

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2017



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, 2017**

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

FINANCIAL SECTION

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



Hoffman, Philipp, & Knutson, PLLC

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Greenbush

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota, as of and for the year ended December 31, 2017, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenbush's basic financial statements. The introductory section, the supplementary information, and the other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The 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 May 15, 2018, on our consideration of the City of Greenbush's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Hoffman, Philipp, & Knutson, PLLC

May 15, 2018



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, 2017. 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 \$2,001,445, of which \$1,181,582 is the net investment in capital assets, \$23,225 is restricted for specific purposes, and \$796,638 is unrestricted. The total net position of governmental activities increased \$92,160 for the year ended December 31, 2017. This is attributed primarily to acquisition of capital assets.

The total net position of business-type activities is \$2,729,308, of which \$2,115,163 is the net investment in capital assets and \$614,145 is unrestricted. The total net position of business-type activities increased \$447,847 in 2017, as a result of a decrease of liabilities due to payment of the temporary bonds.

At the close of 2017, the City's governmental funds reported combined ending fund balances of \$763,336, an increase of \$131,097 from the prior year. Of the total fund balance amount, \$23,225 is legally or contractually restricted, \$522,285 is formally committed for specific purposes, and \$217,826 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The City reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, and the RBEG Revolving Loan Special Revenue Fund, both of which are 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, the Fire Department Special Revenue Fund, and the Fire Department Special Project/Equipment 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 \$4,730,753 at the close of 2017. The largest portion of the City’s net position (approximately 70 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 30 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$1,410,783 as of December 31, 2017, may be used to meet the City’s ongoing obligations to citizens.

The City’s overall financial position decreased from last year. Total assets decreased \$104,808, from the prior year, primarily due to depreciation of capital assets. Total liabilities decreased by \$695,713, from the prior year, due to payment of the temporary bonds. This resulted in an increased net position of \$517,910 from the prior year.

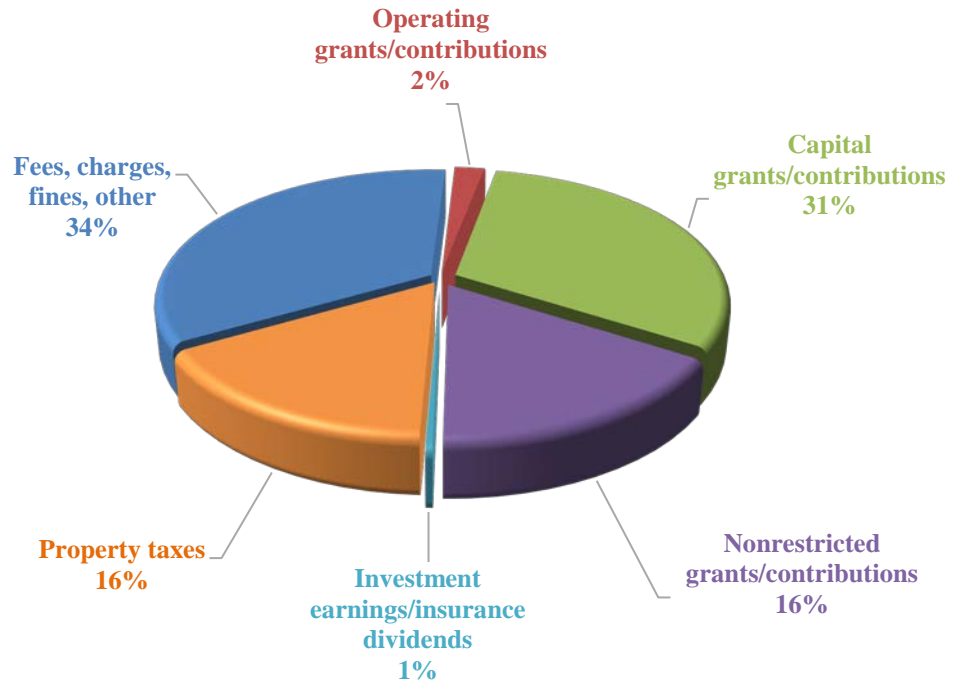
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 996,417	\$ 876,393	\$ 772,084	\$ 811,420	\$ 1,768,501	\$ 1,687,813
Capital assets	1,181,582	1,184,852	4,380,766	4,562,992	5,562,348	5,747,844
Total assets	\$ 2,177,999	\$ 2,061,245	\$ 5,152,850	\$ 5,374,412	\$ 7,330,849	\$ 7,435,657
Deferred outflows - pensions	\$ 30,014	\$ 37,315	\$ 14,124	\$ 17,560	\$ 44,138	\$ 54,875
Other liabilities	\$ 24,585	\$ 4,753	\$ 13,342	\$ 33,666	\$ 37,927	\$ 38,419
Long-term liabilities outstanding	146,436	111,170	2,408,946	3,073,401	2,555,382	3,184,571
Total liabilities	\$ 171,021	\$ 115,923	\$ 2,422,288	\$ 3,107,067	\$ 2,593,309	\$ 3,222,990
Deferred inflows - pensions	\$ 35,547	\$ 7,320	\$ 13,144	\$ 3,444	\$ 48,691	\$ 10,764
Net position						
Net Investment in capital assets	\$ 1,181,582	\$ 1,184,852	\$ 2,115,163	\$ 1,543,775	\$ 3,296,745	\$ 2,728,627
Restricted	23,225	12,773	-	-	23,225	12,773
Unrestricted	796,638	711,660	614,145	737,686	1,410,783	1,449,346
Total net position	\$ 2,001,445	\$ 1,909,285	\$ 2,729,308	\$ 2,281,461	\$ 4,730,753	\$ 4,190,746

