

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2021



Hoffman, Philipp, & Martell, PLLC

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

TABLE OF CONTENTS

<u>Introductory Section</u>	<u>Reference</u>	<u>Page</u>
Organization Schedule		1
 <u>Financial Section</u>		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	17
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position / Governmental Activities	Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities / Governmental Activities	Exhibit 6	20
Proprietary Funds		
Statement of Net Position	Exhibit 7	21
Statement of Revenues, Expenses, and Changes in Net Position	Exhibit 8	22
Statement of Cash Flows	Exhibit 9	23
Notes to the Financial Statements		25
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	53
Small Cities Development Program Special Revenue Fund	Schedule 2	56
RBEG Revolving Loan Special Revenue Fund	Schedule 3	57
Public Employees Retirement Association of Minnesota		
Schedule of Contributions	Schedule 4	58
Schedule of Proportionate Share of Net Pension Liability	Schedule 5	59
Notes to the Required Supplementary Information		60

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

TABLE OF CONTENTS

<u>Financial Section</u> (Continued)	<u>Reference</u>	<u>Page</u>
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet - Special Revenue Funds	Statement 1	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Funds	Statement 2	65
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 6	66
Schedule of Expenditures of Federal Awards	Schedule 7	67
Notes to the Schedule of Expenditures of Federal Awards		68
 <u>Management and Compliance Section</u>		
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		69
Independent Auditor’s Report on Compliance for each Major Program and Report on Internal Control Over Compliance		71
Schedule of Findings and Questioned Costs		74
Corrective Action Plan		77
Schedule of Prior Audit Findings		78

INTRODUCTORY SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2021**

	<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Elected			
	Eric Etherington	Mayor	December 31, 2022
	Christine Foss	Councilmember	December 31, 2022
	Josh Kern	Councilmember	December 31, 2024
	Dennis Filer	Councilmember	December 31, 2024
	Shawn Walsh	Councilmember	December 31, 2022
Appointed			
	Lynsi Emery	Clerk/Treasurer	Indefinite

FINANCIAL SECTION

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



Hoffman, Philipp, & Martell, PLLC

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Greenbush

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, as of December 31, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Greenbush and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events that raise substantial doubt about the City of Greenbush's ability to continue as a going concern for twelve months beyond the

financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Greenbush' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used in the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered that raise substantial doubt about the City of Greenbush's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified in our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison information on pages 53-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of

additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other schedules, as listed in the table of contents, but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, 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 effectiveness of the City of Greenbush’s 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 of Greenbush’s internal control over financial reporting and compliance.



Hoffman, Philipp, & Martell, PLLC
June 30, 2022



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, 2021. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$2,930,149, of which \$1,184,117 is the net investment in capital assets, \$29,952 is restricted for economic development and public safety, and \$1,716,080 is unrestricted. The total net position of governmental activities increased by \$656,638 for the year ended December 31, 2021. This is attributed primarily to the DEED grant received and used to fund the Main Street Utility and Street Reconstruction Project.

The total net position of business-type activities is \$4,777,733, of which \$3,769,962 is the net investment in capital assets, \$90,000 is restricted for the Water Replacement Infrastructure Fund (WIF), and \$917,771 is unrestricted. The total net position of business-type activities increased by \$544,666 in 2021, as a result of the PFA grant received and used to fund the Main Street Utility and Street Reconstruction Project.

At the close of 2021, the City's governmental funds reported combined ending fund balances of \$681,114, a decrease of \$114,759 from the prior year. Of the total fund balance amount, \$29,952 is legally or contractually restricted, \$87,609 is formally committed to community improvements and fire department explorers, \$348,065 is noted as the assigned fund balance, and \$215,488 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Page 5



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Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

Fund Financial Statements

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

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

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

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

The City reports two governmental fund types: General and Special Revenue. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, the Small Cities Development Program Special Revenue Fund, and the RBEG Revolving Loan Special Revenue Fund, all of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the Notes to the Financial Statements.

The City of Greenbush adopts annual budgets for its major governmental funds, the General Fund, the Small Cities Development Program Special Revenue Fund, and the RBEG Revolving Loan 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 Enterprise 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 Enterprise 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*, *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 \$7,707,882 at the close of 2021. The largest portion of the City’s net position (approximately 64 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 two percent of the City’s net position is restricted for specific purposes and 34 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$2,633,851 as of December 31, 2021, may be used to meet the City’s ongoing obligations to citizens.

