

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2016



Hoffman, Philipp, & Knutson, PLLC

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

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GREENBUSH, MINNESOTA**

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## **INTRODUCTORY SECTION**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2016**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
<b>Elected</b>		
Brenda Sather	Mayor	December 31, 2018
Christine Foss	Councilmember	December 31, 2018
Eric Etherington	Councilmember	December 31, 2020
Dennis Filer	Councilmember	December 31, 2020
Vacant <sup>1</sup>	Councilmember	December 31, 2018
<b>Appointed</b>		
Anita Locken	Clerk/Treasurer	Indefinite

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<sup>1</sup> Scott Waage filled vacant position, effective February, 2017.

## **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, 2016, 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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



### *Accompanying Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenbush's basic financial statements. The introductory section, the supplementary information, and the other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The 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 April 24, 2017, 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

April 24, 2017



## 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, 2016. 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 \$1,909,285, of which \$1,184,852 is the net investment in capital assets, \$12,773 is restricted for specific purposes, and \$711,660 is unrestricted. The total net position of governmental activities decreased by \$35,779 for the year ended December 31, 2016. This is attributed primarily to pension expenses.

The total net position of business-type activities is \$2,281,461, of which \$1,543,775 is the net investment in capital assets and \$737,686 is unrestricted. The total net position of business-type activities increased by \$106,269 in 2016, as a result of the funds collecting fees that exceed costs.

At the close of 2016, the City's governmental funds reported combined ending fund balances of \$632,239, an increase of \$61,052 from the prior year. Of the total fund balance amount, \$12,773 is legally or contractually restricted, \$527,617 is formally committed for specific purposes, and \$91,849 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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## Government-Wide Financial Statements

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

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

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

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

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

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

## Fund Financial Statements

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

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

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

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

The City reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. 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 \$4,190,746 at the close of 2016. The largest portion of the City’s net position (approximately 65 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 35 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$1,449,346 as of December 31, 2016, 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 \$694,820, from the prior year, primarily due to the watermain project. Total liabilities increased by \$659,047, from the prior year, due to the issuance of General Obligation Water Revenue Bonds. This resulted in an increased net position of \$70,490 from the prior year.

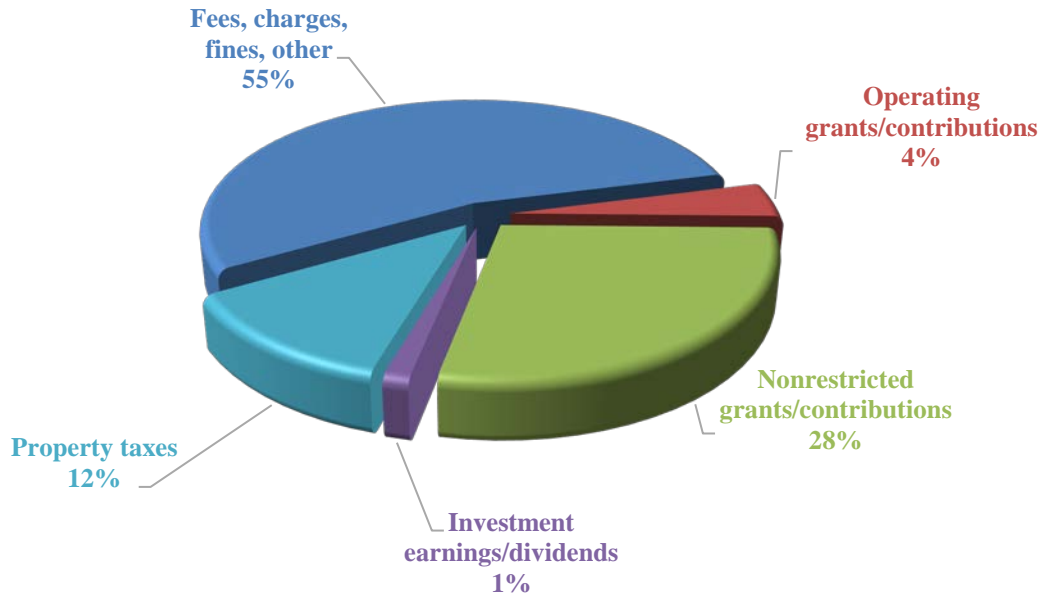
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 876,393	\$ 890,882	\$ 811,420	\$ 574,192	\$ 1,687,813	\$ 1,465,074
Capital assets	1,184,852	1,148,726	4,562,992	4,127,037	5,747,844	5,275,763
Total assets	\$ 2,061,245	\$ 2,039,608	\$ 5,374,412	\$ 4,701,229	\$ 7,435,657	\$ 6,740,837
Deferred outflows - pensions	\$ 37,315	\$ 9,942	\$ 17,560	\$ 4,678	\$ 54,875	\$ 14,620
Other liabilities	\$ 4,753	\$ 15,888	\$ 33,666	\$ 7,148	\$ 38,419	\$ 23,036
Long-term liabilities outstanding	111,170	85,044	3,073,401	2,521,895	3,184,571	2,606,939
Total liabilities	\$ 115,923	\$ 100,932	\$ 3,107,067	\$ 2,529,043	\$ 3,222,990	\$ 2,629,975
Deferred inflows - pensions	\$ 7,320	\$ 3,554	\$ 3,444	\$ 1,672	\$ 10,764	\$ 5,226
Net position						
Net Investment in capital assets	\$ 1,184,852	\$ 1,136,951	\$ 1,543,775	\$ 1,640,216	\$ 2,728,627	\$ 2,777,167
Restricted	12,773	15,943	-	-	12,773	15,943
Unrestricted	711,660	792,170	737,686	534,976	1,449,346	1,327,146
Total net position	\$ 1,909,285	\$ 1,945,064	\$ 2,281,461	\$ 2,175,192	\$ 4,190,746	\$ 4,120,256