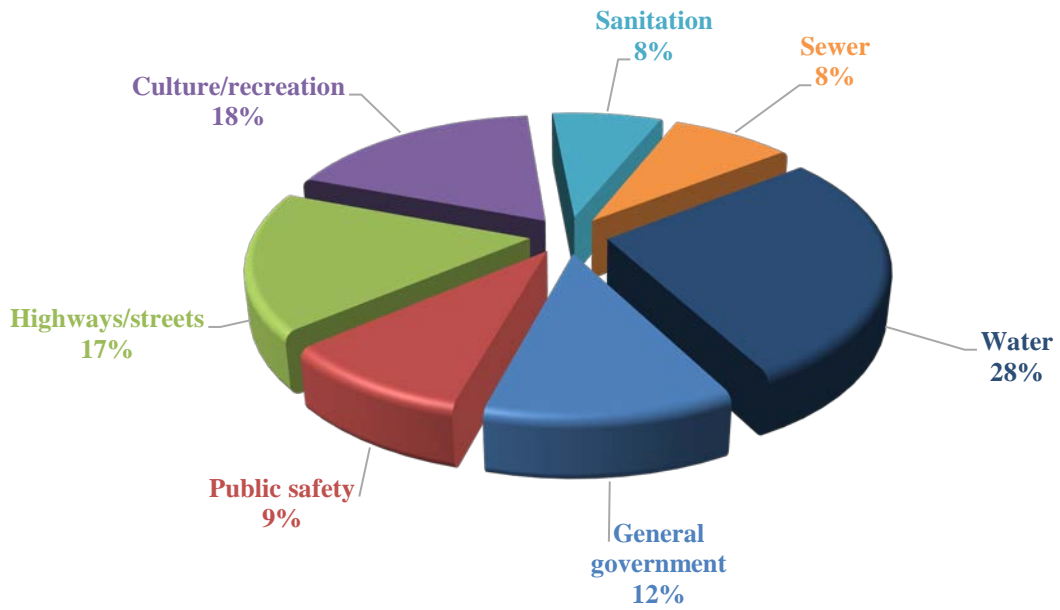
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 147,892	\$ 147,570	\$ 411,113	\$ 412,336	\$ 559,005	\$ 559,906
Operating grants and contributions	33,995	44,545	-	-	33,995	44,545
Capital grants and contributions	-	-	506,916	138,581	506,916	138,581
General Revenues and Transfers						
Property taxes	261,158	124,932	-	-	261,158	124,932
Grants and contributions not restricted to specific programs	265,880	287,758	-	-	265,880	287,758
Investment earnings	1,640	2,076	1,270	1,521	2,910	3,597
Insurance dividends	2,846	9,871	-	-	2,846	9,871
Transfers	(15,000)	(15,000)	15,000	15,000	-	-
Total revenues	\$ 698,411	\$ 601,752	\$ 934,299	\$ 567,438	\$ 1,632,710	\$ 1,169,190
Expenses						
General government	\$ 134,536	\$ 135,779	\$ -	\$ -	\$ 134,536	\$ 135,779
Public safety	105,777	109,059	-	-	105,777	109,059
Highways and streets	189,366	192,315	-	-	189,366	192,315
Culture and recreation	197,640	184,856	-	-	197,640	184,856
Conservation of natural resources	236	236	-	-	236	236
Economic development	733	14,962	-	-	733	14,962
Interest	-	324	-	-	-	324
Sanitation	-	-	84,204	83,718	84,204	83,718
Sewer	-	-	92,931	116,936	92,931	116,936
Water	-	-	309,377	260,515	309,377	260,515
Total expenses	\$ 628,288	\$ 637,531	\$ 486,512	\$ 461,169	\$ 1,114,800	\$ 1,098,700
Increase (decrease) in net position	\$ 70,123	\$ (35,779)	\$ 447,787	\$ 106,269	\$ 517,910	\$ 70,490
Net position, January 1, as previously reported	\$ 1,909,285	\$ 1,945,064	\$ 2,281,461	\$ 2,175,192	\$ 4,190,746	\$ 4,120,256
Prior period adjustment	22,037	-	-	-	22,037	-
Net position, January 1, as restated	\$ 1,931,322	\$ 1,945,064	\$ 2,281,461	\$ 2,175,192	\$ 4,212,783	\$ 4,120,256
Net position, December 31	\$ 2,001,445	\$ 1,909,285	\$ 2,729,248	\$ 2,281,461	\$ 4,730,693	\$ 4,190,746

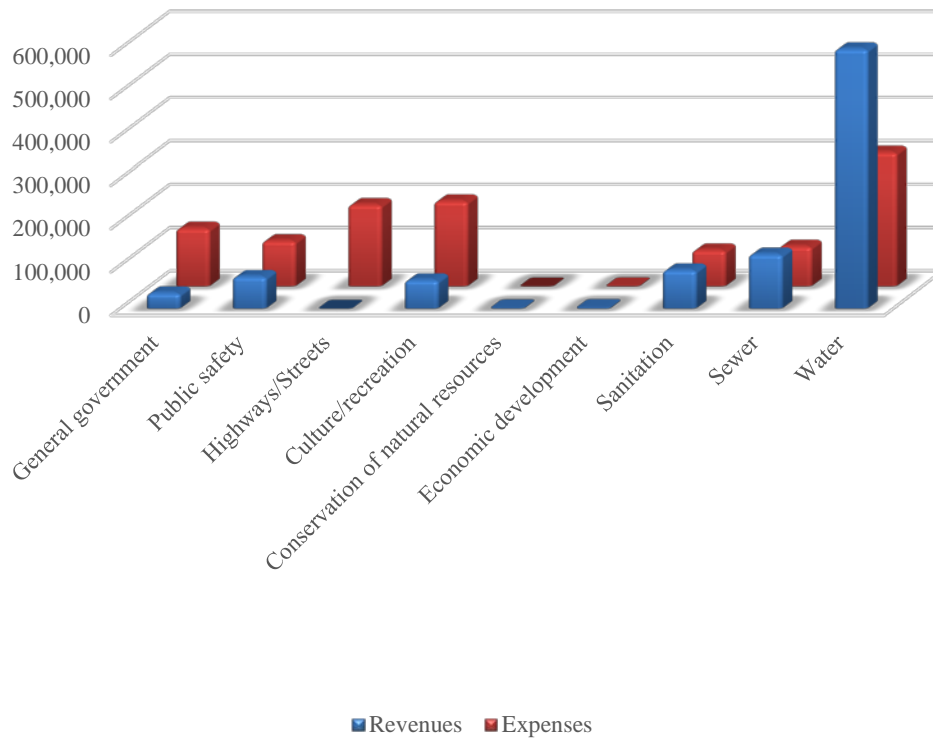
Revenues by Source



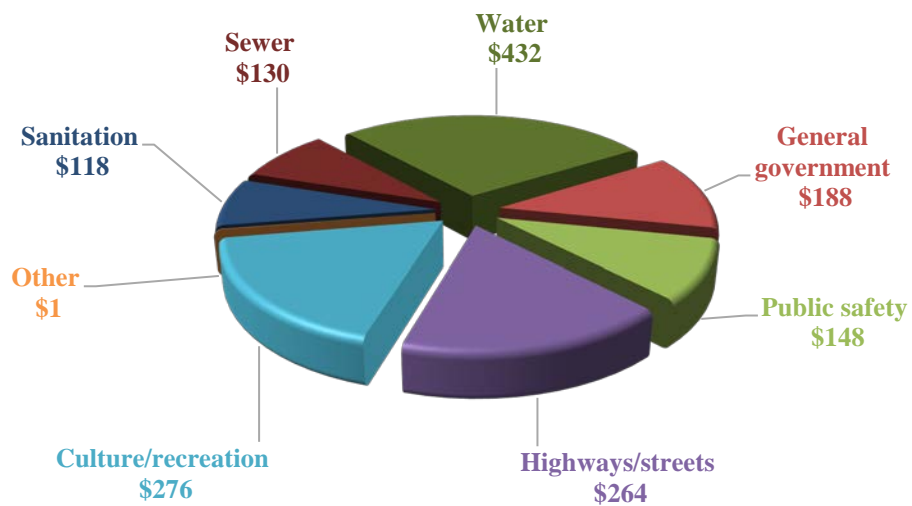
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 716 Population as of 2017



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 2017, the City's governmental funds reported combined ending fund balances of \$763,336. Of this amount, approximately 3 percent constitutes legally or contractually restricted fund balance, 68 percent constitutes formally committed fund balance, and 29 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 \$433,560. The General Fund's restricted fund balance was \$8,404, committed fund balance was \$207,330, and unassigned fund balance was \$217,826. 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 2017. Unrestricted fund balance represents 75 percent of total General Fund expenditures, while total fund balance represents 77 percent of that same amount.

In 2017, the fund balance amount in the General Fund increased by \$93,966. The primary reason for this was the delayed street project and delayed payment to the County for the new shop.

The fund balance of the RBEG Revolving Loan Special Revenue Fund increased by \$1,053 due to loan payments received in 2017.

Proprietary Funds

The Sanitation Enterprise Fund reported an operating income in 2017 of \$5,192, indicating that it is collecting fees for services at a rate consistent with the costs.

The Sewer Enterprise Fund reported an operating income in 2017 of \$28,103, primarily as a result of a decrease in repairs and maintenance costs.

The Water Enterprise Fund reported an operating loss in 2017 of \$63,032, primarily as a result of increased depreciation expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$34,160. The largest positive variances were in intergovernmental, gifts and contributions, and miscellaneous revenues. Actual expenditures were less than overall final budgeted expenditures by \$19,172, largely as a result of less than budgeted highways and streets expenditures.