The City’s overall financial position increased from last year. Total assets increased by \$1,427,667, primarily due to the construction project capital asset additions, and deferred outflows of resources related to pensions increased \$41,644 from the prior year. Total liabilities increased by \$176,521 from the prior year, primarily due to debt incurred with the construction project, and deferred outflows of resources related to pensions increased by \$91,486. This resulted in an increased net position of \$1,201,304 from the prior year.

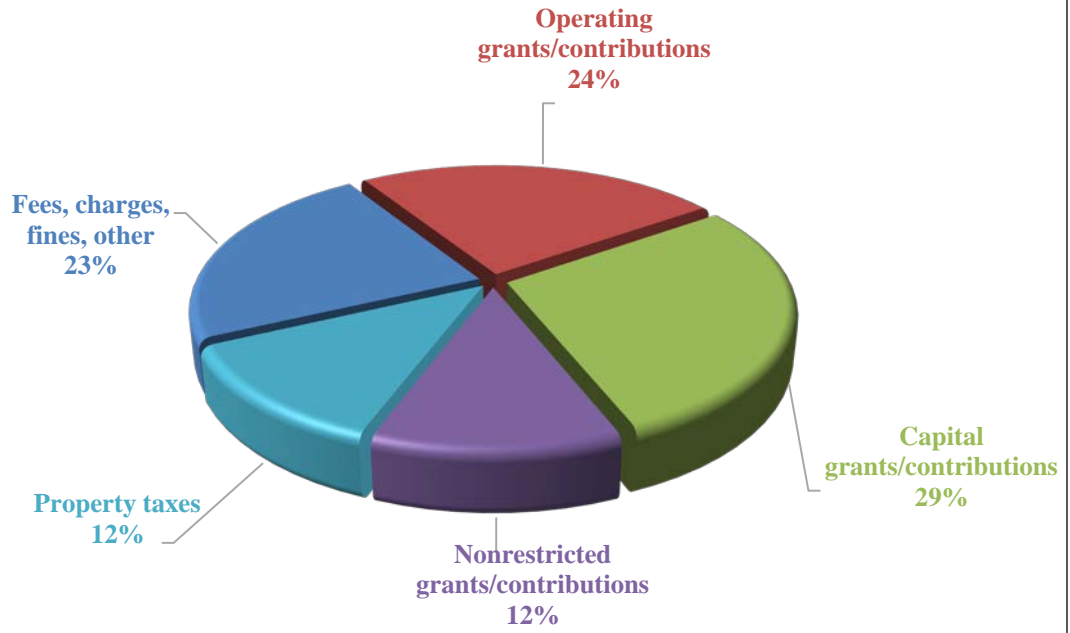
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,285,163	\$ 1,171,530	\$ 1,175,733	\$ 1,124,229	\$ 2,460,896	\$ 2,295,759
Capital assets	2,136,761	1,355,409	5,935,192	5,454,014	8,071,953	6,809,423
Total assets	\$ 3,421,924	\$ 2,526,939	\$ 7,110,925	\$ 6,578,243	\$ 10,532,849	\$ 9,105,182
Deferred outflows - pensions	\$ 50,449	\$ 21,683	\$ 23,742	\$ 10,864	\$ 74,191	\$ 32,547
Other liabilities	\$ 251,210	\$ 33,143	\$ 132,014	\$ 5,399	\$ 383,224	\$ 38,542
Long-term liabilities outstanding	190,945	208,741	2,194,584	2,344,949	2,385,529	2,553,690
Total liabilities	\$ 442,155	\$ 241,884	\$ 2,326,598	\$ 2,350,348	\$ 2,768,753	\$ 2,592,232
Deferred inflows - pensions	\$ 100,069	\$ 33,227	\$ 30,336	\$ 5,692	\$ 130,405	\$ 38,919
Net position						
Net Investment in capital assets	\$ 1,184,117	\$ 1,244,879	\$ 3,769,962	\$ 3,107,393	\$ 4,954,079	\$ 4,352,272
Restricted	29,952	18,308	90,000	48,000	119,952	66,308
Unrestricted	1,716,080	1,010,324	917,771	1,077,674	2,633,851	2,087,998
Total net position	\$ 2,930,149	\$ 2,273,511	\$ 4,777,733	\$ 4,233,067	\$ 7,707,882	\$ 6,506,578