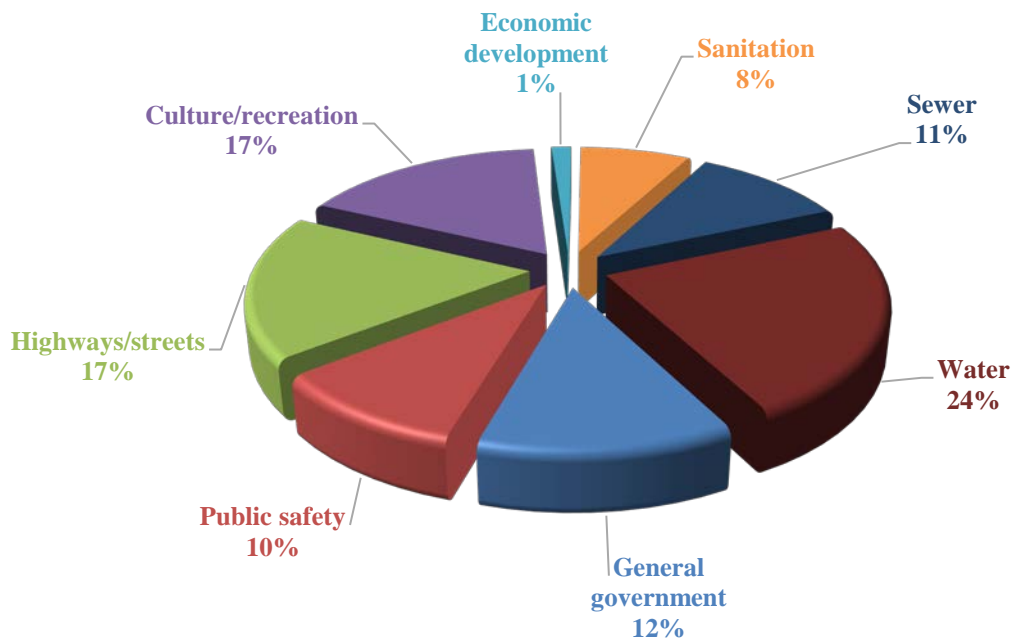
**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 147,570	\$ 125,605	\$ 412,336	\$ 404,137	\$ 559,906	\$ 529,742
Operating grants and contributions	44,545	147,571	-	-	44,545	147,571
Capital grants and contributions	-	-	138,581	14,056	138,581	14,056
General Revenues and Transfers						
Property taxes	124,932	229,162	-	-	124,932	229,162
Grants and contributions not restricted to specific programs	287,758	364,461	-	-	287,758	364,461
Investment earnings	2,076	2,203	1,521	1,303	3,597	3,506
Insurance dividends	9,871	6,532	-	-	9,871	6,532
Transfers	(15,000)	(15,415)	15,000	15,415	-	-
Total revenues	\$ 601,752	\$ 860,119	\$ 567,438	\$ 434,911	\$ 1,169,190	\$ 1,295,030
Expenses						
General government	\$ 135,779	\$ 116,176	\$ -	\$ -	\$ 135,779	\$ 116,176
Public safety	109,059	125,366	-	-	109,059	125,366
Highways and streets	192,315	156,269	-	-	192,315	156,269
Culture and recreation	184,856	107,275	-	-	184,856	107,275
Conservation of natural resources	236	7,321	-	-	236	7,321
Economic development	14,962	36,520	-	-	14,962	36,520
Interest	324	1,585	-	-	324	1,585
Sanitation	-	-	83,718	95,145	83,718	95,145
Sewer	-	-	116,936	119,550	116,936	119,550
Water	-	-	260,515	260,318	260,515	260,318
Total expenses	\$ 637,531	\$ 550,512	\$ 461,169	\$ 475,013	\$ 1,098,700	\$ 1,025,525
Increase (decrease) in net position	\$ (35,779)	\$ 309,607	\$ 106,269	\$ (40,102)	\$ 70,490	\$ 269,505
Net position, January 1, as previously reported	\$ 1,945,064	\$ 1,696,423	\$ 2,175,192	\$ 2,243,984	\$ 4,120,256	\$ 3,940,407
Prior period adjustment	-	(60,966)	-	(28,690)	-	(89,656)
Net position, January 1, as restated	\$ 1,945,064	\$ 1,635,457	\$ 2,175,192	\$ 2,215,294	\$ 4,120,256	\$ 3,850,751
Net position, December 31	\$ 1,909,285	\$ 1,945,064	\$ 2,281,461	\$ 2,175,192	\$ 4,190,746	\$ 4,120,256

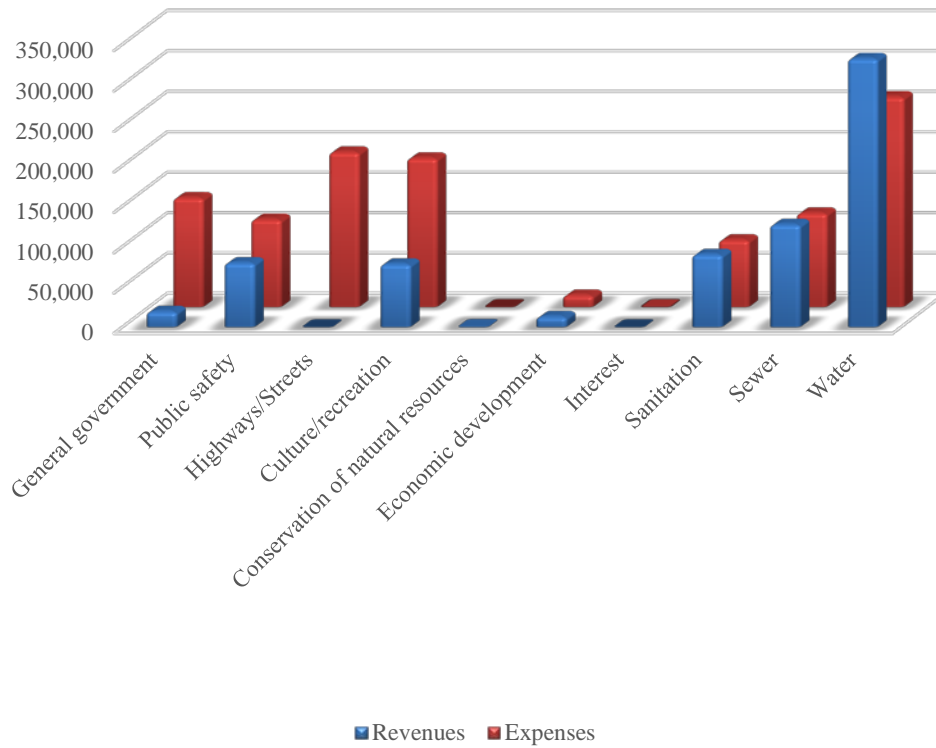
## Revenues by Source



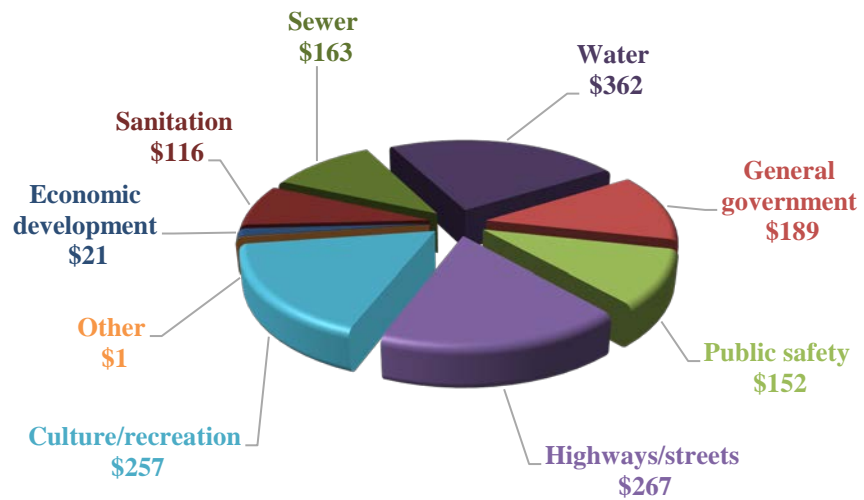
## Expenses by Function



## Program Revenues & Expenditures



## Expenditures Per Capita 719 Population as of 2016



## **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 2016, the City's governmental funds reported combined ending fund balances of \$632,239. Of this amount, approximately 2 percent constitutes legally or contractually restricted fund balance, 83 percent constitutes formally committed fund balance, and 15 percent constitutes unassigned fund balance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, the General Fund's total fund balance was \$339,594. The General Fund's restricted fund balance was \$8,538, committed fund balance was \$239,207, and unassigned fund balance was \$91,849. 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 2016. Unrestricted fund balance represents 56 percent of total General Fund expenditures, while total fund balance represents 57 percent of that same amount.

In 2016, the fund balance amount in the General Fund increased by \$66,098. The primary reason for this was the swimming pool in operation again.

### **Proprietary Funds**

The Sanitation Enterprise Fund reported an operating income in 2016 of \$6,748, due to a decrease in sanitation costs.

The Sewer Enterprise Fund reported an operating income in 2016 of \$7,205, primarily as a result of the sewer fund charging fees that exceed expenses.