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, 2017, amounted to \$5,558,348 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 80,349	\$ 87,849	\$ 4,000	\$ 4,000	\$ 84,349	\$ 91,849
Construction in progress	-	-	-	31,206	-	31,206
Infrastructure	49,459	50,761	4,358,841	4,506,794	4,408,300	4,557,555
Buildings and improvements	335,200	324,255	4,761	5,195	339,961	329,450
Machinery and equipment	716,574	721,987	13,164	15,797	729,738	737,784
Total capital assets	\$ 1,181,582	\$ 1,184,852	\$ 4,380,766	\$ 4,562,992	\$ 5,562,348	\$ 5,747,844

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

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,431,328 which is backed by the full faith and credit of the government.

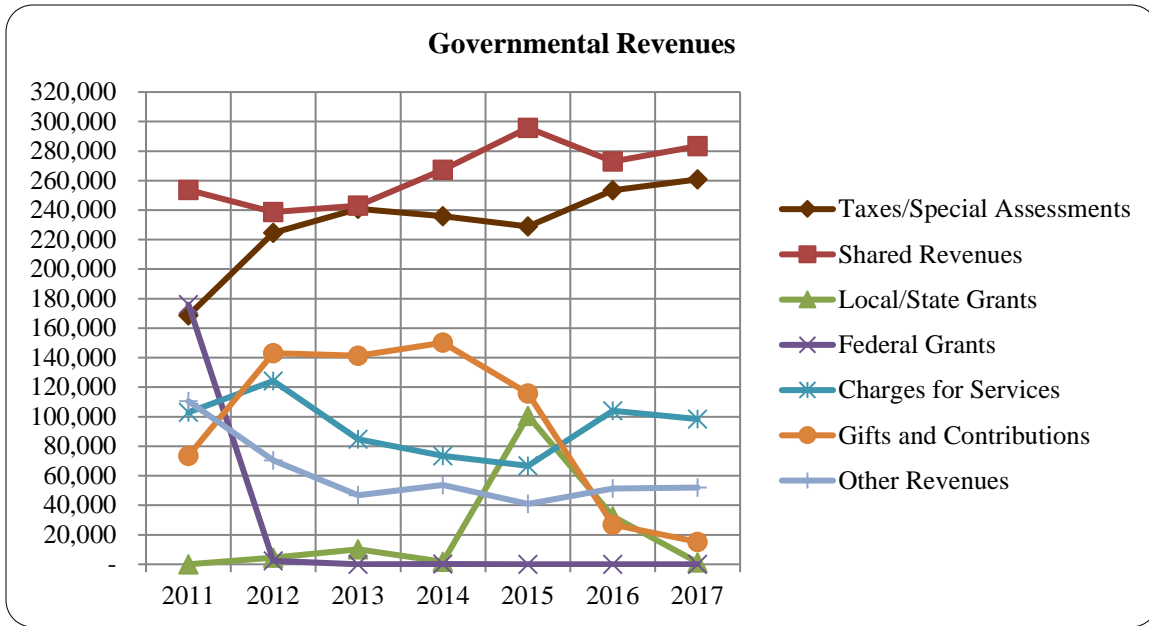
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bobcat S595 Skidsteer	\$ 53,634	\$ -	\$ -	\$ -	\$ 53,634	\$ -
G.O. Sewer Revenue Bonds of 2006	-	-	150,649	162,466	150,649	162,466
G.O. Water Revenue Note - MPFA	-	-	1,720,476	1,789,476	1,720,476	1,789,476
G.O. Water Revenue Bonds of 2013	-	-	87,335	101,051	87,335	101,051
G.O. Water Revenue Bonds of 2015A	-	-	155,000	178,000	155,000	178,000
G.O. Temp Water Revenue Bonds of 2016A	-	-	-	645,224	-	645,224
MPFA Drinking Water State Revolving Fund Loan - 2017	-	-	129,234	-	129,234	-
MPFA Drinking Water State Revolving Fund Loan - 2013	-	-	135,000	143,000	135,000	143,000
	\$ 53,634	\$ -	\$ 2,377,694	\$ 3,019,217	\$ 2,431,328	\$ 3,019,217

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 2017, 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 4.1 percent as of December 31, 2017. This is higher than the statewide rate of 3.4 percent and the national average rate of 3.9 percent.
- Greenbush’s 2017 population was 716, a decrease of 3 since the 2010 census of 719.
- On December 18, 2017, the City of Greenbush set its 2018 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, 2017**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 393,788	\$ 262,637	\$ 656,425
Investments	379,874	275,750	655,624
Taxes receivable			
Current	12,819	-	12,819
Prior	21,030	423	21,453
Special assessments receivable			
Current	-	897	897
Prior	13	4,500	4,513
Accounts receivable	1,440	38,280	39,720
Loans receivable	143,871	-	143,871
Net Pension Assets	38,368	-	38,368
Special assessments receivable - noncurrent	5,214	189,597	194,811
Capital assets			
Non-depreciable	80,349	4,000	84,349
Depreciable - net of accumulated depreciation	1,101,233	4,376,766	5,477,999
Total Assets	\$ 2,177,999	\$ 5,152,850	\$ 7,330,849
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 30,014	\$ 14,124	\$ 44,138
<u>Liabilities</u>			
Accounts payable	\$ 16,315	\$ 7,399	\$ 23,714
Salaries payable	4,722	3,732	8,454
Due to other governments	3,548	2,211	5,759
Long-term liabilities			
Due within one year	12,332	131,448	143,780
Due in more than one year	134,104	2,279,732	2,413,836
Total Liabilities	\$ 171,021	\$ 2,424,522	\$ 2,595,543
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 35,547	\$ 13,144	\$ 48,691
<u>Net Position</u>			
Net investment in capital assets	\$ 1,181,582	\$ 2,115,163	\$ 3,296,745
Amounts restricted for			
Economic development	14,821	-	14,821
Public safety	8,404	-	8,404
Unrestricted amounts	796,638	614,145	1,410,783
Total Net Position	\$ 2,001,445	\$ 2,729,308	\$ 4,730,753

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 134,536	\$ 36,393	\$ -
Public safety	105,777	45,132	29,196
Highways and streets	189,366	-	-
Culture and recreation	197,640	61,562	4,799
Conservation of natural resources	236	1,830	-
Economic development	733	2,975	-
Total governmental activities	\$ 628,288	\$ 147,892	\$ 33,995
Business-type activities			
Sanitation	\$ 84,204	\$ 89,396	\$ -
Sewer	92,931	113,784	-
Water	309,377	207,993	-
Total business-type activities	\$ 486,512	\$ 411,173	\$ -
Total	\$ 1,114,800	\$ 559,065	\$ 33,995

General revenues and transfers

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

Total general revenues and transfers

Change in net position

Net Position - January 1, as previously reported

Prior period adjustment

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (98,143)	\$ -	\$ (98,143)
-	(31,449)	-	(31,449)
-	(189,366)	-	(189,366)
-	(131,279)	-	(131,279)
-	1,594	-	1,594
-	2,242	-	2,242
\$ -	\$ (446,401)	\$ -	\$ (446,401)
\$ -	\$ -	\$ 5,192	\$ 5,192
12,236	-	33,089	33,089
494,680	-	393,296	393,296
\$ 506,916	\$ -	\$ 431,577	\$ 431,577
\$ 506,916	\$ (446,401)	\$ 431,577	\$ (14,824)
	\$ 261,158	\$ -	\$ 261,158
	265,880	-	265,880
	1,640	1,270	2,910
	2,846	-	2,846
	(15,000)	15,000	-
	\$ 516,524	\$ 16,270	\$ 532,794
	\$ 70,123	\$ 447,847	\$ 517,970
	\$ 1,909,285	\$ 2,281,461	\$ 4,190,746
	22,037	-	22,037
	\$ 1,931,322	\$ 2,281,461	\$ 4,212,783
	\$ 2,001,445	\$ 2,729,308	\$ 4,730,753