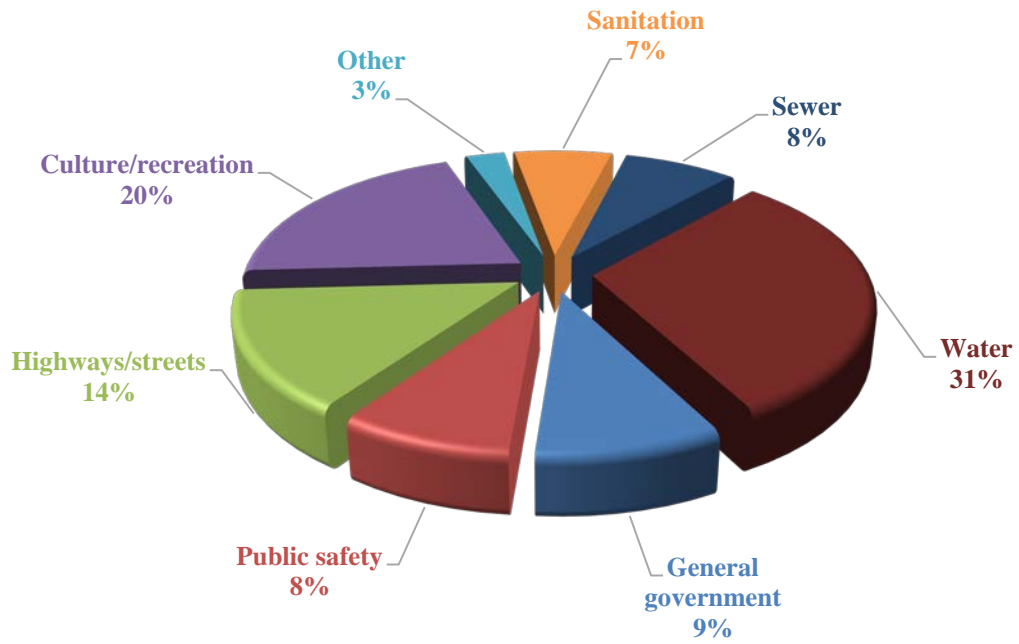
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 136,257	\$ 116,028	\$ 442,727	\$ 411,897	\$ 578,984	\$ 527,925
Operating grants and contributions	618,036	67,411	-	-	618,036	67,411
Capital grants and contributions	38,139	53,718	683,416	177,964	721,555	231,682
General Revenues and Transfers						
Property taxes	310,191	288,868	-	-	310,191	288,868
Grants and contributions not restricted to specific programs	301,526	273,961	-	-	301,526	273,961
Investment earnings	1,992	4,814	2,038	5,810	4,030	10,624
Insurance dividends	7,378	3,007	-	-	7,378	3,007
Transfers	(20,000)	(20,000)	20,000	20,000	-	-
Total revenues	\$ 1,393,519	\$ 787,807	\$ 1,148,181	\$ 615,671	\$ 2,541,700	\$ 1,403,478
Expenses						
General government	\$ 121,842	\$ 172,064	\$ -	\$ -	\$ 121,842	\$ 172,064
Public safety	113,372	126,165	-	-	113,372	126,165
Highways and streets	192,523	234,767	-	-	192,523	234,767
Culture and recreation	273,374	170,560	-	-	273,374	170,560
Conservation of natural resources	236	236	-	-	236	236
Economic development	10,729	19,794	-	-	10,729	19,794
Interest	24,805	4,543	-	-	24,805	4,543
Sanitation	-	-	91,001	94,324	91,001	94,324
Sewer	-	-	103,857	110,520	103,857	110,520
Water	-	-	408,657	410,892	408,657	410,892
Total expenses	\$ 736,881	\$ 728,129	\$ 603,515	\$ 615,736	\$ 1,340,396	\$ 1,343,865
Increase (decrease) in net position	\$ 656,638	\$ 59,678	\$ 544,666	\$ (65)	\$ 1,201,304	\$ 59,613
Net position, January 1	2,273,511	2,213,833	4,233,067	4,233,132	6,506,578	6,446,965
Net position, December 31	\$ 2,930,149	\$ 2,273,511	\$ 4,777,733	\$ 4,233,067	\$ 7,707,882	\$ 6,506,578

