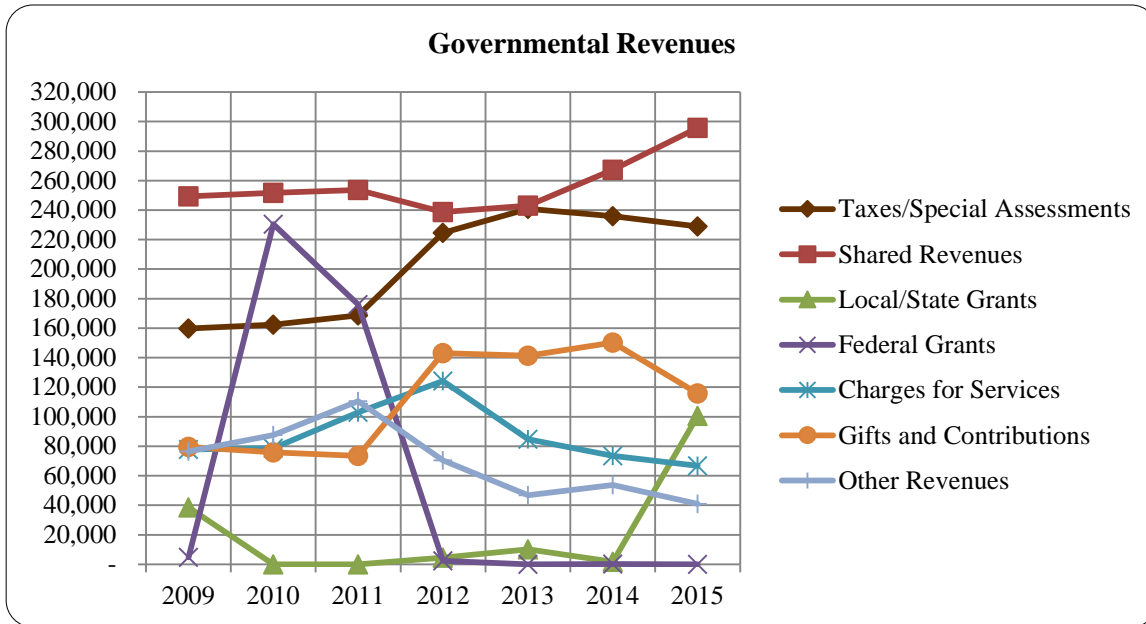
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Public Project Notes of 2001	\$ 11,775	\$ 34,388	\$ -	\$ -	\$ 11,775	\$ 34,388
G.O. Sewer Revenue Bonds of 2006	-	-	173,807	184,701	173,807	184,701
G.O. Water Revenue Note - MPFA	-	-	1,857,476	1,925,476	1,857,476	1,925,476
G.O. Water Revenue Bonds of 2013	-	-	114,538	127,799	114,538	127,799
G.O. Water Revenue Bonds of 2015A	-	-	190,000	-	190,000	-
MPFA Drinking Water State Revolving Fund Loan	-	-	151,000	159,000	151,000	159,000
	<u>\$ 11,775</u>	<u>\$ 34,388</u>	<u>\$ 2,486,821</u>	<u>\$ 2,396,976</u>	<u>\$ 2,498,596</u>	<u>\$ 2,431,364</u>

Minnesota statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2015, 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 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 6.0 percent as of December 31, 2015. This is higher than the statewide rate of 3.7 percent and the national average rate of 5.0 percent.
- Greenbush’s 2015 population was 716, a decrease of 3 since the 2010 census of 719.
- On December 21, 2015, the City of Greenbush set its 2016 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, 2015**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 190,713	\$ 158,397	\$ 349,110
Investments	375,837	272,372	648,209
Taxes receivable			
Current	12,684	-	12,684
Prior	22,629	460	23,089
Special assessments receivable			
Current	428	702	1,130
Prior	548	2,961	3,509
Accounts receivable	6,660	37,457	44,117
Accrued interest receivable	753	587	1,340
Loans receivable	149,429	-	149,429
Special assessments receivable - noncurrent	131,201	101,256	232,457
Capital assets			
Non-depreciable	580,424	4,000	584,424
Depreciable - net of accumulated depreciation	568,302	4,123,037	4,691,339
Total Assets	\$ 2,039,608	\$ 4,701,229	\$ 6,740,837
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 9,942	\$ 4,678	\$ 14,620
<u>Liabilities</u>			
Accounts payable	\$ 9,902	\$ 3,337	\$ 13,239
Salaries payable	3,045	1,372	4,417
Due to other governments	2,941	2,439	5,380
Long-term liabilities			
Due within one year	13,858	113,604	127,462
Due in more than one year	71,186	2,408,291	2,479,477
Total Liabilities	\$ 100,932	\$ 2,529,043	\$ 2,629,975
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 3,554	\$ 1,672	\$ 5,226
<u>Net Position</u>			
Net investment in capital assets	\$ 1,136,951	\$ 1,640,216	\$ 2,777,167
Amounts restricted for			
Economic development	6,522	-	6,522
Public safety	9,421	-	9,421
Unrestricted amounts	792,170	534,976	1,327,146
Total Net Position	\$ 1,945,064	\$ 2,175,192	\$ 4,120,256