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	RBEG Revolving Loan Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 245,327	\$ 12,371	\$ 136,090	\$ 393,788
Investments	194,999	-	184,875	379,874
Taxes receivable				
Current	12,819	-	-	12,819
Prior	21,030	-	-	21,030
Special assessments receivable				
Prior	13	-	-	13
Accounts receivable	1,440	-	-	1,440
Loans receivable	-	143,871	-	143,871
Special assessments receivable - noncurrent	5,214	-	-	5,214
	\$ 480,842	\$ 156,242	\$ 320,965	\$ 958,049
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 12,755	\$ 360	\$ 3,200	\$ 16,315
Salaries payable	4,722	-	-	4,722
Due to other governments	3,548	-	-	3,548
	\$ 21,025	\$ 360	\$ 3,200	\$ 24,585
 Deferred Inflows of Resources				
Taxes	\$ 21,030	\$ -	\$ -	\$ 21,030
Loans	-	143,871	-	143,871
Special assessments	5,227	-	-	5,227
	\$ 26,257	\$ 143,871	\$ -	\$ 170,128
 Fund Balances				
Restricted for				
Economic development	\$ -	\$ 12,011	\$ 2,810	\$ 14,821
Police DARE	8,404	-	-	8,404
Assigned to				
General government	91,752	-	-	91,752
Highway and streets	100,000	-	-	100,000
Culture and recreation	15,578	-	11,578	27,156
Public safety	-	-	303,377	303,377
Unassigned	217,826	-	-	217,826
	\$ 433,560	\$ 12,011	\$ 317,765	\$ 763,336
	\$ 480,842	\$ 156,242	\$ 320,965	\$ 958,049

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Fund balances - total governmental funds (Exhibit 3)	\$	763,336
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		1,181,582
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		170,128
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences payable	\$ (5,984)	
General obligation bonds	<u>(53,634)</u>	(59,618)
<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 asset	\$ 38,368	
Net pension liability	(86,818)	
Deferred outflows related to pensions	30,014	
Deferred inflows related to pensions	<u>(35,547)</u>	<u>(53,983)</u>
Net position of governmental activities (Exhibit 1)	\$	<u>2,001,445</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	RBE Revolving Loan Special Revenue	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues				
Property taxes	\$ 259,944	\$ -	\$ -	\$ 259,944
Special assessments	864	-	-	864
Licenses and permits	2,675	-	-	2,675
Intergovernmental	283,351	-	1,320	284,671
Charges for services	65,081	-	33,354	98,435
Fines and forfeitures	400	-	-	400
Gifts and contributions	4,799	-	30,905	35,704
Investment earnings	779	-	861	1,640
Miscellaneous	15,447	11,319	-	26,766
Total Revenues	\$ 633,340	\$ 11,319	\$ 66,440	\$ 711,099
Expenditures				
Current				
General government	\$ 115,755	\$ -	\$ -	\$ 115,755
Public safety	60,035	-	10,619	70,654
Highways and streets	182,428	-	-	182,428
Culture and recreation	113,986	-	42,276	156,262
Economic development	-	361	372	733
Capital outlay		-		
General government	38,638	-	-	38,638
Highways and streets	54,166	-	-	54,166
Total Expenditures	\$ 565,008	\$ 361	\$ 53,267	\$ 618,636
Excess of Revenues Over (Under) Expenditures	\$ 68,332	\$ 10,958	\$ 13,173	\$ 92,463
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 13,000	\$ 13,000
Transfers out	(28,000)	-	-	(28,000)
Proceeds from installment purchase	53,634	-	-	53,634
Total Other Financing Sources (Uses)	\$ 25,634	\$ -	\$ 13,000	\$ 38,634
Net Change in Fund Balance	\$ 93,966	\$ 10,958	\$ 26,173	\$ 131,097
Fund Balance - January 1	339,594	1,053	291,592	632,239
Fund Balance - December 31	\$ 433,560	\$ 12,011	\$ 317,765	\$ 763,336

**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, 2017**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 131,097

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	\$ 92,804	
Current year depreciation	(88,574)	
Net book value of assets disposed	<u>(7,500)</u>	(3,270)

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	\$ 1,218	
Special assessments receivable	(868)	
Loans receivable	<u>(8,344)</u>	(7,994)

The issuance of long-term debt provides current financial resources to governmental
funds, but increases long-term liabilities in the Statement of Net Position.
This transaction, however, has no effect on net position.

Proceeds from issuance of debt		(53,634)
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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		(483)
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Net pension liability does not represent the impending use of current resources.
Therefore, the change in the liability and the related deferrals are not
reported in the governmental funds.

		<u>4,407</u>
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Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 70,123</u></u>
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**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 17,917	\$ 53,202	\$ 191,518	\$ 262,637
Investments	100,529	62,087	113,134	275,750
Taxes receivable - delinquent	-	423	-	423
Current	-	582	315	897
Prior	277	237	3,986	4,500
Accounts receivable	9,484	10,906	17,890	38,280
Total Current Assets	\$ 128,207	\$ 127,437	\$ 326,843	\$ 582,487
Noncurrent Assets				
Special assessments receivable	\$ -	\$ -	\$ 189,597	\$ 189,597
Capital assets				
Non-depreciable	-	-	4,000	4,000
Depreciable - net of accumulated depreciation	-	337,268	4,039,498	4,376,766
Total Noncurrent Assets	\$ -	\$ 337,268	\$ 4,233,095	\$ 4,570,363
Total Assets	\$ 128,207	\$ 464,705	\$ 4,559,938	\$ 5,152,850
<u>Deferred Outflows of Resources</u>				
Related to pensions	\$ -	\$ 7,062	\$ 7,062	\$ 14,124
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ -	\$ 34	\$ 7,365	\$ 7,399
Salaries payable	-	1,866	1,866	3,732
Compensated absences payable	-	483	469	952
Due to other governments	777	643	791	2,211
Drinking Water State Revolving Bonds	-	-	2,234	2,234
General obligation water revenue bonds payable	-	-	37,949	37,949
MPFA drinking water state revolving fund loan	-	-	8,000	8,000
General obligation revenue bonds payable	-	12,313	-	12,313
MPFA notes payable	-	-	70,000	70,000
Total Current Liabilities	\$ 777	\$ 15,339	\$ 128,674	\$ 144,790
Noncurrent Liabilities				
Compensated absences payable	\$ -	\$ 737	\$ 737	\$ 1,474
General obligation water revenue bonds payable	-	-	204,386	204,386
MPFA drinking water state revolving fund loan	-	-	127,000	127,000
General obligation revenue bonds payable	-	138,336	-	138,336
MPFA notes payable	-	-	1,650,476	1,650,476
Drinking Water State Revolving bonds payable	-	-	117,200	117,200
Net pension liability	-	20,430	20,430	40,860
Total Noncurrent Liabilities	\$ -	\$ 159,503	\$ 2,120,229	\$ 2,279,732
Total Liabilities	\$ 777	\$ 174,842	\$ 2,248,903	\$ 2,424,522
<u>Deferred Inflows of Resources</u>				
Related to pensions	\$ -	\$ 6,572	\$ 6,572	\$ 13,144
<u>Net Position</u>				
Net investment in capital assets	\$ -	\$ 185,579	\$ 1,929,584	\$ 2,115,163
Unrestricted amounts	127,430	104,774	381,941	614,145
Total Net Position	\$ 127,430	\$ 290,353	\$ 2,311,525	\$ 2,729,308