The Water Enterprise Fund reported an operating loss in 2016 of \$27,281, primarily as a result of the water fund not charging fees to cover expenses, including depreciation of \$154,230.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues were more than overall final budgeted revenues by \$94,272. The largest positive variances were in intergovernmental, gifts and contributions, and miscellaneous revenues. Actual expenditures were more than overall final budgeted expenditures by \$27,674, 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, 2016, amounted to \$5,747,844 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 87,849	\$ 87,849	\$ 4,000	\$ 4,000	\$ 91,849	\$ 91,849
Construction in progress	-	492,575	31,206	-	31,206	492,575
Infrastructure	50,761	52,063	4,506,794	4,097,445	4,557,555	4,149,508
Buildings and improvements	324,255	322,658	5,195	5,629	329,450	328,287
Machinery and equipment	721,987	193,581	15,797	19,963	737,784	213,544
Total capital assets	<u>\$ 1,184,852</u>	<u>\$ 1,148,726</u>	<u>\$ 4,562,992</u>	<u>\$ 4,127,037</u>	<u>\$ 5,747,844</u>	<u>\$ 5,275,763</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 \$3,019,217 which is backed by the full faith and credit of the government.

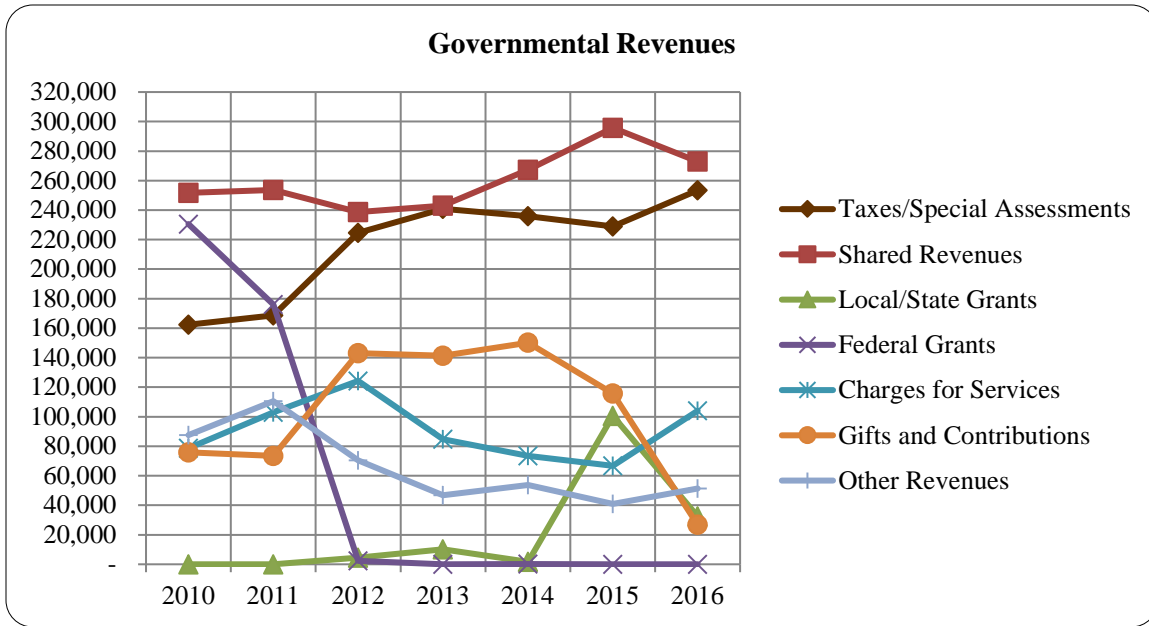
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Public Project Notes of 2001	\$ -	\$ 11,775	\$ -	\$ -	\$ -	\$ 11,775
G.O. Sewer Revenue Bonds of 2006	-	-	162,466	173,807	162,466	173,807
G.O. Water Revenue Note - MPFA	-	-	1,789,476	1,857,476	1,789,476	1,857,476
G.O. Water Revenue Bonds of 2013	-	-	101,051	114,538	101,051	114,538
G.O. Water Revenue Bonds of 2015A	-	-	178,000	190,000	178,000	190,000
G.O. Temp Water Revenue Bonds of 2016A	-	-	645,224	-	645,224	-
MPFA Drinking Water State Revolving Fun	-	-	143,000	151,000	143,000	151,000
	<u>\$ -</u>	<u>\$ 11,775</u>	<u>\$ 3,019,217</u>	<u>\$ 2,486,821</u>	<u>\$ 3,019,217</u>	<u>\$ 2,498,596</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 2016, 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 6.70 percent as of December 31, 2016. This is higher than the statewide rate of 4 percent and the national average rate of 4.7 percent.
- Greenbush’s 2016 population was 716, a decrease of 3 since the 2010 census of 719.
- On December 19, 2017, 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, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 306,378	\$ 282,196	\$ 588,574
Investments	377,833	274,026	651,859
Taxes receivable			
Current	11,420	-	11,420
Prior	19,812	395	20,207
Special assessments receivable			
Current	81	676	757
Prior	12	5,241	5,253
Accounts receivable	1,846	42,426	44,272
Accrued interest receivable	652	454	1,106
Due from other governments	61	24	85
Loans receivable	152,215	-	152,215
Special assessments receivable - noncurrent	6,083	205,982	212,065
Capital assets			
Non-depreciable	87,849	35,206	123,055
Depreciable - net of accumulated depreciation	1,097,003	4,527,786	5,624,789
<b>Total Assets</b>	<b>\$ 2,061,245</b>	<b>\$ 5,374,412</b>	<b>\$ 7,435,657</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 37,315	\$ 17,560	\$ 54,875
<b><u>Liabilities</u></b>			
Accounts payable	\$ 7,184	\$ 4,695	\$ 11,879
Salaries payable	5,067	2,226	7,293
Contracts payable	50,524	24,413	74,937
Due to other governments	3,257	2,332	5,589
Long-term liabilities			
Due within one year	4,753	771,584	776,337
Due in more than one year	111,170	2,301,817	2,412,987
<b>Total Liabilities</b>	<b>\$ 181,955</b>	<b>\$ 3,107,067</b>	<b>\$ 3,289,022</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 7,320	\$ 3,444	\$ 10,764
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 1,184,852	\$ 1,543,775	\$ 2,728,627
Amounts restricted for			
Economic development	4,235	-	4,235
Public safety	8,538	-	8,538
Unrestricted amounts	711,660	737,686	1,449,346
<b>Total Net Position</b>	<b>\$ 1,909,285</b>	<b>\$ 2,281,461</b>	<b>\$ 4,190,746</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
<b>Functions/Programs</b>			
<b>Governmental activities</b>			
General government	\$ 135,779	\$ 19,631	\$ -
Public safety	109,059	50,280	29,852
Highways and streets	192,315	-	-
Culture and recreation	184,856	63,928	14,693
Conservation of natural resources	236	520	-
Economic development	14,962	13,211	-
Interest	324	-	-
<b>Total governmental activities</b>	<b>\$ 637,531</b>	<b>\$ 147,570</b>	<b>\$ 44,545</b>
<b>Business-type activities</b>			
Sanitation	\$ 83,718	\$ 90,466	\$ -
Sewer	116,936	116,415	-
Water	260,515	205,455	-
<b>Total business-type activities</b>	<b>\$ 461,169</b>	<b>\$ 412,336</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 1,098,700</b>	<b>\$ 559,906</b>	<b>\$ 44,545</b>