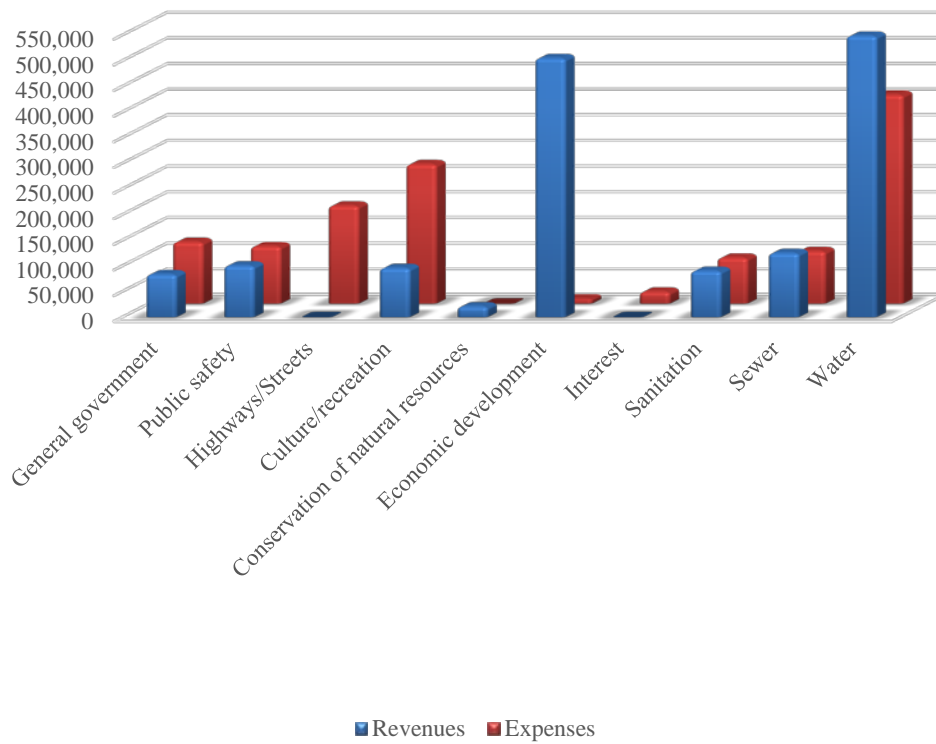
Revenues by Source



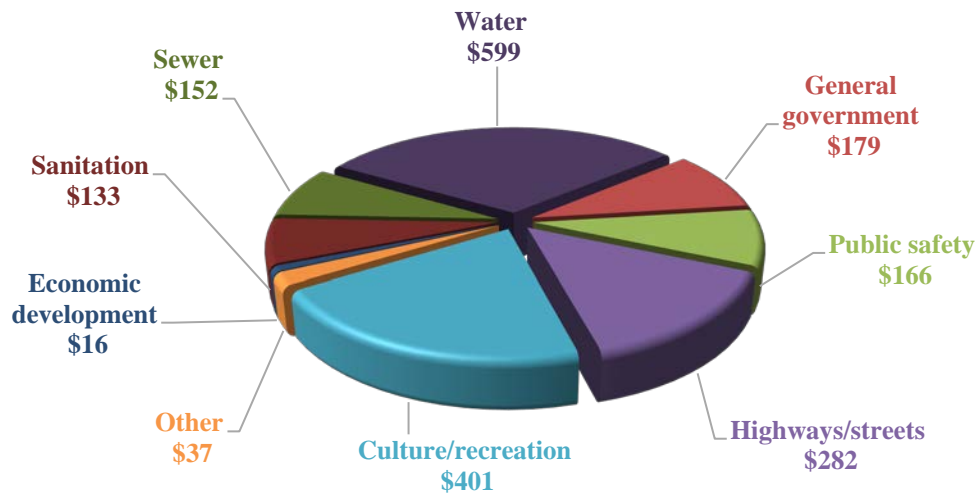
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 682 Population as of 2021



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 of resources, outflows of resources, 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 2021, the City's governmental funds reported combined ending fund balances of \$681,114. Of this amount, approximately four percent constitutes legally or contractually restricted fund balance, 13 percent constitutes formally committed fund balance, 51 percent constitutes the assigned fund balance, and 32 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 \$418,393. The General Fund's restricted fund balance was \$7,380, there was no committed fund balance, \$195,467 was the assigned fund balance, and the unassigned fund balance was \$215,546. 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 2021. Unrestricted fund balance represents 39 percent of total General Fund expenditures, while total fund balance represents 40 percent of that same amount.