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Operating Revenues				
Charges for services	\$ 89,336	\$ 113,784	\$ 207,963	\$ 411,083
Miscellaneous	60	-	30	90
Total Operating Revenues	\$ 89,396	\$ 113,784	\$ 207,993	\$ 411,173
Operating Expenses				
Personnel services	\$ -	\$ 27,841	\$ 26,532	\$ 54,373
Pension Expense	-	-	1,269	1,269
Contracted services	83,267	-	-	83,267
Insurance	-	2,572	2,871	5,443
Permits	-	-	1,988	1,988
Repairs and maintenance	-	14,613	34,219	48,832
Supplies	-	16,252	17,171	33,423
Utilities	-	2,083	10,084	12,167
Miscellaneous	937	-	882	1,819
Depreciation	-	22,320	176,009	198,329
Total Operating Expenses	\$ 84,204	\$ 85,681	\$ 271,025	\$ 440,910
Operating Income (Loss)	\$ 5,192	\$ 28,103	\$ (63,032)	\$ (29,737)
Nonoperating Revenues (Expenses)				
Special assessments	\$ 326	\$ 11,910	\$ 21,957	\$ 34,193
Intergovernmental revenue	-	-	472,723	472,723
Investment earnings	484	299	487	1,270
Interest expense	-	(7,250)	(38,352)	(45,602)
Total Nonoperating Revenues (Expenses)	\$ 810	\$ 4,959	\$ 456,815	\$ 462,584
Income (Loss) Before Transfers	\$ 6,002	\$ 33,062	\$ 393,783	\$ 432,847
Transfers in	-	-	15,000	15,000
Change in Net Position	\$ 6,002	\$ 33,062	\$ 408,783	\$ 447,847
Net Position - January 1, as previously reported	\$ 121,428	\$ 257,291	\$ 1,902,742	\$ 2,281,461
Net Position - December 31	\$ 127,430	\$ 290,353	\$ 2,311,525	\$ 2,729,308

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 90,071	\$ 115,302	\$ 210,933	\$ 416,306
Payments to employees	-	(26,290)	(26,318)	(52,608)
Payments to suppliers	(84,271)	(37,457)	(62,881)	(184,609)
Net cash provided by (used in) operating activities	\$ 5,800	\$ 51,555	\$ 121,734	\$ 179,089
Cash Flows from Noncapital Financing Activities				
Transfers in	-	-	15,000	15,000
Net cash provided by (used in) noncapital financing activities	-	-	15,000	15,000
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	-	(11,817)	(677,224)	(689,041)
Interest paid on bonds	-	(7,250)	(18,041)	(25,291)
Principal paid on Public Facilities Authority notes	-	-	(8,000)	(8,000)
Interest paid on Public Facilities Authority notes	-	-	(1,430)	(1,430)
Principal paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(69,000)	(69,000)
Interest paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(18,881)	(18,881)
Issuance of bonds	-	-	119,434	119,434
Intergovernmental revenue	-	-	472,723	472,723
Purchase of capital assets	-	-	(40,516)	(40,516)
Special assessments received	300	11,796	38,974	51,070
Net cash provided by (used in) capital and related financing activities	300	(7,271)	(201,961)	(208,932)
Cash Flows from Investing Activities				
Investment earnings received	556	371	487	1,414
Net Increase (Decrease) in Cash and Cash Equivalents	6,656	44,655	(64,740)	(13,429)
Cash and Cash Equivalents at January 1	111,790	70,634	373,798	556,222
Cash and Cash Equivalents at December 31	118,446	115,289	309,058	542,793

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 5,192	\$ 28,103	\$ (63,032)	\$ (29,737)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 22,320	\$ 176,009	\$ 198,329
Decrease (increase) in assets				
Accounts receivable	722	983	2,441	4,146
Due from other governments	-	-	24	24
Increase (decrease) in liabilities				
Accounts payable	(67)	(1,749)	4,520	2,704
Salaries payable		753	753	1,506
Compensated absences payable	-	113	97	210
Due to other governments	(47)	18	(92)	(121)
Net pension liability	-	1,014	1,014	2,028
Total adjustments	\$ 608	\$ 23,452	\$ 184,766	\$ 208,826
Net cash provided by (used in) operating activities	\$ 5,800	\$ 51,555	\$ 121,734	\$ 179,089

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund type:

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

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 tax revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, intergovernmental revenues, charges for services, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, 2017, 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 2017 were \$1,640. Total investment earnings for 2017 were \$2,910.

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 2017 and deferred special assessments collectible in 2018 and beyond.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, Deferred Outflows/Inflows of Resources, 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:

Assets	Years
Infrastructure	80
Buildings and improvements	5-40
Machinery and equipment	5-30

5. Deferred Outflows/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, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

6. 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.

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation, and sick leave balances. 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. Compensated absences are generally liquidated by the General Fund and the Sewer and Water Enterprise Funds.

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. For governmental and business activities, the pension liability is liquidated by the General Fund and the Sewer and Water Enterprise Funds.

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, 2017.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

9. Net Position and Fund Balance (Continued)

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

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the City Council and do not lapse at year-end. To remove the constraint on specified use of committed resources the City Council shall pass a resolution. The City does not have any committed fund balance at December 31, 2017.

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

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

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

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, 2017, 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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

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 outflows/inflows of resources 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.

II. Stewardship, Compliance, and Accountability

A. Restatement

During the year 2017, the City implemented GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the Greenbush Fire Relief Association. The City recognized a net pension asset for the Greenbush Fire Relief Association. As a result, beginning net position has been restated to reflect the related net pension asset resulting in a restatement of net position in the amount of \$22,037 as of January 1, 2017 as follows:

	Governmental Activities
Beginning Net Position, January 1, 2017	\$ 1,909,285
Net Pension Asset, January 1, 2017	22,037
Net Position, January 1, 2017, as restated	\$ 1,931,322

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the City's total deposits and investments to the basic financial statements, as of December 31, 2017, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 393,788
Investments	379,874
Business-type Activities	
Cash and pooled investments	262,637
Investments	275,750
Total Cash and Investments	\$ 1,312,049
Deposits	
Petty cash and change funds	\$ 100
Checking accounts	656,326
Certificates of deposit	655,623
Total Deposits and Cash on Hand	\$ 1,312,049

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City's policy for custodial credit risks is to comply with Minnesota statutes in establishing authorized collateral for deposits. As of December 31, 2017, the City's deposits were not exposed to custodial credit risk.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, 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	\$ 33,849	\$ -
Special Assessments	5,227	5,214
Accounts	1,440	-
Accrued interest	-	-
Loans	<u>143,871</u>	<u>133,718</u>
Total Governmental Activities	<u>\$ 184,387</u>	<u>\$ 138,932</u>

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Business-Type Activities		
Taxes	\$ 423	\$ -
Special assessments	194,994	189,597
Accounts	<u>38,280</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 233,697</u>	<u>\$ 189,597</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 87,849	\$ -	\$ 7,500	\$ 80,349
Capital assets being depreciated				
Buildings and improvements	\$ 983,761	\$ 38,638	\$ -	\$ 1,022,399
Infrastructure	52,063	-	-	52,063
Machinery and equipment	1,420,985	54,166	-	1,475,151
Total capital assets being depreciated	\$ 2,456,809	\$ 92,804	\$ -	\$ 2,549,613
Less: accumulated depreciation for				
Buildings and improvements	\$ 659,506	\$ 27,693	\$ -	\$ 687,199
Infrastructure	1,302	1,302	-	2,604
Machinery and equipment	698,998	59,579	-	758,577
Total accumulated depreciation	\$ 1,359,806	\$ 88,574	\$ -	\$ 1,448,380
Total capital assets, depreciated, net	\$ 1,097,003	\$ 4,230	\$ -	\$ 1,101,233
Governmental Activities Capital Assets, Net	\$ 1,184,852	\$ 4,230	\$ 7,500	\$ 1,181,582