**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**

**Net Position - December 31**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (116,148)	\$ -	\$ (116,148)
-	(28,927)	-	(28,927)
-	(192,315)	-	(192,315)
-	(106,235)	-	(106,235)
-	284	-	284
-	(1,751)	-	(1,751)
-	(324)	-	(324)
<b>\$ -</b>	<b>\$ (445,416)</b>	<b>\$ -</b>	<b>\$ (445,416)</b>
\$ -	\$ -	\$ 6,748	\$ 6,748
11,284	-	10,763	10,763
127,297	-	72,237	72,237
<b>\$ 138,581</b>	<b>\$ -</b>	<b>\$ 89,748</b>	<b>\$ 89,748</b>
<b>\$ 138,581</b>	<b>\$ (445,416)</b>	<b>\$ 89,748</b>	<b>\$ (355,668)</b>
	\$ 124,932	\$ -	\$ 124,932
	287,758	-	287,758
	2,076	1,521	3,597
	9,871	-	9,871
	(15,000)	15,000	-
	<b>\$ 409,637</b>	<b>\$ 16,521</b>	<b>\$ 426,158</b>
	<b>\$ (35,779)</b>	<b>\$ 106,269</b>	<b>\$ 70,490</b>
	<b>1,945,064</b>	<b>2,175,192</b>	<b>4,120,256</b>
	<b>\$ 1,909,285</b>	<b>\$ 2,281,461</b>	<b>\$ 4,190,746</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<b>General</b>	<b>Other Governmental Funds (Statement 1)</b>	<b>Total Governmental Funds</b>
<u><b>Assets</b></u>			
<b>Assets</b>			
Cash and pooled investments	\$ 197,387	\$ 108,991	\$ 306,378
Investments	194,215	183,618	377,833
Taxes receivable			
Current	11,420	-	11,420
Prior	19,812	-	19,812
Special assessments receivable			
Current	81	-	81
Prior	12	-	12
Accounts receivable	1,846	-	1,846
Accrued interest receivable	256	396	652
Due from other governments	61	-	61
Loans receivable	-	152,215	152,215
Special assessments receivable - noncurrent	6,083	-	6,083
	<b>\$ 431,173</b>	<b>\$ 445,220</b>	<b>\$ 876,393</b>
<u><b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b></u>			
<b>Liabilities</b>			
Accounts payable	\$ 6,824	\$ 360	\$ 7,184
Salaries payable	5,067	-	5,067
Contracts payable	50,524	-	50,524
Due to other governments	3,257	-	3,257
	<b>\$ 65,672</b>	<b>\$ 360</b>	<b>\$ 66,032</b>
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 19,812	\$ -	\$ 19,812
Loans	-	152,215	152,215
Special assessments	6,095	-	6,095
	<b>\$ 25,907</b>	<b>\$ 152,215</b>	<b>\$ 178,122</b>
<b>Fund Balances</b>			
Restricted for			
Economic development	\$ -	\$ 4,235	\$ 4,235
Police DARE	8,538	-	8,538
Committed to			
Buildings and related equipment	50,752	-	50,752
Culture and recreation plan	1,009	-	1,009
Events	507	-	507
Fire department equipment	-	288,410	288,410
Pool renovations	41,939	-	41,939
Shop equipment	45,000	-	45,000
Street improvements	100,000	-	100,000
Unassigned	91,849	-	91,849
	<b>\$ 339,594</b>	<b>\$ 292,645</b>	<b>\$ 632,239</b>
	<b>\$ 431,173</b>	<b>\$ 445,220</b>	<b>\$ 876,393</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>632,239</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,184,852
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		178,122
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences payable		(5,501)
<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	\$ (110,422)	
Deferred outflows related to pensions	37,315	
Deferred inflows related to pensions	(7,320)	(80,427)
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>1,909,285</u></b>



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*EXHIBIT 5*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Other Governmental Funds (Statement 2)	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 251,231	\$ -	\$ 251,231
Special assessments	2,172	-	2,172
Licenses and permits	2,720	-	2,720
Intergovernmental	305,546	-	305,546
Charges for services	74,846	29,135	103,981
Fines and forfeitures	1,910	-	1,910
Gifts and contributions	14,693	12,064	26,757
Investment earnings	957	1,119	2,076
Miscellaneous	34,195	10,425	44,620
	<b>\$ 688,270</b>	<b>\$ 52,743</b>	<b>\$ 741,013</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 114,303	\$ -	\$ 114,303
Public safety	59,494	13,192	72,686
Highways and streets	183,551	-	183,551
Culture and recreation	113,942	29,135	143,077
Economic development	2,250	12,712	14,962
<b>Debt service</b>			
Principal retirement	11,775	-	11,775
Interest	324	-	324
<b>Capital outlay</b>			
General government	29,290	-	29,290
Public safety	20,769	15,750	36,519
Highways and streets	7,950	-	7,950
Culture and recreation	50,524	-	50,524
	<b>\$ 594,172</b>	<b>\$ 70,789</b>	<b>\$ 664,961</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 94,098</b>	<b>\$ (18,046)</b>	<b>\$ 76,052</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 13,000	\$ 13,000
Transfers out	(28,000)	-	(28,000)
	<b>\$ (28,000)</b>	<b>\$ 13,000</b>	<b>\$ (15,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 66,098</b>	<b>\$ (5,046)</b>	<b>\$ 61,052</b>
<b>Fund Balance - January 1</b>	<b>273,496</b>	<b>297,691</b>	<b>571,187</b>
<b>Fund Balance - December 31</b>	<b>\$ 339,594</b>	<b>\$ 292,645</b>	<b>\$ 632,239</b>

**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, 2016**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 61,052**

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	\$ 126,486	
Current year depreciation	<u>(90,360)</u>	36,126

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	\$ (2,817)	
Special assessments receivable	(125,654)	
Loans receivable	<u>2,786</u>	(125,685)

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		11,775
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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		(2,713)
--	--	---------

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.

(16,334)