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Revenues		
		Operating	
Expenses	Fees, Charges, Fines and Other	Grants and Contributions	
<u>Functions/Programs</u>			
Governmental activities			
General government	\$ 116,176	\$ 11,450	\$ -
Public safety	125,366	32,054	91,746
Highways and streets	156,269	-	-
Culture and recreation	107,275	31,572	55,825
Conservation of natural resources	7,321	10,260	-
Economic development	36,520	40,269	-
Interest	1,585	-	-
	\$ 550,512	\$ 125,605	\$ 147,571
Business-type activities			
Sanitation	\$ 95,145	\$ 89,348	\$ -
Sewer	119,550	106,183	-
Water	260,318	208,606	-
	\$ 475,013	\$ 404,137	\$ -
Total	\$ 1,025,525	\$ 529,742	\$ 147,571

General revenues and transfers

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

Total general revenues and transfers

Change in net position

Net Position - January 1, as previously reported

Prior period adjustment

Net Position - January 1, as restated

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (104,726)	\$ -	\$ (104,726)
-	(1,566)	-	(1,566)
-	(156,269)	-	(156,269)
-	(19,878)	-	(19,878)
-	2,939	-	2,939
-	3,749	-	3,749
-	(1,585)	-	(1,585)
\$ -	\$ (277,336)	\$ -	\$ (277,336)
\$ -	-	\$ (5,797)	\$ (5,797)
10,769	-	(2,598)	(2,598)
3,287	-	(48,425)	(48,425)
\$ 14,056	\$ -	\$ (56,820)	\$ (56,820)
\$ 14,056	\$ (277,336)	\$ (56,820)	\$ (334,156)
	\$ 229,162	\$ -	\$ 229,162
	364,461	-	364,461
	2,203	1,303	3,506
	6,532	-	6,532
	(15,415)	15,415	-
	\$ 586,943	\$ 16,718	\$ 603,661
	\$ 309,607	\$ (40,102)	\$ 269,505
	\$ 1,696,423	\$ 2,243,984	\$ 3,940,407
	(60,966)	(28,690)	(89,656)
	\$ 1,635,457	\$ 2,215,294	\$ 3,850,751
	\$ 1,945,064	\$ 2,175,192	\$ 4,120,256

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Fire Department Special Project/Equipment Special Revenue	RBEG Revolving Loan Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>					
Assets					
Cash and pooled investments	\$ 81,517	\$ 99,054	\$ 3,340	\$ 6,802	\$ 190,713
Investments	193,432	171,888	-	10,517	375,837
Taxes receivable					
Current	12,684	-	-	-	12,684
Prior	22,629	-	-	-	22,629
Special assessments receivable					
Special assessments receivable - current	428	-	-	-	428
Prior	548	-	-	-	548
Accounts receivable	1,060	5,600	-	-	6,660
Accrued interest receivable	263	465	-	25	753
Loans receivable	-	-	149,429	-	149,429
Special assessments receivable - noncurrent	131,201	-	-	-	131,201
Total Assets	\$ 443,762	\$ 277,007	\$ 152,769	\$ 17,344	\$ 890,882
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 9,902	\$ -	\$ -	\$ -	\$ 9,902
Salaries payable	3,045	-	-	-	3,045
Due to other governments	2,941	-	-	-	2,941
Total Liabilities	\$ 15,888	\$ -	\$ -	\$ -	\$ 15,888
Deferred Inflows of Resources					
Taxes	\$ 22,629	\$ -	\$ -	\$ -	\$ 22,629
Loans	-	-	149,429	-	149,429
Special assessments	131,749	-	-	-	131,749
Total Deferred Inflows of Resources	\$ 154,378	\$ -	\$ 149,429	\$ -	\$ 303,807
Fund Balances					
Restricted for					
Economic development	\$ -	\$ -	\$ 3,340	\$ 3,182	\$ 6,522
Police DARE	9,421	-	-	-	9,421
Committed to					
Buildings and related equipment	20,601	-	-	-	20,601
Events	731	-	-	-	731
Fire department equipment	-	277,007	-	14,162	291,169
Pool renovations	746	-	-	-	746
Shop equipment	50,000	-	-	-	50,000
Street improvements	100,000	-	-	-	100,000
Unassigned	91,997	-	-	-	91,997
Total Fund Balances	\$ 273,496	\$ 277,007	\$ 3,340	\$ 17,344	\$ 571,187
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 443,762	\$ 277,007	\$ 152,769	\$ 17,344	\$ 890,882

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balances - total governmental funds (Exhibit 3)	\$	571,187
<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>		1,148,726
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		303,807
<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	\$ (2,788)	
Notes payable	(11,775)	(14,563)
<p>Net pension asset, net pension liability and related inflows/outflows of resources represent the allocation of the pension obligations of the statewide plans to the City. Such balances are not reported in the governmental funds:</p>		
Net pension liability	\$ (70,481)	
Deferred outflows related to pensions	9,942	
Deferred inflows related to pensions	(3,554)	(64,093)
Net position of governmental activities (Exhibit 1)	\$	<u>1,945,064</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, 2015**