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	-
Total capital assets not depreciated	\$ 35,206	\$ -	\$ 31,206	\$ 4,000
Capital assets being depreciated				
Infrastructure	\$ 5,616,945	\$ 47,309	\$ -	\$ 5,664,254
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
Total capital assets being depreciated	\$ 5,704,301	\$ 47,309	\$ -	\$ 5,751,610
Less: accumulated depreciation for				
Infrastructure	\$ 1,110,151	\$ 195,262	\$ -	\$ 1,305,413
Buildings and improvements	7,805	434	-	8,239
Machinery and equipment	58,559	2,633	-	61,192
Total accumulated depreciation	\$ 1,176,515	\$ 198,329	\$ -	\$ 1,374,844
Total capital assets, depreciated, net	\$ 4,527,786	\$ (151,020)	\$ -	\$ 4,376,766
Business-Type Activities Capital Assets, Net	\$ 4,562,992	\$ (151,020)	\$ 31,206	\$ 4,380,766

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation Expense

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

Governmental Activities	
General government	\$ 2,706
Public safety	35,123
Highways and streets	6,533
Culture and recreation	43,976
Conservation of natural resources	<u>236</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 88,574</u></u>
Business-Type Activities	
Sewer	\$ 22,320
Water	<u>176,009</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 198,329</u></u>

B. Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following operating transfers:

Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	\$ 13,000	Water protection fees
Transfer to Water Enterprise Fund from General Fund	<u>15,000</u>	Water protection fees
Total Interfund Transfers	<u><u>\$ 28,000</u></u>	

C. Liabilities

Compensated Absences

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

Unused accumulated vacation and vested sick leave is paid to full-time employees upon termination. Unvested sick leave, approximately \$10,360 at December 31, 2017, is available to full-time employees in the event of illness-related absences and is not paid to them at termination.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Long-Term Debt

Governmental Activities

City of Greenbush purchase agreement, represent debt incurred for a Bobcat Skidsteer. This note has an original issue amount of \$53,634 and carries a net interest rate of 3.3 percent which is due in annual installments from the General Fund of \$7,268 to \$8,368 through April 1, 2024. The first payment on this purchase agreement is scheduled for April 1, 2018 in the amount of \$7,268.

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 \$11,817 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2017 is \$150,649.

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 \$45,000 and \$55,476 through August 20, 2039. The balance due on December 31, 2017 is \$1,108,476.

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 \$24,000 and \$31,000 through August 20, 2039. The balance due on December 31, 2017 is \$612,000.

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 \$13,716 to \$15,177 through June 15, 2023. The balance outstanding at December 31, 2017 is \$87,335.

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 \$23,000 to \$28,000 through February 1, 2023. The balance outstanding at December 31, 2017 is \$155,000.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

City of Greenbush MPFA Drinking Water State Revolving Fund loan issued in 2013 represents debt incurred for water main improvements. This loan has an original issue amount of \$166,364. It carries a net interest rate of 1.00 percent and is due in annual installments from the Water Enterprise Fund of \$8,000 to \$9,000 through 2026. The balance outstanding at December 31, 2017 is \$135,000.

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. These Temporary Water Revenue Bonds were paid in full in 2017.

City of Greenbush MPFA Drinking Water State Revolving Fund loan issued in 2017 represents debt incurred for water main improvements. This loan has an original issue amount of \$124,434. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$2,234 to \$30,000 through 2036.

Debt Service Requirements

Governmental Activities

Debt service requirements for the government-type activities for the year ended December 31, 2017, are as follows:

Year Ending December 31	Bobcat Skidsteer Purchase Agreement	
	Principal	Interest
2018	\$ 7,268	\$ 1,377
2019	7,114	1,530
2020	7,349	1,295
2021	7,592	1,053
2022	7,842	802
2023-2027	16,469	819
Total	\$ 53,634	\$ 6,876

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Business Activities

Debt service requirements for the business-type activities for the year ended December 31, 2017, 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
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	14,600	4,467	73,000	15,158	14,922	512	55,000	1,554
2023-2027	83,514	11,821	376,000	64,073	15,177	257	-	-
2028-2032	-	-	397,000	43,824	-	-	-	-
2033-2037	-	-	418,000	22,445	-	-	-	-
2038-2039	-	-	172,476	2,734	-	-	-	-
	<u>\$ 150,649</u>	<u>\$ 40,021</u>	<u>\$ 1,720,476</u>	<u>\$ 216,386</u>	<u>\$ 87,335</u>	<u>\$ 5,269</u>	<u>\$ 155,000</u>	<u>\$ 13,398</u>

Year Ending December 31	2013 MPFA Drinking Water State Revolving Fund Loan		2017 MPFA Drinking Water State Revolving Fund Loan	
	Principal	Interest	Principal	Interest
2018	\$ 8,000	\$ 1,350	\$ 2,234	\$ 1,281
2019	8,000	1,270	6,000	1,270
2020	9,000	1,190	7,000	1,210
2021	9,000	1,100	7,000	1,140
2022	9,000	1,010	7,000	1,070
2023-2027	45,000	3,700	35,000	4,300
2028-2032	47,000	1,440	35,000	2,550
2033-2036	-	-	25,200	750
	<u>\$ 135,000</u>	<u>\$ 11,060</u>	<u>\$ 124,434</u>	<u>\$ 13,571</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bobcat Skidsteer Purchase Agreement	\$ -	\$ 53,637	\$ -	\$ 53,637	\$ 7,268
Compensated Absences	5,501	9,709	9,226	5,984	5,064
Net Pension Liability	<u>110,422</u>	<u>-</u>	<u>23,604</u>	<u>86,818</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 115,923</u>	<u>\$ 63,346</u>	<u>\$ 32,830</u>	<u>\$ 146,439</u>	<u>\$ 12,332</u>

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 162,466	\$ -	\$ 11,817	\$ 150,649	\$ 12,313
General Obligation Water Revenue Note of 2009 - MPFA	1,789,476	-	45,000	1,744,476	70,000
General Obligation Water Revenue Bonds of 2013	101,051	-	13,716	87,335	13,949
General Obligation Water Revenue Bonds of 2015	178,000	-	23,000	155,000	24,000
General Obligation Temporary Water Revenue Bonds of 2016	645,224	-	645,224	-	-
MNPFA Drinking Water State Revolving Funds of 2017	-	124,434	-	124,434	2,234
MPFA Drinking Water State Revolving Funds of 2013	143,000	-	8,000	135,000	8,000
Compensated Absences	2,216	3,525	3,314	2,427	952
Net Pension Liability	<u>51,968</u>	<u>-</u>	<u>11,108</u>	<u>40,860</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 3,073,401</u>	<u>\$ 127,959</u>	<u>\$ 761,179</u>	<u>\$ 2,440,181</u>	<u>\$ 131,448</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

A. Plan Descriptions

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

The City of Greenbush participates 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.

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.

Firefighters' Relief Association (FRA)

The Greenbush Fire Relief Association participates in the Firefighters' Relief Association (FRA), an agent lump-sum defined benefit pension plan.

As of December 31, 2017, the plan covered 39 active firefighters and 3 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

All investments undertaken by the plan are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

General Employees Plan Benefits

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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

A. Plan Description

General Employees Plan Benefits (Continued)

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.

Firefighters' Relief Association (FRA) Plan Benefits

The FRA provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Greenbush. Members are eligible for a lump-sum retirement benefit at 50 years of age with ten years of service. Plan provisions include a pro-rated vesting schedule that increases from ten years at 60% through 20 years at 100%.