<b>Change in net position of governmental activities (Exhibit 2)</b>		<b><u>\$ (35,779)</u></b>
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**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<b><u>Assets</u></b>				
<b>Current Assets</b>				
Cash and pooled investments	\$ 11,817	\$ 8,918	\$ 261,461	\$ 282,196
Investments	99,973	61,716	112,337	274,026
Taxes receivable - delinquent	-	395	-	395
Special assessments receivable				
Current	-	518	158	676
Prior	251	215	4,775	5,241
Accounts receivable	10,206	11,889	20,331	42,426
Due from other governments	-	-	24	24
Accrued interest receivable	72	72	310	454
<b>Total Current Assets</b>	<b>\$ 122,319</b>	<b>\$ 83,723</b>	<b>\$ 399,396</b>	<b>\$ 605,438</b>
<b>Noncurrent Assets</b>				
Special assessments receivable	\$ -	\$ -	\$ 205,982	\$ 205,982
Capital assets				
Non-depreciable	-	31,206	4,000	35,206
Depreciable - net of accumulated depreciation	-	328,382	4,199,404	4,527,786
<b>Total Noncurrent Assets</b>	<b>\$ -</b>	<b>\$ 359,588</b>	<b>\$ 4,409,386</b>	<b>\$ 4,768,974</b>
<b>Total Assets</b>	<b>\$ 122,319</b>	<b>\$ 443,311</b>	<b>\$ 4,808,782</b>	<b>\$ 5,374,412</b>
<b><u>Deferred Outflows of Resources</u></b>				
Related to pensions	\$ -	\$ 8,780	\$ 8,780	\$ 17,560
<b><u>Liabilities</u></b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 67	\$ 1,783	\$ 2,845	\$ 4,695
Salaries payable	-	1,113	1,113	2,226
Compensated absences payable	-	413	414	827
Contracts payable	-	-	24,413	24,413
Due to other governments	824	625	883	2,332
General obligation notes payable	-	-	645,224	645,224
General obligation water revenue bonds payable	-	-	36,716	36,716
MPFA drinking water state revolving fund loan	-	-	8,000	8,000
General obligation revenue bonds payable	-	11,817	-	11,817
MPFA notes payable	-	-	69,000	69,000
<b>Total Current Liabilities</b>	<b>\$ 891</b>	<b>\$ 15,751</b>	<b>\$ 788,608</b>	<b>\$ 805,250</b>
<b>Noncurrent Liabilities</b>				
Compensated absences payable	\$ -	\$ 694	\$ 695	\$ 1,389
General obligation water revenue bonds payable	-	-	242,335	242,335
MPFA drinking water state revolving fund loan	-	-	135,000	135,000
General obligation revenue bonds payable	-	150,649	-	150,649
MPFA notes payable	-	-	1,720,476	1,720,476
Net pension liability	-	25,984	25,984	51,968
<b>Total Noncurrent Liabilities</b>	<b>\$ -</b>	<b>\$ 177,327</b>	<b>\$ 2,124,490</b>	<b>\$ 2,301,817</b>
<b>Total Liabilities</b>	<b>\$ 891</b>	<b>\$ 193,078</b>	<b>\$ 2,913,098</b>	<b>\$ 3,107,067</b>
<b><u>Deferred Inflows of Resources</u></b>				
Related to pensions	\$ -	\$ 1,722	\$ 1,722	\$ 3,444
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ -	\$ 197,122	\$ 1,346,653	\$ 1,543,775
Unrestricted amounts	121,428	60,169	556,089	737,686
<b>Total Net Position</b>	<b>\$ 121,428</b>	<b>\$ 257,291</b>	<b>\$ 1,902,742</b>	<b>\$ 2,281,461</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<b>Operating Revenues</b>				
Charges for services	\$ 90,466	\$ 116,080	\$ 204,055	\$ 410,601
Miscellaneous	-	335	1,400	1,735
<b>Total Operating Revenues</b>	<b>\$ 90,466</b>	<b>\$ 116,415</b>	<b>\$ 205,455</b>	<b>\$ 412,336</b>
<b>Operating Expenses</b>				
Personnel services	\$ -	\$ 30,790	\$ 31,166	\$ 61,956
Contracted services	82,978	28,195	-	111,173
Insurance	-	1,344	2,895	4,239
Permits	-	-	2,161	2,161
Repairs and maintenance	-	1,518	-	1,518
Supplies	-	20,864	32,611	53,475
Utilities	-	2,464	7,558	10,022
Miscellaneous	740	221	2,115	3,076
Depreciation	-	23,814	154,230	178,044
<b>Total Operating Expenses</b>	<b>\$ 83,718</b>	<b>\$ 109,210</b>	<b>\$ 232,736</b>	<b>\$ 425,664</b>
<b>Operating Income (Loss)</b>	<b>\$ 6,748</b>	<b>\$ 7,205</b>	<b>\$ (27,281)</b>	<b>\$ (13,328)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Special assessments	\$ -	\$ 11,284	\$ 127,297	\$ 138,581
Investment earnings	410	336	775	1,521
Interest expense	-	(7,726)	(27,779)	(35,505)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 410</b>	<b>\$ 3,894</b>	<b>\$ 100,293</b>	<b>\$ 104,597</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 7,158</b>	<b>\$ 11,099</b>	<b>\$ 73,012</b>	<b>\$ 91,269</b>
Transfers in	-	-	15,000	15,000
<b>Change in Net Position</b>	<b>\$ 7,158</b>	<b>\$ 11,099</b>	<b>\$ 88,012</b>	<b>\$ 106,269</b>
<b>Net Position - January 1, as restated</b>	<b>114,270</b>	<b>246,192</b>	<b>1,814,730</b>	<b>2,175,192</b>
<b>Net Position - December 31</b>	<b>\$ 121,428</b>	<b>\$ 257,291</b>	<b>\$ 1,902,742</b>	<b>\$ 2,281,461</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 90,239	\$ 113,563	\$ 202,730	\$ 406,532
Payments to employees	-	(25,922)	(26,338)	(52,260)
Payments to suppliers	(83,686)	(53,093)	(47,665)	(184,444)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 6,553</b>	<b>\$ 34,548</b>	<b>\$ 128,727</b>	<b>\$ 169,828</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in	\$ -	\$ -	\$ 15,000	\$ 15,000
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal paid on bonds	\$ -	\$ (11,341)	\$ (30,287)	\$ (41,628)
Interest paid on bonds	-	(7,726)	(6,670)	(14,396)
Principal paid on Public Facilities Authority notes	-	-	(8,000)	(8,000)
Interest paid on Public Facilities Authority notes	-	-	(1,510)	(1,510)
Principal paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(68,000)	(68,000)
Interest paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(19,599)	(19,599)
Issuance of bonds	-	-	650,024	650,024
Purchase of capital assets	-	(31,206)	(558,380)	(589,586)
Special assessments received	26	11,443	20,197	31,666
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ 26</b>	<b>\$ (38,830)</b>	<b>\$ (22,225)</b>	<b>\$ (61,029)</b>
<b>Cash Flows from Investing Activities</b>				
Investment earnings received	\$ 538	\$ 338	\$ 778	\$ 1,654
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 7,117</b>	<b>\$ (3,944)</b>	<b>\$ 122,280</b>	<b>\$ 125,453</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>104,673</b>	<b>74,578</b>	<b>251,518</b>	<b>430,769</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 111,790</b>	<b>\$ 70,634</b>	<b>\$ 373,798</b>	<b>\$ 556,222</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ 6,748	\$ 7,205	\$ (27,281)	\$ (13,328)
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities</b>				
Depreciation expense	\$ -	\$ 23,814	\$ 154,230	\$ 178,044
Decrease (increase) in assets				
Accounts receivable	(129)	(2,517)	(2,323)	(4,969)
Due from other governments	-	-	(24)	(24)
Increase (decrease) in liabilities				
Accounts payable	32	1,582	(256)	1,358
Salaries payable		427	427	854
Compensated absences payable	-	154	156	310
Due to other governments	(98)	38	(47)	(107)
Net pension liability	-	3,845	3,845	7,690
<b>Total adjustments</b>	<b>\$ (195)</b>	<b>\$ 27,343</b>	<b>\$ 156,008</b>	<b>\$ 183,156</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 6,553</b>	<b>\$ 34,548</b>	<b>\$ 128,727</b>	<b>\$ 169,828</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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 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.

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.



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

During the year ended December 31, 2016, the Association adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurement. No restatement is required as a result of implementing this statement.

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. Cash and cash equivalents are valued at fair value.

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, 2016, 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 2016 were \$959. Total investment earnings for 2016 were \$3,597.

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.

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2009 through 2016 and deferred special assessments collectible in 2017 and beyond.

**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 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 fair value on date of acquisition.

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.

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

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

4. Capital Assets (Continued)

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, delinquent property tax receivables, and loans receivable 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.

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. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**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, 2016.

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.

**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)

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Clerk/Treasurer. The City does not have any assigned fund balance at December 31, 2016.