	General	Fire Department Special Project/Equipment Special Revenue	RBEG Revolving Loan Special Revenue	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues					
Property taxes	\$ 227,071	\$ -	\$ -	\$ -	\$ 227,071
Special assessments	1,875	-	-	-	1,875
Licenses and permits	3,140	-	-	-	3,140
Intergovernmental	392,108	4,200	-	-	396,308
Charges for services	40,382	-	-	26,339	66,721
Fines and forfeitures	667	-	-	-	667
Gifts and contributions	55,825	59,189	-	710	115,724
Investment earnings	994	1,145	-	64	2,203
Miscellaneous	25,240	-	7,647	2,018	34,905
Total Revenues	\$ 747,302	\$ 64,534	\$ 7,647	\$ 29,131	\$ 848,614
Expenditures					
Current					
General government	\$ 111,021	\$ -	\$ -	\$ -	\$ 111,021
Public safety	70,341	24,093	-	-	94,434
Highways and streets	150,982	-	-	-	150,982
Culture and recreation	55,131	-	-	26,339	81,470
Conservation of natural resources	7,085	-	-	-	7,085
Economic development	3,100	-	33,420	-	36,520
Debt service			-		
Principal retirement	22,613	-	-	-	22,613
Interest	1,585	-	-	-	1,585
Capital outlay			-		
General government	3,000	-	-	-	3,000
Public safety	-	17,929	-	-	17,929
Highways and streets	52,063	-	-	-	52,063
Culture and recreation	459,359	-	-	9,237	468,596
Total Expenditures	\$ 936,280	\$ 42,022	\$ 33,420	\$ 35,576	\$ 1,047,298
Excess of Revenues Over (Under) Expenditures	\$ (188,978)	\$ 22,512	\$ (25,773)	\$ (6,445)	\$ (198,684)
Other Financing Sources (Uses)					
Transfers in	\$ 6,090	\$ 13,000	\$ -	\$ -	\$ 19,090
Transfers out	(28,415)	(6,090)	-	-	(34,505)
Total Other Financing Sources (Uses)	\$ (22,325)	\$ 6,910	\$ -	\$ -	\$ (15,415)
Net Change in Fund Balance	\$ (211,303)	\$ 29,422	\$ (25,773)	\$ (6,445)	\$ (214,099)
Fund Balance - January 1	484,799	247,585	29,113	23,789	785,286
Fund Balance - December 31	\$ 273,496	\$ 277,007	\$ 3,340	\$ 17,344	\$ 571,187

**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, 2015**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (214,099)

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

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.

Purchase of capital assets	\$ 541,588	
Current year depreciation	(64,219)	477,369

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the governmental funds.

Change in		
Taxes receivable	\$ 7,034	
Special assessments receivable	(6,818)	
Loans receivable	26,704	26,920

The repayment of the principal of long-term
debt consumes the resources of governmental funds. This transaction,
however, has no effect on net position.

Principal repayment		22,613
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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.

Change in compensated absences payable		(69)
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Net pension liability does not represent the impending use of current resources.
Therefore, the change in the liability and the related deferrals are not
reported in the governmental funds:

(3,127)

Change in net position of governmental activities (Exhibit 2)		<u>\$ 309,607</u>
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**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 5,238	\$ 13,200	\$ 139,959	\$ 158,397
Investments	99,435	61,378	111,559	272,372
Taxes receivable - delinquent	-	460	-	460
Special assessments receivable				
Current	-	589	113	702
Prior	277	238	2,446	2,961
Accounts receivable	10,077	9,372	18,008	37,457
Accrued interest receivable	200	74	313	587
	\$ 115,227	\$ 85,311	\$ 272,398	\$ 472,936
Noncurrent Assets				
Special assessments receivable	\$ -	\$ -	\$ 101,256	\$ 101,256
Capital assets				
Non-depreciable	-	-	4,000	4,000
Depreciable - net of accumulated depreciation	-	352,196	3,770,841	4,123,037
	\$ -	\$ 352,196	\$ 3,876,097	\$ 4,228,293
Total Assets	\$ 115,227	\$ 437,507	\$ 4,148,495	\$ 4,701,229
<u>Deferred Outflows of Resources</u>				
Related to pensions	\$ -	\$ 2,339	\$ 2,339	\$ 4,678
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 35	\$ 201	\$ 3,101	\$ 3,337
Salaries payable	-	686	686	1,372
Compensated absences payable	-	388	388	776
Due to other governments	922	587	930	2,439
General obligation water revenue bonds payable	-	-	25,487	25,487
MPFA drinking water state revolving fund loan	-	-	8,000	8,000
General obligation revenue bonds payable	-	11,341	-	11,341
MPFA notes payable	-	-	68,000	68,000
	\$ 957	\$ 13,203	\$ 106,592	\$ 120,752
Noncurrent Liabilities				
Compensated absences payable	\$ -	\$ 565	\$ 565	\$ 1,130
General obligation water revenue bonds payable	-	-	279,051	279,051
MPFA drinking water state revolving fund loan	-	-	143,000	143,000
General obligation revenue bonds payable	-	162,466	-	162,466
MPFA notes payable	-	-	1,789,476	1,789,476
Net pension liability	-	16,584	16,584	33,168
	\$ -	\$ 179,615	\$ 2,228,676	\$ 2,408,291
Total Liabilities	\$ 957	\$ 192,818	\$ 2,335,268	\$ 2,529,043
<u>Deferred Inflows of Resources</u>				
Related to pensions	\$ -	\$ 836	\$ 836	\$ 1,672
<u>Net Position</u>				
Net investment in capital assets	\$ -	\$ 178,389	\$ 1,461,827	\$ 1,640,216
Unrestricted amounts	114,270	67,803	352,903	534,976
Total Net Position	\$ 114,270	\$ 246,192	\$ 1,814,730	\$ 2,175,192