B. Contributions

General Employees Fund Contributions

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

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 2017. 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 2017. The City of Greenbush's contributions to the General Employees Fund for the year ended December 31, 2017, were \$9,900. The City of Greenbush's contributions were equal to the required contributions as set by state statute.

Firefighters' Relief Association (FRA) Plan Contributions

The FRA is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Greenbush contributions. The State of Minnesota contributed \$17,788 in fire state aid to the plan for the year ended December 31, 2017. Required employer contributions are calculated annually based on statutory provisions.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

B. Contributions

Firefighters' Relief Association (FRA) Plan Contributions (Continued)

The City of Greenbush's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2017, was \$0. 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, 2017, the City of Greenbush reported a liability of \$127,679 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 2017. 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 associated with the City of Greenbush totaled \$1,591. The net pension liability was measured as of June 30, 2017, 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 proportion share was .0020 percent which remains unchanged from its proportion measured as of June 30, 2016.

There were no provision changes during the measurement period.

For the year ended December 31, 2017, the City of Greenbush recognized pension expense of \$5,237 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Greenbush recognized an additional \$46 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.

At December 31, 2017, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,208	\$ 6,596
Changes in actuarial assumptions	15,898	12,800
Difference between projected and actual investment earnings	18,983	21,679
Changes in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	5,048	-
Total	\$ 44,137	\$ 41,075

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

C. Pension Costs

General Employees Fund Pension Costs (Continued)

\$5,048 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, 2017. 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	2,642
2018	2,642
2019	4,384
2020	(3,593)
2021	(5,419)

Firefighters' Relief Association (FRA) Plan Pension Costs

At December 31, 2017, the City of Greenbush reported a net pension asset of \$38,368 for the FRA plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by an actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	(a)	(b)	(a-b)
Beginning Balance 12/31/2016	\$ 272,849	\$ 294,886	\$ (22,037)
Changes for the Year:			
Service Cost	10,288	-	10,288
Interest on Pension Liability	16,280	-	16,280
Nonemployer Contributions	-	18,048	(18,048)
Projected Investment Earnings	-	17,415	(17,415)
Asset (Gains)/Losses	-	9,521	(9,521)
PERA Administrative Fee	-	(2,085)	2,085
Net Changes	<u>\$ 26,568</u>	<u>\$ 42,899</u>	<u>\$ (16,331)</u>
Balance End of Year 12/31/2017	<u>\$ 299,417</u>	<u>\$ 337,785</u>	<u>\$ (38,368)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2017, the City of Greenbush recognized pension expense of \$28,653 for its proportionate share of the FRA's pension expense.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

C. Pension Costs

Firefighters' Relief Association (FRA) Plan Pension Costs (Continued)

At December 31, 2017, the City of Greenbush reported deferred inflows of resources related to pension for the following sources:

	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ 7,616

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ -
2018	(1,905)
2019	(1,905)
2020	(1,905)
2021	(1,901)

D. Actuarial Assumptions

General Employees Fund

The total pension liability in the June 30, 2017, 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 to fit PERA's experience.

Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years, and then 2.5 percent thereafter for the General Employees Plan.

Actuarial assumptions used in the June 30, 2017 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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

D. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2017:

1. The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
2. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044, and 2.5 percent per year thereafter.

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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

Firefighters' Relief Association (FRA) Plan

The total pension liability at December 31, 2017, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later age of 50 or 10 years of service
- Investment Rate of Return 5.75%
- Salary increases 2.50% per year

There were no changes in actuarial assumptions in 2017.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans

D. Actuarial Assumptions

Firefighters' Relief Association (FRA) Plan (Continued)

To match the long-term nature of the pension obligations, the FRA maintains a strategic asset allocation for the Statewide Volunteer Firefighter Retirement Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	31.00%	2.25%
Fixed Income	5.00%	3.30%
Equities	63.00%	7.50%
Other	1.00%	6.00%

The 5.75 percent long-term expected rate of return on pension plans investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

E. Discount Rate

General Employees Fund

The discount rate used to measure the total pension liability in 2017 was 7.50%. 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.

Firefighters' Relief Association (FRA) Plan

The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed the contributions to the FRA plan will be made at the rate specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plans (Continued)

F. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability at a Single Discount Rate			
City of Greenbush	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
General Employee Fund	\$ 198,039	\$ 127,679	\$ 70,076
	1% Decrease in Discount Rate (4.75%)	Discount Rate (5.75%)	1% Increase in Discount Rate (6.75%)
Firefighter Retirement Plan	\$ (30,306)	\$ (38,368)	\$ (46,202)

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 .

V. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

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

B. Risk Management

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 257,500	\$ 257,500	\$ 259,944	\$ 2,444
Special assessments	1,000	1,000	864	(136)
Licenses and permits	2,720	2,720	2,675	(45)
Intergovernmental	266,780	266,780	283,351	16,571
Charges for services	61,600	61,600	65,081	3,481
Fines and forfeitures	-	-	400	400
Gifts and contributions	-	-	4,799	4,799
Investment earnings	500	500	779	279
Miscellaneous	9,080	9,080	15,447	6,367
Total Revenues	\$ 599,180	\$ 599,180	\$ 633,340	\$ 34,160
Expenditures				
Current				
General government				
Mayor/council	\$ 8,000	\$ 8,000	\$ 9,908	\$ (1,908)
City clerk/treasurer	69,400	69,400	67,093	2,307
Professional services	4,900	4,900	4,900	-
Legal	1,500	1,500	925	575
Assessor	3,600	3,600	3,664	(64)
Buildings and grounds	31,320	31,320	24,808	6,512
Insurance	3,500	3,500	3,055	445
Other general government	1,500	1,500	1,402	98
Total general government	\$ 123,720	\$ 123,720	\$ 115,755	\$ 7,965
Public safety				
Police	\$ 10,720	\$ 10,720	\$ 135	\$ 10,585
Fire	52,450	52,450	42,429	10,021
Fire relief association	11,000	11,000	17,471	(6,471)
Total public safety	\$ 74,170	\$ 74,170	\$ 60,035	\$ 14,135
Highways and streets				
Streets and alleys	\$ 234,022	\$ 234,022	\$ 165,938	\$ 68,084
Street lighting	18,500	18,500	16,490	2,010
Total highways and streets	\$ 252,522	\$ 252,522	\$ 182,428	\$ 70,094

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Culture and recreation				
Ice rinks	\$ 2,150	\$ 2,150	\$ 1,866	\$ 284
Library	22,268	22,268	18,138	4,130
Recreational programs	21,350	21,350	48,981	(27,631)
Swimming pool	73,000	73,000	36,890	36,110
Other culture and recreation	7,000	7,000	8,111	(1,111)
Total culture and recreation	\$ 125,768	\$ 125,768	\$ 113,986	\$ 11,782
Economic development				
Other economic development	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Capital outlay				
General government	\$ 5,000	\$ 5,000	\$ 38,638	\$ (33,638)
Highways and streets	-	-	54,166	(54,166)
Total capital outlay	\$ 5,000	\$ 5,000	\$ 92,804	\$ (87,804)
Total Expenditures	\$ 584,180	\$ 584,180	\$ 565,008	\$ 19,172
Excess of Revenues Over (Under)				
Expenditures	\$ 15,000	\$ 15,000	\$ 68,332	\$ 53,332
Other Financing Sources (Uses)				
Transfers out	\$ 15,000	\$ 15,000	\$ (28,000)	\$ (43,000)
Proceeds from installment purchase	-	-	53,634	53,634
Total Other Financing Sources (Uses)	\$ 15,000	\$ 15,000	\$ 25,634	\$ (43,000)
Net Change in Fund Balance	\$ 30,000	\$ 30,000	\$ 93,966	\$ 10,332
Fund Balance - January 1	339,594	339,594	339,594	-
Fund Balance - December 31	\$ 369,594	\$ 369,594	\$ 433,560	\$ 10,332