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, 2016, 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. 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, 2016, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 306,378
Investments	377,833
Business-type Activities	
Cash and pooled investments	282,196
Investments	<u>274,026</u>
Total Cash and Investments	<u><u>\$ 1,240,433</u></u>
Deposits	
Petty cash and change funds	\$ 100
Checking accounts	588,474
Certificates of deposit	<u>651,859</u>
Total Deposits and Cash on Hand	<u><u>\$ 1,240,433</u></u>

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned to it. The City’s policy for custodial credit risks is to comply with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2016, the City’s deposits were not exposed to custodial credit risk.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2016, for the City's governmental activities and business-type activities, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 31,232	\$ 19,812
Special Assessments	6,176	6,095
Accounts	1,846	-
Accrued interest		
Due from other governments	61	-
Loans	152,215	140,453
Total Governmental Activities	\$ 191,530	\$ 166,360

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Business-Type Activities		
Taxes	\$ 395	\$ -
Special assessments	211,899	205,892
Accounts	42,426	-
Accrued interest		
Due from other governments	24	-
Total Business-Type Activities	\$ 254,744	\$ 205,892

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2016, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 87,849	\$ -	\$ -	\$ 87,849
Construction in progress				
Culture & recreation	492,575	52,727	545,302	-
Total capital assets not depreciated	<u>\$ 580,424</u>	<u>\$ 52,727</u>	<u>\$ 545,302</u>	<u>\$ 87,849</u>
Capital assets being depreciated				
Buildings and improvements	\$ 954,471	\$ 29,290	\$ -	\$ 983,761
Infrastructure	52,063	-	-	52,063
Machinery and equipment	831,214	589,771	-	1,420,985
Total capital assets being depreciated	<u>\$ 1,837,748</u>	<u>\$ 619,061</u>	<u>\$ -</u>	<u>\$ 2,456,809</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 631,813	\$ 27,693	\$ -	\$ 659,506
Infrastructure	-	1,302	-	1,302
Machinery and equipment	637,633	61,365	-	698,998
Total accumulated depreciation	<u>\$ 1,269,446</u>	<u>\$ 90,360</u>	<u>\$ -</u>	<u>\$ 1,359,806</u>
Total capital assets, depreciated, net	<u>\$ 568,302</u>	<u>\$ 528,701</u>	<u>\$ -</u>	<u>\$ 1,097,003</u>
Governmental Activities				
Capital Assets, Net	<u><u>\$ 1,148,726</u></u>	<u><u>\$ 581,428</u></u>	<u><u>\$ 545,302</u></u>	<u><u>\$ 1,184,852</u></u>



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

II. 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
Construction in progress				
Sewer	-	31,206	-	31,206
<b>Total capital assets not depreciated</b>	<b>\$ 4,000</b>	<b>\$ 31,206</b>	<b>\$ -</b>	<b>\$ 35,206</b>
Capital assets being depreciated				
Infrastructure	\$ 5,034,152	\$ 582,793	\$ -	\$ 5,616,945
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
<b>Total capital assets being depreciated</b>	<b>\$ 5,121,508</b>	<b>\$ 582,793</b>	<b>\$ -</b>	<b>\$ 5,704,301</b>
Less: accumulated depreciation for				
Infrastructure	\$ 936,707	\$ 173,444	\$ -	\$ 1,110,151
Buildings and improvements	7,371	434	-	7,805
Machinery and equipment	54,393	4,166	-	58,559
<b>Total accumulated depreciation</b>	<b>\$ 998,471</b>	<b>\$ 178,044</b>	<b>\$ -</b>	<b>\$ 1,176,515</b>
<b>Total capital assets, depreciated, net</b>	<b>\$ 4,123,037</b>	<b>\$ 404,749</b>	<b>\$ -</b>	<b>\$ 4,527,786</b>
Business-Type Activities				
Capital Assets, Net	<b>\$ 4,127,037</b>	<b>\$ 435,955</b>	<b>\$ -</b>	<b>\$ 4,562,992</b>

Depreciation Expense

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

Governmental Activities	
General government	\$ 2,706
Public safety	36,373
Highways and streets	7,063
Culture and recreation	43,982
Conservation of natural resources	236
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 90,360</b>
Business-Type Activities	
Sewer	\$ 23,814
Water	154,230
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 178,044</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

B. Transfers

Interfund transfers for the year ended December 31, 2016, 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 Water Enterprise Fund from General Fund		15,000	Water protection fees
Total Interfund Transfers	\$	28,000	

C. Liabilities

Compensated Absences

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

Unused accumulated vacation and vested sick leave is paid to full-time employees upon termination. Unvested sick leave, approximately \$8,675 at December 31, 2016, 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 from the General Fund of \$11,775 to \$22,613 through February 1, 2016. The balance outstanding at December 31, 2016 is \$0 and is considered repaid.

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 from the Sewer Enterprise Fund of \$10,057 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2016 is \$162,466.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

The City of Greenbush General Obligation Water Revenue Note of 2009 - MPFA #1 represents debt incurred to finance the construction of the replacement and looping of the water main and gate valve repairs. This note has an original issue amount of \$349,676 with an addition of \$1,109,435 in 2010 for a total issue of \$1,459,111. It carries a net interest rate of 1.01 percent and is due in annual installments from the Water Enterprise Fund of between \$43,000 and \$55,476 through August 20, 2039. The balance due on December 31, 2016 is \$1,153,476.

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 from the Water Enterprise Fund of between \$23,000 and \$31,000 through August 20, 2039. The balance due on December 31, 2016 is \$636,000.

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 from the Water Enterprise Fund of \$13,201 to \$15,177 through June 15, 2023. The balance outstanding at December 31, 2016 is \$101,051.

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 from the Water Enterprise Fund of \$12,000 to \$28,000 through February 1, 2023. The balance outstanding at December 31, 2016 is \$178,000.

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 2016 for a total issue of \$166,314. It carries a net interest rate of 1.00 percent and is due in annual installments from the Water Enterprise Fund of \$7,737 to \$9,000 through 2026. The balance outstanding at December 31, 2016 is \$143,000.

The City of Greenbush General Obligation Temporary Water Revenue Bonds of 2016A represent debt incurred for water main replacement. This loan has an original issue amount of \$650,024. It carries a net interest rate of 1.00 percent and is due in total in 2017 from the Water Enterprise Fund. The final bond issuance will take place in 2017. The balance outstanding at December 31, 2016 is \$645,224.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Debt Service Requirements

Governmental Activities

There are no debt service requirements for the governmental activities for the year ended December 31, 2016.

Debt service requirements for the business-type activities for the year ended December 31, 2016, 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
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	13,984	5,083	72,000	15,917	14,673	761	26,000	1,904
2022-2026	79,886	15,449	373,000	68,008	30,099	769	55,000	1,554
2027-2031	18,228	839	392,000	47,961	-	-	-	-
2032-2036	-	-	413,000	26,802	-	-	-	-
2037-2039	-	-	258,476	5,462	-	-	-	-
	<u>\$ 162,466</u>	<u>\$ 47,271</u>	<u>\$ 1,789,476</u>	<u>\$ 235,266</u>	<u>\$ 101,051</u>	<u>\$ 6,987</u>	<u>\$ 178,000</u>	<u>\$ 18,060</u>

Year Ending December 31	MPFA Drinking Water State Revolving Fund Loan		General Obligation Temp. Water Revenue Bonds of 2016A	
	Principal	Interest	Principal	Interest
2017	8,000	1,430	645,224	6,861
2018	8,000	1,350	-	-
2019	8,000	1,270	-	-
2020	9,000	1,190	-	-
2021	9,000	1,100	-	-
2022-2026	45,000	4,150	-	-
2027-2031	46,000	1,900	-	-
2032-2036	10,000	100	-	-
	<u>\$ 143,000</u>	<u>\$ 12,490</u>	<u>\$ 645,224</u>	<u>\$ 6,861</u>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

II. 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, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Public Project Notes of 2001	\$ 11,775	\$ -	\$ 11,775	\$ -	\$ -
Compensated Absences	2,788	9,424	6,711	5,501	4,753
Net Pension Liability	<u>70,482</u>	<u>39,940</u>	<u>-</u>	<u>110,422</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 85,045</u>	<u>\$ 49,364</u>	<u>\$ 18,486</u>	<u>\$ 115,923</u>	<u>\$ 4,753</u>

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 173,807	\$ -	\$ 11,341	\$ 162,466	\$ 11,817
General Obligation Water Revenue Note of 2009 - MPFA	1,857,476	-	68,000	1,789,476	69,000
General Obligation Water Revenue Bonds of 2013	114,538	-	13,487	101,051	13,716
General Obligation Water Revenue Bonds of 2015	190,000	-	12,000	178,000	23,000
General Obligation Temporary Water Revenue Bonds of 2016	-	650,024	4,800	645,224	645,224
MPFA Drinking Water State Revolving Funds	151,000	-	8,000	143,000	8,000
Compensated Absences	1,907	3,525	3,215	2,216	827
Net Pension Liability	<u>33,168</u>	<u>18,800</u>	<u>-</u>	<u>51,968</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 2,521,896</u>	<u>\$ 672,349</u>	<u>\$ 120,843</u>	<u>\$ 3,073,402</u>	<u>\$ 771,584</u>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

III. 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 Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City of Greenbush are covered by the General Employees Plan. General Employees Plan 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 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent 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.