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Operating Revenues				
Charges for services	\$ 89,348	\$ 106,183	\$ 207,056	\$ 402,587
Miscellaneous	-	-	1,550	1,550
Total Operating Revenues	\$ 89,348	\$ 106,183	\$ 208,606	\$ 404,137
Operating Expenses				
Personnel services	\$ -	\$ 25,403	\$ 25,504	\$ 50,907
Contracted services	93,941	8,909	-	102,850
Insurance	-	2,183	3,136	5,319
Permits	-	-	1,988	1,988
Repairs and maintenance	-	13,096	277	13,373
Supplies	-	33,740	38,718	72,458
Utilities	-	2,445	13,787	16,232
Miscellaneous	1,204	1,786	1,208	4,198
Depreciation	-	23,815	147,821	171,636
Total Operating Expenses	\$ 95,145	\$ 111,377	\$ 232,439	\$ 438,961
Operating Income (Loss)	\$ (5,797)	\$ (5,194)	\$ (23,833)	\$ (34,824)
Nonoperating Revenues (Expenses)				
Special assessments	\$ 9	\$ 10,760	\$ 3,287	\$ 14,056
Investment earnings	488	337	478	1,303
Interest expense	-	(8,173)	(27,879)	(36,052)
Total Nonoperating Revenues (Expenses)	\$ 497	\$ 2,924	\$ (24,114)	\$ (20,693)
Income (Loss) Before Transfers	\$ (5,300)	\$ (2,270)	\$ (47,947)	\$ (55,517)
Transfers in	-	-	15,415	15,415
Change in Net Position	\$ (5,300)	\$ (2,270)	\$ (32,532)	\$ (40,102)
Net Position - January 1	\$ 119,570	\$ 262,807	\$ 1,861,607	\$ 2,243,984
Prior period adjustment	-	(14,345)	(14,345)	(28,690)
Net Position - January 1, as restated	\$ 119,570	\$ 248,462	\$ 1,847,262	\$ 2,215,294
Net Position - December 31	\$ 114,270	\$ 246,192	\$ 1,814,730	\$ 2,175,192

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
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	\$ 91,346	\$ 105,644	\$ 210,771	\$ 407,761
Payments to employees	-	(24,471)	(24,530)	(49,001)
Payments to suppliers	(95,180)	(68,135)	(57,423)	(220,738)
Net cash provided by (used in) operating activities	\$ (3,834)	\$ 13,038	\$ 128,818	\$ 138,022
Cash Flows from Noncapital Financing Activities				
Transfers in	\$ -	\$ -	\$ 15,415	\$ 15,415
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	\$ -	\$ (10,894)	\$ (13,261)	\$ (24,155)
Interest paid on bonds	-	(8,173)	(2,173)	(10,346)
Principal paid on Public Facilities Authority notes	-	-	(68,000)	(68,000)
Interest paid on Public Facilities Authority notes	-	-	(20,316)	(20,316)
Principal paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(8,000)	(8,000)
Interest paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(1,590)	(1,590)
Issuance of bonds	-	-	186,200	186,200
Purchase of capital assets	-	-	(206,890)	(206,890)
Special assessments received	74	10,444	10,675	21,193
Net cash provided by (used in) capital and related financing activities	\$ 74	\$ (8,623)	\$ (123,355)	\$ (131,904)
Cash Flows from Investing Activities				
Investment earnings received	\$ 535	\$ 336	\$ 771	\$ 1,642
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (3,225)	\$ 4,751	\$ 21,649	\$ 23,175
Cash and Cash Equivalents at January 1	107,898	69,827	229,869	407,594
Cash and Cash Equivalents at December 31	\$ 104,673	\$ 74,578	\$ 251,518	\$ 430,769

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
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)	\$ (5,797)	\$ (5,194)	\$ (23,833)	\$ (34,824)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 23,815	\$ 147,821	\$ 171,636
Decrease (increase) in assets				
Accounts receivable	1,266	(539)	2,667	3,394
Increase (decrease) in liabilities				
Accounts payable	35	(5,976)	1,874	(4,067)
Salaries payable		25	25	50
Compensated absences payable	-	111	111	222
Due to other governments	662	60	(583)	139
Net pension liability	-	736	736	1,472
Total adjustments	\$ 1,963	\$ 18,232	\$ 152,651	\$ 172,846
Net cash provided by (used in) operating activities	\$ (3,834)	\$ 13,038	\$ 128,818	\$ 138,022

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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 Rural Business Enterprise Grant Special Revenue Fund (RBEG) is used to account for and report loans to commercial properties restricted for economic development.

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, 2015, 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 2015 were \$994. Total investment earnings for 2015 were \$3,506.

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 2015 and deferred special assessments collectible in 2016 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 Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The City reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary funds Statement of Net Position in relation to the activity of the pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they 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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

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.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. 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, 2015.

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

9. Net Position and Fund Balance (Continued)

the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Clerk/Treasurer. The City does not have any assigned fund balance at December 31, 2015.

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.

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, 2015 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.

10. 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. Stewardship, Compliance, and Accountability

A. Change in Accounting Principles

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the City to change the accounting for the pension costs related to the City’s participation in the Public Employees Retirement Association (PERA). In addition, the City will also be recognizing a net pension liability, deferred outflows of resources, and deferred inflows of resources related to the City’s proportionate share of the collective amounts in PERA.