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 11,993	\$ 11,993	\$ 11,319	\$ (674)
Expenditures				
Current				
Economic development				
Administration	\$ -	\$ -	\$ 361	\$ (361)
Excess of Revenues Over (Under)				
Expenditures	\$ 11,993	\$ 11,993	\$ 10,958	\$ (1,035)
Fund Balance - January 1	-	-	1,053	1,053
Fund Balance - December 31	<u>\$ 11,993</u>	<u>\$ 11,993</u>	<u>\$ 12,011</u>	<u>\$ 18</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2017**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	\$ 9,900	\$ 9,900	\$ -	\$ 132,010	7.5%
December 31, 2016	\$ 9,741	\$ 9,741	\$ -	\$ 129,880	7.5%
December 31, 2015	\$ 9,579	\$ 9,579	\$ -	\$ 127,720	7.5%

FIRE RELIEF ASSOCIATION PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2016	\$ -	\$ -	\$ -	N/A	N/A

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017	0.0020%	\$ 127,679	\$ 1,591	\$ 129,270	\$ 128,399	99.44%	75.90%
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%

FIRE RELIEF ASSOCIATION 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 (Asset)</u>	<u>Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability (Asset)</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 (Asset)</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, 2017	100%	\$ (38,368)	\$ -	\$ (38,368)	N/A	N/A	113.00%
June 30, 2016	100%	\$ (22,037)	\$ -	\$ (22,037)	N/A	N/A	108.00%

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Mayor/council	\$ 9,908	\$ 8,000	\$ (1,908)
Assessor	3,664	3,600	(64)
Public safety			
Fire relief association	17,471	11,000	(6,471)
Culture and recreation			
Recreational programs	48,981	21,350	(27,631)
Other culture and recreation	8,111	7,000	(1,111)
Capital outlay			
General government	38,638	5,000	(33,638)
Highways and streets	54,166	-	(54,166)
RBEG Revolving Loan Special Revenue Fund			
Economic development			
Administration	361	-	(361)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

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.

A. General Employees Fund

1. 2017 Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2. 2016 Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- 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 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

3. 2015 Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

4. 2015 Changes in Plan Provisions

On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

The Fire Department Special Project Special Revenue Fund is used to account for and report fire department special projects funded by donations as specified by contributors committed to public safety.

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

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2017**

	Fire Department	Fire Department Special Project Special Revenue	General Special Project	Small Cities Development Program Special Revenue	Total (Exhibit 3)
<u>Assets</u>					
Cash and pooled investments	\$ 4,380	\$ 114,122	\$ 14,778	\$ 2,810	\$ 136,090
Investments	10,646	174,229	-	-	184,875
Total Assets	<u>\$ 15,026</u>	<u>\$ 288,351</u>	<u>\$ 14,778</u>	<u>\$ 2,810</u>	<u>\$ 320,965</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 3,200	\$ -	\$ 3,200
Fund Balances					
Restricted for economic development	\$ -	\$ -	\$ -	\$ 2,810	\$ 2,810
Assigned to					
Public safety	15,026	288,351	-	-	303,377
Culture and recreation	-	-	11,578	-	11,578
Total Fund Balances	<u>\$ 15,026</u>	<u>\$ 288,351</u>	<u>\$ 11,578</u>	<u>\$ 2,810</u>	<u>\$ 317,765</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,026</u>	<u>\$ 288,351</u>	<u>\$ 14,778</u>	<u>\$ 2,810</u>	<u>\$ 320,965</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Fire Department	Fire Department Special Project Special Revenue	Golf Course	General Special Projects	Small Cities Development Program Special Revenue	Total (Exhibit 5)
Revenues						
Intergovernmental	\$ -	\$ 1,320	\$ -	\$ -	\$ -	\$ 1,320
Charges for services	-	-	33,354	-	-	33,354
Gifts and contributions	420	9,985	-	20,500	-	30,905
Investment earnings	47	814	-	-	-	861
Total Revenues	\$ 467	\$ 12,119	\$ 33,354	\$ 20,500	\$ -	\$ 66,440
Expenditures						
Current						
Public safety	\$ -	\$ 10,619	\$ -	\$ -	\$ -	\$ 10,619
Culture and recreation	-	-	33,354	8,922	-	42,276
Economic development	-	-	-	-	372	372
Total Expenditures	\$ -	\$ 10,619	\$ 33,354	\$ 8,922	\$ 372	\$ 53,267
Excess of Revenues Over (Under) Expenditures	\$ 467	\$ 1,500	\$ -	\$ 11,578	\$ (372)	\$ 13,173
Other Financing Sources (Uses)						
Transfers in	-	13,000	-	-	-	13,000
Net Change in Fund Balance	\$ 467	\$ 14,500	\$ -	\$ 11,578	\$ (372)	\$ 26,173
Fund Balance - January 1	14,559	273,851	-	-	3,182	291,592
Fund Balance - December 31	\$ 15,026	\$ 288,351	\$ -	\$ 11,578	\$ 2,810	\$ 317,765

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 750	\$ 750	\$ 420	\$ (330)
Investment earnings	-	-	47	47
Total Revenues	\$ 750	\$ 750	\$ 467	\$ (283)
Expenditures				
Current				
Public safety				
Fire protection	100	100	-	100
Excess of Revenues Over (Under)				
Expenditures	\$ 650	\$ 650	\$ 467	\$ (183)
Fund Balance - January 1	-	-	14,559	14,559
Fund Balance - December 31	\$ 650	\$ 650	\$ 15,026	\$ 14,376

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 2,000	\$ 2,000	\$ 9,985	\$ 7,985
Intergovernmental	-	-	1,320	1,320
Investment earnings	-	-	814	814
Total Revenues	\$ 2,000	\$ 2,000	\$ 12,119	\$ 10,119
Expenditures				
Current				
Public safety				
Fire	\$ 2,000	\$ 2,000	\$ 10,619	\$ (8,619)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 1,500	\$ 1,500
Other Financing Sources (Uses)				
Transfers in	13,000	13,000	13,000	-
Net Change in Fund Balance	\$ 13,000	\$ 13,000	\$ 14,500	\$ 1,500
Fund Balance - January 1	-	-	273,851	273,851
Fund Balance - December 31	\$ 13,000	\$ 13,000	\$ 288,351	\$ 275,351

OTHER SCHEDULES

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Shared Revenue

State

Fire state aid	\$	17,471
Local government aid		255,111
Market value credit		15
PERA rate reimbursement		668
Small cities assistance aid		10,086

Total Shared Revenue

\$ 283,351

Grants

State

Minnesota Department of Public Safety	\$	1,320
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Federal

Department of

Environmental Protection Agency		472,723
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Total Grants

\$ 474,043

Total Intergovernmental Revenue

\$ 757,394

MANAGEMENT AND COMPLIANCE SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

**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)

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED (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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8
(Continued)

PREVIOUSLY REPORTED ITEM RESOLVED

2015-001 Accounting and Financial Reporting for Pensions

Condition

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

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

Resolution:

In 2017, the Greenbush Fire Relief Association had an actuarial study done to determine the net pension liability (or asset) to be reported as of December 31, 2017. This net pension (asset) was included in the City's financial statements as of December 31, 2017.



Hoffman, Philipp, & Knutson, PLLC

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2018.

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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 over financial reporting 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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 over financial reporting 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 over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2004-001 and 2007-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for 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 Responses. 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 over financial reporting, 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 over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoffman, Philipp, & Knutson, PLLC

May 15, 2018