General Employees Plan Benefits

General Employees Plan 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 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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 for unreduced Social Security benefits capped at 66.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

III. 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.

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City of Greenbush was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City of Greenbush's contributions to the General Employees Fund for the year ended December 31, 2016, were \$9,741. The City of Greenbush's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

General Employees Fund Pension Costs

At December 31, 2016, the City of Greenbush reported a liability of \$162,390 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Greenbush's 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, 2016, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2016, the City of Greenbush's proportion share was .0020 percent which remains unchanged from its proportion measured as of June 30, 2015.

There were no provision changes during the measurement period.

For the year ended December 31, 2016, the City of Greenbush recognized pension expense of \$22,508 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Greenbush recognized an additional \$2,094 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

C. Pension Costs

General Employees Fund Pension Costs (Continued)

At December 31, 2016, the City of Greenbush reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 10,765
Changes in actuarial assumptions	23,847	-
Difference between projected and actual investment earnings	26,129	-
Changes in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	<u>4,898</u>	<u>-</u>
Total	<u>\$ 54,874</u>	<u>\$ 10,765</u>

\$4,898 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:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2017	10,926
2018	10,926
2019	10,926
2020	12,668
2021	4,691

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan for males and females, as appropriate, with slight adjustments.



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

D. Actuarial Assumptions (Continued)

Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

1. The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
2. The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
3. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

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 geometric 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%

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

E. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

Sensitivity of Net Pension Liability at Current Single Discount Rate <b>General Employees Fund</b>			
City of Greenbush	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Proportionate share of Net Pension Liability	\$ 230,642	\$ 162,390	\$ 106,169

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](http://www.mnpera.org) .

IV. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

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

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

IV. Summary of Significant Contingencies and Other Items (Continued)

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 250,000	\$ 250,000	\$ 251,231	\$ 1,231
Special assessments	1,000	1,000	2,172	1,172
Licenses and permits	2,570	2,570	2,720	150
Intergovernmental	266,242	266,242	305,546	39,304
Charges for services	64,600	64,600	74,846	10,246
Fines and forfeitures	-	-	1,910	1,910
Gifts and contributions	-	-	14,693	14,693
Investment earnings	500	500	957	457
Miscellaneous	9,086	9,086	34,195	25,109
<b>Total Revenues</b>	<b>\$ 593,998</b>	<b>\$ 593,998</b>	<b>\$ 688,270</b>	<b>\$ 94,272</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Mayor/council	\$ 8,000	\$ 8,000	\$ 5,017	\$ 2,983
City clerk/treasurer	59,450	59,450	71,885	(12,435)
Elections	2,800	2,800	3,062	(262)
Professional services	4,900	4,900	4,900	-
Legal	1,500	1,500	1,161	339
Assessor	3,500	3,500	3,564	(64)
Buildings and grounds	28,150	28,150	20,981	7,169
Insurance	13,700	13,700	2,647	11,053
Other general government	1,500	1,500	1,086	414
<b>Total general government</b>	<b>\$ 123,500</b>	<b>\$ 123,500</b>	<b>\$ 114,303</b>	<b>\$ 9,197</b>
<b>Public safety</b>				
Police	\$ 31,220	\$ 31,220	\$ 883	\$ 30,337
Fire	39,450	39,450	40,823	(1,373)
Fire relief association	11,000	11,000	17,788	(6,788)
<b>Total public safety</b>	<b>\$ 81,670</b>	<b>\$ 81,670</b>	<b>\$ 59,494</b>	<b>\$ 22,176</b>
<b>Highways and streets</b>				
Streets and alleys	\$ 201,364	\$ 201,364	\$ 163,495	\$ 37,869
Street lighting	18,500	18,500	20,056	(1,556)
<b>Total highways and streets</b>	<b>\$ 219,864</b>	<b>\$ 219,864</b>	<b>\$ 183,551</b>	<b>\$ 36,313</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (continued)</b>				
<b>Culture and recreation</b>				
Ice rinks	\$ 2,150	\$ 2,150	\$ 2,394	\$ (244)
Library	21,565	21,565	18,292	3,273
Recreational programs	18,650	18,650	24,690	(6,040)
Swimming pool	72,000	72,000	55,864	16,136
Other culture and recreation	7,000	7,000	12,702	(5,702)
<b>Total culture and recreation</b>	<b>\$ 121,365</b>	<b>\$ 121,365</b>	<b>\$ 113,942</b>	<b>\$ 7,423</b>
<b>Economic development</b>				
Other economic development	\$ 3,000	\$ 3,000	\$ 2,250	\$ 750
<b>Debt service</b>				
Principal retirement	\$ 11,775	\$ 11,775	\$ 11,775	\$ -
Interest	324	324	324	-
<b>Total debt service</b>	<b>\$ 12,099</b>	<b>\$ 12,099</b>	<b>\$ 12,099</b>	<b>\$ -</b>
<b>Capital outlay</b>				
General government	\$ 5,000	\$ 5,000	\$ 29,290	\$ (24,290)
Public Safety	-	-	20,769	(20,769)
Highways and streets	-	-	7,950	(7,950)
Culture and recreation	-	-	50,524	(50,524)
<b>Total capital outlay</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ 108,533</b>	<b>\$ (103,533)</b>
<b>Total Expenditures</b>	<b>\$ 566,498</b>	<b>\$ 566,498</b>	<b>\$ 594,172</b>	<b>\$ (27,674)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 27,500</b>	<b>\$ 27,500</b>	<b>\$ 94,098</b>	<b>\$ 66,598</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	28,000	28,000	(28,000)	(56,000)
<b>Net Change in Fund Balance</b>	<b>\$ 55,500</b>	<b>\$ 55,500</b>	<b>\$ 66,098</b>	<b>\$ 10,598</b>
<b>Fund Balance - January 1</b>	<b>273,496</b>	<b>273,496</b>	<b>273,496</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 328,996</b>	<b>\$ 328,996</b>	<b>\$ 339,594</b>	<b>\$ 10,598</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Gifts and contributions	\$ 2,000	\$ 2,000	\$ 11,724	\$ 9,724
Investment earnings	-	-	1,062	1,062
<b>Total Revenues</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ 12,786</b>	<b>\$ 10,786</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Fire	\$ 2,000	\$ 2,000	\$ 13,192	\$ (11,192)
<b>Capital outlay</b>				
Public safety	-	-	15,750	(15,750)
<b>Total Expenditures</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ 28,942</b>	<b>\$ (26,942)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (16,156)</b>	<b>\$ (16,156)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	13,000	13,000	13,000	-
<b>Net Change in Fund Balance</b>	<b>\$ 13,000</b>	<b>\$ 13,000</b>	<b>\$ (3,156)</b>	<b>\$ (16,156)</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>277,007</b>	<b>277,007</b>
<b>Fund Balance - December 31</b>	<b>\$ 13,000</b>	<b>\$ 13,000</b>	<b>\$ 273,851</b>	<b>\$ 260,851</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
RBEG REVOLVING LOAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Miscellaneous	\$ 10,962	\$ 10,962	\$ 10,425	\$ (537)
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Administration	\$ -	\$ -	\$ 712	\$ (712)
Other economic development	-	-	12,000	(12,000)
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,712</b>	<b>\$ (12,712)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 10,962</b>	<b>\$ 10,962</b>	<b>\$ (2,287)</b>	<b>\$ (13,249)</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>3,340</b>	<b>3,340</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,962</b>	<b>\$ 10,962</b>	<b>\$ 1,053</b>	<b>\$ (9,909)</b>