In 2021, the fund balance amount in the General Fund decreased by \$154,042. The primary reason for this decrease was the City share of fund balance used in the construction project.

The fund balance amount of the Small Cities Development Program Special Revenue Fund increased in 2021 by \$20, due to the grant received and paid out in the same year.

The fund balance of the RBEG Revolving Loan Special Revenue Fund increased in 2021 by \$11,624, due to receipting of loan payments.

Proprietary Funds

The Sanitation Enterprise Fund reported an operating income in 2021 of \$606, indicating that it is collecting fees for services at a rate consistent with the costs.

The Sewer Enterprise Fund reported an operating income in 2021 of \$13,115, indicating that it is collecting fees for services at a rate consistent with the costs.

The Water Enterprise Fund reported an operating loss in 2021 of \$144,315, primarily as a result of depreciation of capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no budget amendments in 2021. Actual revenues were more than overall final budgeted revenues by \$151,720, with the largest positive variance in intergovernmental revenue. Actual expenditures were more than overall final budgeted expenditures by \$405,570, with the largest negative variance in capital outlay.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounted to \$8,071,953 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 19 percent. This increase was primarily due to the construction project adding to infrastructure.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 80,349	\$ 80,349	\$ 4,000	\$ 4,000	\$ 84,349	\$ 84,349
Construction in progress	744,020	-	832,508	46,209	1,576,528	46,209
Infrastructure	44,251	45,553	5,093,027	5,395,081	5,137,278	5,440,634
Buildings and improvements	537,970	437,732	3,025	3,459	540,995	441,191
Machinery and equipment	730,171	791,775	2,632	5,265	732,803	797,040
Total capital assets	<u>\$ 2,136,761</u>	<u>\$ 1,355,409</u>	<u>\$ 5,935,192</u>	<u>\$ 5,454,014</u>	<u>\$ 8,071,953</u>	<u>\$ 6,809,423</u>

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

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$2,293,505 of which \$2,165,230 is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bobcat S595 Skidsteer	\$ 24,311	\$ 31,903	\$ -	\$ -	\$ 24,311	\$ 31,903
Equipment Lease	63,964	78,627	-	-	63,964	78,627
Roseau County Maintenance Building Debt Agreement	40,000	-	-	-	40,000	-
G.O. Sewer Revenue Bonds of 2006	-	-	98,114	112,098	98,114	112,098
MPFA Drinking Water State Revolving Fund Loan - 2009	-	-	924,476	971,476	924,476	971,476
MPFA Drinking Water State Revolving Fund Loan - 2010	-	-	512,000	537,000	512,000	537,000
MPFA Drinking Water State Revolving Fund Loan - 2013	-	-	69,241	110,000	69,241	110,000
G.O. Water Revenue Bonds of 2013	-	-	30,099	44,772	30,099	44,772
G.O. Water Revenue Bonds of 2015A	-	-	55,000	81,000	55,000	81,000
MPFA Drinking Water State Revolving Fund Loan - 2017	-	-	90,691	113,200	90,691	113,200
MPFA Drinking Water State Revolving Fund Loan - 2019	-	-	153,162	190,000	153,162	190,000
MPFA Drinking Water State Revolving Fund Loan - 2020	-	-	101,786	140,868	101,786	140,868
MPFA Drinking Water State Revolving Fund Loan - 2021	-	-	130,661	-	130,661	-
	<u>\$ 128,275</u>	<u>\$ 110,530</u>	<u>\$ 2,165,230</u>	<u>\$ 2,300,414</u>	<u>\$ 2,293,505</u>	<u>\$ 2,410,944</u>

Minnesota statutes limit the amount of debt that the City may have to three percent of its total market value, excluding revenue bonds. At the end of 2021, 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 City is adjusting to the ongoing impacts of the worldwide Coronavirus pandemic. The American Rescue Plan (ARP) funding was passed by Congress and passed into law on March 11, 2021. The City has budgeted to use the ARP funds to respond to public health emergency needs, serve the hardest hit communities and address inequities, address negative economic impacts, and improve access to water and broadband infrastructure.