As a result, beginning net position has been restated to reflect the related net pension liability and deferred outflows of resources as of January 1, 2015 as follows:

	Governmental Activities	Sewer Enterprise Fund	Water Enterprise Fund
Beginning Net Position	\$ 1,696,423	\$ 262,807	\$ 1,861,607
Net Pension Liability at January 1, 2015	(60,966)	(14,345)	(14,345)
Net position - January 1, 2015, as restated	\$ 1,635,457	\$ 248,462	\$ 1,847,262

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City’s total deposits and investments to the basic financial statements, as of December 31, 2015, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 190,713
Investments	375,837
Business-type Activities	
Cash and pooled investments	158,397
Investments	272,372
Total Cash and Investments	\$ 997,319
Deposits	\$ 997,219
Petty cash and change funds	100
Total Deposits and Cash on Hand	\$ 997,319

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits

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

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. However, the City complies with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2015, the City's deposits were not exposed to custodial credit risk.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, for the City's governmental activities and business-type activities, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 35,313	\$ -
Special Assessments	132,177	118,544
Accounts	6,660	-
Accrued interest	753	-
Loans	149,429	143,132
Total Governmental Activities	\$ 324,332	\$ 261,676
	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Taxes	\$ 460	\$ -
Special assessments	104,919	93,521
Accounts	37,457	-
Accrued interest	587	-
Total Business-Type Activities	\$ 143,423	\$ 93,521

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. 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, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 84,849	\$ 3,000	\$ -	\$ 87,849
Construction in progress				
Culture & recreation	23,979	468,596	-	\$ 492,575
Total capital assets not depreciated	<u>\$ 108,828</u>	<u>\$ 471,596</u>	<u>\$ -</u>	<u>\$ 580,424</u>
Capital assets being depreciated				
Buildings and improvements	\$ 954,471	\$ -	\$ -	\$ 954,471
Infrastructure	-	52,063	-	52,063
Machinery and equipment	813,285	17,929	-	831,214
Total capital assets being depreciated	<u>\$ 1,767,756</u>	<u>\$ 69,992</u>	<u>\$ -</u>	<u>\$ 1,837,748</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 605,096	\$ 26,717	\$ -	\$ 631,813
Machinery and equipment	600,131	37,502	-	637,633
Total accumulated depreciation	<u>\$ 1,205,227</u>	<u>\$ 64,219</u>	<u>\$ -</u>	<u>\$ 1,269,446</u>
Total capital assets, depreciated, net	<u>\$ 562,529</u>	<u>\$ 5,773</u>	<u>\$ -</u>	<u>\$ 568,302</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 671,357</u>	<u>\$ 477,369</u>	<u>\$ -</u>	<u>\$ 1,148,726</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Capital assets being depreciated				
Infrastructure	\$ 4,827,262	\$ 206,890	\$ -	\$ 5,034,152
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
Total capital assets being depreciated	\$ 4,914,618	\$ 206,890	\$ -	\$ 5,121,508
Less: accumulated depreciation for				
Infrastructure	\$ 771,538	\$ 165,169	\$ -	\$ 936,707
Buildings and improvements	6,937	434	-	7,371
Machinery and equipment	48,360	6,033	-	54,393
Total accumulated depreciation	\$ 826,835	\$ 171,636	\$ -	\$ 998,471
Total capital assets, depreciated, net	\$ 4,087,783	\$ 35,254	\$ -	\$ 4,123,037
Business-Type Activities				
Capital Assets, Net	\$ 4,091,783	\$ 35,254	\$ -	\$ 4,127,037

Depreciation Expense

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

Governmental Activities	
General government	\$ 1,730
Public safety	30,932
Highways and streets	5,516
Culture and recreation	25,805
Conservation of natural resources	236
Total Depreciation Expense - Governmental Activities	\$ 64,219
Business-Type Activities	
Sewer	\$ 23,815
Water	147,821
Total Depreciation Expense - Business-Type Activities	\$ 171,636

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

B. Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following operating transfers:

Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	\$ 13,000	Operating transfer
Transfer to General Fund from Fire Department Special Project/Equipment Special Revenue Fund	6,090	Operating transfer
Transfer to Water Enterprise Fund from General Fund	<u>15,415</u>	Water protection fees
Total Interfund Transfers	<u>\$ 34,505</u>	

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 \$7,611 at December 31, 2015, 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, 2015 is \$11,775.

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, 2015 is \$173,807.

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**

III. 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, 2015 is \$1,197,476.

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, 2015 is \$660,000.

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, 2015 is \$114,538.

City of Greenbush General Obligation Water Revenue Bonds of 2015A represent debt incurred for water main improvements. These bonds have an original issue amount of \$190,000. They carry a net interest rate of 2.80 percent and are due in annual installments of \$12,000 to \$28,000 through February 1, 2023. The balance outstanding at December 31, 2015 is \$190,000.

City of Greenbush MPFA Drinking Water State Revolving Fund Loan represents debt incurred for water main improvements. This loan has an original issue amount of \$111,573 with an addition of \$54,741 in 2015 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, 2015 is \$151,000.

Debt Service Requirements

Governmental Activities

Debt service requirements for the governmental activities for the year ended December 31, 2015, are as follows:

	Public Project Notes of 2001	
	Principal	Interest
2016	11,775	324

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Debt Service Requirements (Continued)

Business-Type Activities

Debt service requirements for the business-type activities for the year ended December 31, 2015, are as follows:

Year Ending December 31	General Obligation							
	Water and Sewer Revenue Bonds of 2006		Water Revenue Note of 2009		Water Revenue Bonds of 2013		Water Revenue Bonds of 2015A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	11,341	7,726	68,000	19,598	13,487	1,947	12,000	4,723
2017	11,817	7,250	69,000	18,881	13,716	1,718	23,000	4,662
2018	12,313	6,754	70,000	18,154	13,949	1,485	24,000	4,004
2019	12,843	6,224	71,000	17,415	14,186	1,248	25,000	3,318
2020	13,395	5,672	71,000	16,666	14,428	1,006	25,000	2,618
2021-2025	76,443	18,892	369,000	71,899	44,772	1,530	81,000	3,458
2026-2030	35,655	2,479	387,000	52,045	-	-	-	-
2031-2035	-	-	410,000	31,129	-	-	-	-
2036-2039	-	-	342,476	9,078	-	-	-	-
	<u>\$ 173,807</u>	<u>\$ 54,997</u>	<u>\$ 1,857,476</u>	<u>\$ 254,865</u>	<u>\$ 114,538</u>	<u>\$ 8,934</u>	<u>\$ 190,000</u>	<u>\$ 22,783</u>