**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 4*

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered- Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2016	\$ 9,741	\$ 9,741	\$ -	\$ 129,880	7.5%
December 31, 2015	\$ 9,579	\$ 9,579	\$ -	\$ 127,720	7.5%

**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, 2016**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<u>Fiscal Year Ending</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2016	0.0020%	\$ 162,390	\$ 2,094	\$ 164,484	\$ 125,070	129.84%	68.90%
June 30, 2015	0.0020%	\$ 103,650	\$ -	\$ 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, 2016

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, 2016:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
City clerk/treasurer	\$ 71,885	\$ 59,450	\$ (12,435)
Elections	3,062	2,800	(262)
Assessor	3,564	3,500	(64)
Public safety			
Fire	40,823	39,450	(1,373)
Fire relief association	17,788	11,000	(6,788)
Highways and streets			
Streets lighting	20,056	18,500	(1,556)
Culture and recreation			
Ice rinks	2,394	2,150	(244)
Recreational programs	24,690	18,650	(6,040)
Other culture and recreation	12,702	7,000	(5,702)
Capital outlay			
General government	29,290	5,000	(24,290)
Public safety	20,769	-	(20,769)
Highways and streets	7,950	-	(7,950)
Culture and recreation	50,524	-	(50,524)

**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	\$ 13,192	\$ 2,000	\$ (11,192)
Capital outlay			
Public safety	15,750	-	(15,750)
RBEG Revolving Loan Special Revenue Fund			
Economic development			
Administration	712	-	(712)
Other economic development	12,000	-	(12,000)

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. Changes in actuarial assumptions are described in the Notes to the Financial Statements. 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, 2016**

	<b>Fire Department</b>	<b>Fire Department Special Projects Special Revenue</b>	<b>RBEG Revolving Loan Special Revenue</b>	<b>Small Cities Development Program Special Revenue</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 3,960	\$ 100,436	\$ 1,413	\$ 3,182	\$ 108,991
Investments	10,580	173,038	-	-	183,618
Accrued interest receivable	19	377	-	-	396
Loans receivable	-	-	152,215	-	152,215
<b>Total Assets</b>	<b><u>\$ 14,559</u></b>	<b><u>\$ 273,851</u></b>	<b><u>\$ 153,628</u></b>	<b><u>\$ 3,182</u></b>	<b><u>\$ 445,220</u></b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 360	\$ -	\$ 360
<b>Deferred Inflows</b>					
Loans	\$ -	\$ -	\$ 152,215	\$ -	\$ 152,215
<b>Fund Balances</b>					
Restricted for economic development	\$ -	\$ -	\$ 1,053	\$ 3,182	\$ 4,235
Committed to					
Fire department equipment	14,559	273,851	-	-	288,410
<b>Total Fund Balances</b>	<b><u>\$ 14,559</u></b>	<b><u>\$ 273,851</u></b>	<b><u>\$ 1,053</u></b>	<b><u>\$ 3,182</u></b>	<b><u>\$ 292,645</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 14,559</u></b>	<b><u>\$ 273,851</u></b>	<b><u>\$ 153,628</u></b>	<b><u>\$ 3,182</u></b>	<b><u>\$ 445,220</u></b>

**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, 2016**

	<b>Fire Department</b>	<b>Fire Department Special Projects Special Revenue</b>	<b>RBEG Revolving Loan Special Revenue</b>	<b>Small Cities Development Program Special Revenue</b>	<b>Golf Course</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 29,135	\$ 29,135
Gifts and contributions	340	11,724	-	-	-	12,064
Investment earnings	57	1,062	-	-	-	1,119
Miscellaneous	-	-	10,425	-	-	10,425
<b>Total Revenues</b>	<b>\$ 397</b>	<b>\$ 12,786</b>	<b>\$ 10,425</b>	<b>\$ -</b>	<b>\$ 29,135</b>	<b>\$ 52,743</b>
<b>Expenditures</b>						
<b>Current</b>						
Public safety	\$ -	\$ 13,192	\$ -	\$ -	\$ -	\$ 13,192
Culture and recreation	-	-	-	-	29,135	29,135
Economic development	-	-	12,712	-	-	12,712
<b>Capital outlay</b>						
Public safety	-	15,750	-	-	-	15,750
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 28,942</b>	<b>\$ 12,712</b>	<b>\$ -</b>	<b>\$ 29,135</b>	<b>\$ 70,789</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 397</b>	<b>\$ (16,156)</b>	<b>\$ (2,287)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (18,046)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	13,000	-	-	-	13,000
<b>Net Change in Fund Balance</b>	<b>\$ 397</b>	<b>\$ (3,156)</b>	<b>\$ (2,287)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,046)</b>
<b>Fund Balance - January 1</b>	<b>14,162</b>	<b>277,007</b>	<b>3,340</b>	<b>3,182</b>	<b>-</b>	<b>297,691</b>
<b>Fund Balance - December 31</b>	<b>\$ 14,559</b>	<b>\$ 273,851</b>	<b>\$ 1,053</b>	<b>\$ 3,182</b>	<b>\$ -</b>	<b>\$ 292,645</b>

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
FIRE DEPARTMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Gifts and contributions	\$ 750	\$ 750	\$ 340	\$ (410)
Investment earnings	-	-	57	57
<b>Total Revenues</b>	<b>\$ 750</b>	<b>\$ 750</b>	<b>\$ 397</b>	<b>\$ (353)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Fire protection	100	100	-	100
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 650</b>	<b>\$ 650</b>	<b>\$ 397</b>	<b>\$ (253)</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>14,162</b>	<b>14,162</b>
<b>Fund Balance - December 31</b>	<b>\$ 650</b>	<b>\$ 650</b>	<b>\$ 14,559</b>	<b>\$ 13,909</b>



## **OTHER SCHEDULES**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

*Schedule 7*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Shared Revenue**

**State**

Fire state aid	\$ 17,788
Local government aid	254,574
Market value credit	16
PERA rate reimbursement	<u>668</u>

**Total Shared Revenue**

**\$ 273,046**

**Grants**

**Local**

Northwest Minnesota Foundation	<u>\$ 32,500</u>
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**Total Intergovernmental Revenue**

**\$ 305,546**

## **MANAGEMENT AND COMPLIANCE SECTION**

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**Schedule 8**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**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.

City's Response:

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

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

**Schedule 8  
(Continued)**

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.

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.

City's Response:

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

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 beginning in 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 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.

**CITY OF GREENBUSH  
GREENBUSH, MINNESOTA**

***Schedule 8  
(Continued)***

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.

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



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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2017.

**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 Recommendations 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 Cities*, 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 Cities*. 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 Cities* 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

April 24, 2017