Year Ending December 31	MPFA Drinking Water State Revolving Fund Loan	
	Principal	Interest
2016	8,000	1,510
2017	8,000	1,430
2018	8,000	1,350
2019	8,000	1,270
2020	9,000	1,190
2021-2025	45,000	4,600
2026-2030	45,000	2,350
2031-2035	20,000	300
2036-2039	-	-
	<u>\$ 151,000</u>	<u>\$ 14,000</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Public Project Notes of 2001	\$ 34,388	\$ -	\$ 22,613	\$ 11,775	\$ 11,775
Compensated Absences	2,719	8,360	8,291	2,788	705
Net Pension Liability	-	70,482	-	70,482	-
Governmental Activities Long-Term Liabilities	<u>\$ 37,107</u>	<u>\$ 78,842</u>	<u>\$ 30,904</u>	<u>\$ 85,045</u>	<u>\$ 12,480</u>

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 184,701	\$ -	\$ 10,894	\$ 173,807	\$ 11,341
General Obligation Water Revenue Note of 2009 - MPFA	1,925,476	-	68,000	1,857,476	68,000
General Obligation Water Revenue Bonds of 2013	127,799	-	13,261	114,538	13,487
General Obligation Water Revenue Bonds of 2015	-	190,000	-	190,000	12,000
MPFA Drinking Water State Revolving Funds	159,000	-	8,000	151,000	8,000
Compensated Absences	1,684	3,480	3,257	1,907	776
Net Pension Liability	-	33,168	-	33,168	-
Business-Type Activities Long-Term Liabilities	<u>\$ 2,398,660</u>	<u>\$ 226,648</u>	<u>\$ 103,412</u>	<u>\$ 2,521,896</u>	<u>\$ 113,604</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

A. Plan Description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City of Greenbush are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans (Continued)

B. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City of Greenbush was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City of Greenbush's contributions to the GERF for the year ended December 31, 2015, were \$9,579. The City of Greenbush's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

GERF Pension Costs

At December 31, 2015, the City of Greenbush reported a liability of \$103,650 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of that date. The City of Greenbush proportion of the net pension liability was based on the City of Greenbush's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2015, the City of Greenbush's proportion share was .0020% which was no change from its proportion measured as of June 30, 2014.

There were no provision changes during the measurement period.

For the year ended December 31, 2015, the City of Greenbush recognized pension expense of \$13,816 for its proportionate share of the GERF's pension expense.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

C. Pension Costs

1. GERF Pension Costs (Continued)

At December 31, 2015, the City of Greenbush reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 5,226
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	9,812	-
Changes in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	4,809	-
Total	\$ 14,621	\$ 5,226

\$4,809 reported as deferred outflows of resources related to pensions resulting from the City of Greenbush's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$ 711
2017	711
2018	711
2019	2,453
2020	-

D. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

D. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males and females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% effective every January 1st until 2026, then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

E. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans (Continued)

F. Pension Liability Sensitivity

The following presents the City of Greenbush’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Greenbush’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

City of Greenbush's	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the GERP net pension liability	\$ 162,975	\$ 103,650	\$ 54,657

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; or by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651)296-7460 or 1-800-652-9026.

V. 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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 233,200	\$ 233,200	\$ 227,071	\$ (6,129)
Special assessments	2,000	2,000	1,875	(125)
Licenses and permits	2,520	2,520	3,140	620
Intergovernmental	265,188	265,188	392,108	126,920
Charges for services	34,950	34,950	40,382	5,432
Fines and forfeitures	-	-	667	667
Gifts and contributions	5,000	5,000	55,825	50,825
Investment earnings	500	500	994	494
Miscellaneous	12,080	12,080	25,240	13,160
Total Revenues	\$ 555,438	\$ 555,438	\$ 747,302	\$ 191,864
Expenditures				
Current				
General government				
Mayor/council	\$ 13,500	\$ 13,500	\$ 14,504	\$ (1,004)
City clerk/treasurer	64,000	64,000	43,012	20,988
Professional services	4,900	4,900	4,900	-
Legal	1,500	1,500	2,612	(1,112)
Assessor	3,400	3,400	3,480	(80)
Buildings and grounds	15,200	15,200	16,715	(1,515)
Insurance	3,500	3,500	12,917	(9,417)
Other general government	3,500	3,500	12,881	(9,381)
Total general government	\$ 109,500	\$ 109,500	\$ 111,021	\$ (1,521)
Public safety				
Police	\$ 23,720	\$ 23,720	\$ 1,213	\$ 22,507
Fire	39,450	39,450	43,676	(4,226)
Fire relief association	11,000	11,000	25,452	(14,452)
Total public safety	\$ 74,170	\$ 74,170	\$ 70,341	\$ 3,829
Highways and streets				
Streets and alleys	\$ 187,335	\$ 187,335	\$ 131,023	\$ 56,312
Street lighting	18,500	18,500	19,959	(1,459)
Total highways and streets	\$ 205,835	\$ 205,835	\$ 150,982	\$ 54,853

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Culture and recreation				
Ice rinks	\$ 2,150	\$ 2,150	\$ 2,057	\$ 93
Library	21,155	21,155	18,592	2,563
Parks	19,150	19,150	13,076	6,074
Recreational programs	8,800	8,800	6,645	2,155
Swimming pool	27,980	27,980	3,902	24,078
Other culture and recreation	-	-	10,859	(10,859)
Total culture and recreation	\$ 79,235	\$ 79,235	\$ 55,131	\$ 24,104
Conservation of natural resources				
Weed and pest control	\$ 5,000	\$ 5,000	\$ 7,085	\$ (2,085)
Economic development				
Other economic development	\$ 2,500	\$ 2,500	\$ 3,100	\$ (600)
Debt service				
Principal retirement	\$ 22,613	\$ 22,613	\$ 22,613	\$ -
Interest	1,585	1,585	1,585	-
Total debt service	\$ 24,198	\$ 24,198	\$ 24,198	\$ -
Capital outlay				
General government	\$ 5,000	\$ 5,000	\$ 3,000	\$ 2,000
Highways and streets	-	-	52,063	(52,063)
Culture and recreation	22,000	22,000	459,359	(437,359)
Total capital outlay	\$ 27,000	\$ 27,000	\$ 514,422	\$ (487,422)
Total Expenditures	\$ 527,438	\$ 527,438	\$ 936,280	\$ (408,842)
Excess of Revenues Over (Under)				
Expenditures	\$ 28,000	\$ 28,000	\$ (188,978)	\$ (216,978)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 6,090	\$ 6,090
Transfers out	(28,000)	(28,000)	(28,415)	(415)
Total Other Financing Sources (Uses)	\$ (28,000)	\$ (28,000)	\$ (22,325)	\$ 5,675
Net Change in Fund Balance	\$ -	\$ -	\$ (211,303)	\$ (211,303)
Fund Balance - January 1	484,799	484,799	484,799	-
Fund Balance - December 31	\$ 484,799	\$ 484,799	\$ 273,496	\$ (211,303)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 2,000	\$ 2,000	\$ 59,189	\$ 57,189
Intergovernmental	-	-	4,200	4,200
Investment earnings	-	-	1,145	1,145
Total Revenues	\$ 2,000	\$ 2,000	\$ 64,534	\$ 62,534
Expenditures				
Current				
Public safety				
Fire	\$ 2,000	\$ 2,000	\$ 24,093	\$ (22,093)
Capital outlay				
Public safety	-	-	17,929	(17,929)
Total Expenditures	\$ 2,000	\$ 2,000	\$ 42,022	\$ (40,022)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 22,512	\$ 22,512
Other Financing Sources (Uses)				
Transfers in	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Transfers out	-	-	(6,090)	(6,090)
Total Other Financing Sources (Uses)	\$ 13,000	\$ 13,000	\$ 6,910	\$ (6,090)
Net Change in Fund Balance	\$ 13,000	\$ 13,000	\$ 29,422	\$ 16,422
Fund Balance - January 1	-	-	247,585	247,585
Fund Balance - December 31	\$ 13,000	\$ 13,000	\$ 277,007	\$ 264,007

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 9,141	\$ 9,141	\$ 7,647	\$ (1,494)
Expenditures				
Current				
Economic development				
Administration	\$ -	\$ -	\$ 420	\$ (420)
Other economic development	-	-	33,000	(33,000)
Total Expenditures	\$ -	\$ -	\$ 33,420	\$ (33,420)
Excess of Revenues Over (Under)				
Expenditures	\$ 9,141	\$ 9,141	\$ (25,773)	\$ (34,914)
Fund Balance - January 1	-	-	29,113	29,113
Fund Balance - December 31	\$ 9,141	\$ 9,141	\$ 3,340	\$ (5,801)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2015**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
December 31, 2015	\$ 9,579	\$ 9,579	\$ -	\$ 124,994	7.7%

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered- Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.0020%	\$ 103,650	\$ 123,416	83.98%	78.20%

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015:

Mayor/council	\$ 14,504	\$ 13,500	\$ (1,004)
Legal	2,612	1,500	(1,112)
Assessor	3,480	3,400	(80)
Buildings and grounds	16,715	15,200	(1,515)
Insurance	12,917	3,500	(9,417)
Other general government	12,881	3,500	(9,381)
Public safety			
Fire	43,676	39,450	(4,226)
Fire relief association	25,452	11,000	(14,452)
Highways and streets			
Streets lighting	19,959	18,500	(1,459)
Culture and recreation			
Other culture and recreation	10,859	-	(10,859)
Conservation of natural resources			
Weed and pest control	7,085	5,000	(2,085)
Economic development			
Other economic development	3,100	2,500	(600)
Capital outlay			
Highways and streets	52,063	-	(52,063)
Culture and recreation	459,359	22,000	(437,359)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Fire Department Special Project/Equipment Special Revenue Fund			
Public safety			
Fire	\$ 24,093	\$ 2,000	\$ (22,093)
Capital outlay			
Public safety	17,929	-	(17,929)
RBEG Revolving Loan Special Revenue Fund			
Economic development			
Administration	420	-	(420)
Other economic development	33,000	-	(33,000)

III. Net Pension Liability

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rates. The assumptions and methods used for this actuarial valuation were recommend by PERA and adopted by the City Council.

SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2015**

	Fire Department	Small Cities Development Program Special Revenue	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 3,620	\$ 3,182	\$ 6,802
Investments	10,517	-	10,517
Accrued interest receivable	25	-	25
Total Assets	\$ 14,162	\$ 3,182	\$ 17,344
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Fund Balances			
Restricted for economic development	\$ -	\$ 3,182	\$ 3,182
Committed to			
Fire department equipment	14,162	-	14,162
Total Fund Balances	\$ 14,162	\$ 3,182	\$ 17,344
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,162	\$ 3,182	\$ 17,344

**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, 2015**

	<u>Fire Department</u>	<u>General Special Projects</u>	<u>Golf Course</u>	<u>Small Cities Development Program Special Revenue</u>	<u>Total (Exhibit 5)</u>
Revenues					
Charges for services	\$ -	\$ -	\$ 26,339	\$ -	\$ 26,339
Gifts and contributions	710	-	-	-	710
Investment earnings	64	-	-	-	64
Miscellaneous	-	-	-	2,018	2,018
Total Revenues	\$ 774	\$ -	\$ 26,339	\$ 2,018	\$ 29,131
Expenditures					
Current					
Culture and recreation	\$ -	\$ -	\$ 26,339	\$ -	\$ 26,339
Capital outlay					
Culture and recreation	-	9,237	-	-	9,237
Total Expenditures	\$ -	\$ 9,237	\$ 26,339	\$ -	\$ 35,576
Excess of Revenues Over (Under) Expenditures	\$ 774	\$ (9,237)	\$ -	\$ 2,018	\$ (6,445)
Fund Balance - January 1	13,388	9,237	-	1,164	23,789
Fund Balance - December 31	\$ 14,162	\$ -	\$ -	\$ 3,182	\$ 17,344

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 750	\$ 750	\$ 710	\$ (40)
Investment earnings	-	-	64	64
Total Revenues	\$ 750	\$ 750	\$ 774	\$ 24
Expenditures				
Current				
Public safety				
Fire protection	100	100	-	100
Excess of Revenues Over (Under)				
Expenditures	\$ 650	\$ 650	\$ 774	\$ 124
Fund Balance - January 1	-	-	13,388	13,388
Fund Balance - December 31	\$ 650	\$ 650	\$ 14,162	\$ 13,512

OTHER SCHEDULES

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

Shared Revenue

State

Fire state aid	\$	17,852
Firefighters relief association (supplemental benefits)		7,600
Local government aid		253,520
Market value credit		22
PERA rate reimbursement		668
Small cities assistance aid		16,089

Total Shared Revenue **\$** 295,751

Grants

Local

Northwest Minnesota Foundation	\$	94,162
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State

Minnesota Department/Board of

Natural Resources	\$	350
Minnesota Department of Public Safety		6,045

Total State Grants **\$** 6,395

Total Grants **\$** 100,557

Total Intergovernmental Revenue **\$** 396,308

MANAGEMENT AND COMPLIANCE SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

**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

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal controls over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

Condition: Due to the limited number of personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Generally, one person is responsible for billing, collecting, depositing, and recording receipts as well as reconciling bank accounts.

Context: The small size and available staffing within the City limits the internal control that management can design and implement into the organization.

Effect: Without adequate segregation of duties, opportunities for errors and irregularities or fraudulent activities to occur are created and may not be detected in a timely manner.

Cause: This is not unusual in operations the size of the City, where, because of staffing limitations, it is impractical to achieve a desirable level of segregation of duties. Management has determined that, given limited resources, it is not feasible to achieve the desired level of segregation of duties.

Recommendation: Management should continually be aware that segregation of duties is not adequate from an internal control point of view. We recommend the City Council be aware that limited staffing causes inherent risks in safeguarding the City's assets and the proper reporting of financial activity. We recommend the City Council continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

2007-001 Internal Controls

Criteria: The financial statements are the responsibility of the City of Greenbush's management. Internal control over financial reporting is a process designed to provide reliable assurance about the achievement of the City's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. These controls must include a process for monitoring to ensure, effectiveness and efficiency of operations.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**Schedule 8
(Continued)**

Condition: Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The City does not have a process for monitoring to ensure the internal controls are effective.

Context: Although the City of Greenbush has a system of internal control in spite of limited staff, they do not have written documentation of the process for monitoring those controls.

Effect: Without a documented process for monitoring internal controls, the City cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations.

Cause: The City of Greenbush has never formalized its policies and procedures for internal controls and monitoring of those controls into a written comprehensive document.

Recommendation: We recommend the City formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

ITEM ARISING THIS YEAR

2015-001 **Accounting and Financial Reporting for Pensions**

Criteria: The Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which provides accounting and reporting standards for pensions offered to retirees. GASB Statement 68 was applicable to the City of Greenbush for the year ended December 31, 2015.

Condition: GASB Statement 68 has not yet been fully implemented by the City of Greenbush as required. The City has reported net pension liability for City employees, but this does not include members of the Fire Relief Association. The City Fire Relief Association has not undergone an actuarial study to determine its net pension liability.

Context: The City should encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability for its inclusion in the City's financial statements.

Effect: Because the City of Greenbush has not fully complied with the requirements of GASB Statement 68, a qualified opinion is issued on the government-wide financial statements.

Cause: The Fire Relief Association has not hired an actuary to determine its net pension liability to meet the requirements for financial reporting under GASB Statement 68.

Recommendation: We recommend the City Council encourage the Fire Relief Association to obtain an actuarial study to determine its net pension liability for inclusion in the City's financial statements.



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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2016.

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, 2007-001, and 2015-001, 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 Recommendations. 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

June 3, 2016