OTHER INFORMATION

- Specific unemployment rates for the City of Greenbush are not available; however, according to the Minnesota Department of Employment & Economic Development, the unemployment rate for Roseau County was 2.6 percent as of December 31, 2021. This is equal to the statewide rate of 2.6 percent and less than the national average rate of 3.7 percent.
- Greenbush's 2021 population according to the League of Minnesota Cities was 682, a decrease of 57 since the 2020 census of 739.
- On December 20, 2021, the City of Greenbush set its 2022 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, 2021**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 426,638	\$ 371,719	\$ 798,357
Investments	328,030	315,401	643,431
Taxes receivable			
Current	7,359	-	7,359
Prior	8,885	173	9,058
Special assessments receivable			
Current	-	991	991
Prior	19	3,675	3,694
Accounts receivable	1,591	41,301	42,892
Due from other governments	163,946	126,327	290,273
Internal balances	1,052	(1,052)	-
Loans receivable	143,283	-	143,283
Net pension asset	134,368	-	134,368
Special assessments receivable - noncurrent	69,992	317,198	387,190
Capital assets			
Non-depreciable	824,369	836,508	1,660,877
Depreciable - net of accumulated depreciation	1,312,392	5,098,684	6,411,076
Total Assets	\$ 3,421,924	\$ 7,110,925	\$ 10,532,849
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 50,449	\$ 23,742	\$ 74,191
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$ 27,043	\$ 2,597	\$ 29,640
Salaries payable	2,858	1,650	4,508
Compensated absences	3,708	1,440	5,148
Contracts payable	217,601	126,327	343,928
Long-Term Liabilities			
Due within one year	43,018	166,776	209,794
Due in more than one year	85,257	1,998,454	2,083,711
Compensated absences	1,688	656	2,344
Net pension liability	60,982	28,698	89,680
Total Liabilities	\$ 442,155	\$ 2,326,598	\$ 2,768,753
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 100,069	\$ 30,336	\$ 130,405
<u>Net Position</u>			
Net investment in capital assets	\$ 1,184,117	\$ 3,769,962	\$ 4,954,079
Amounts restricted for			
Economic development	22,572	-	22,572
Public safety	7,380	-	7,380
Water Infrastructure Replacement Fund (WIF)	-	90,000	90,000
Unrestricted amounts	1,716,080	917,771	2,633,851
Total Net Position	\$ 2,930,149	\$ 4,777,733	\$ 7,707,882

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 121,842	\$ 9,260	\$ 37,391
Public safety	113,372	44,666	57,256
Highways and streets	192,523	-	-
Culture and recreation	273,374	78,863	18,270
Conservation of natural resources	236	2,250	-
Economic development	10,729	1,218	505,119
Interest	24,805	-	-
Total governmental activities	\$ 736,881	\$ 136,257	\$ 618,036
Business-type activities			
Sanitation	\$ 91,001	\$ 91,607	\$ -
Sewer	103,857	111,889	-
Water	408,657	239,231	-
Total business-type activities	\$ 603,515	\$ 442,727	\$ -
Total	\$ 1,340,396	\$ 578,984	\$ 618,036

General revenues and transfers

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

Total general revenues and transfers

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ 38,139	\$ (37,052)	\$ -	\$ (37,052)
-	(11,450)	-	(11,450)
-	(192,523)	-	(192,523)
-	(176,241)	-	(176,241)
-	2,014	-	2,014
-	495,608	-	495,608
-	(24,805)	-	(24,805)
\$ 38,139	\$ 55,551	\$ -	\$ 55,551
\$ -	\$ -	\$ 606	\$ 606
14,496	-	22,528	22,528
668,920	-	499,494	499,494
\$ 683,416	\$ -	\$ 522,628	\$ 522,628
\$ 721,555	\$ 55,551	\$ 522,628	\$ 578,179
	\$ 310,191	\$ -	\$ 310,191
	301,526	-	301,526
	1,992	2,038	4,030
	7,378	-	7,378
	(20,000)	20,000	-
	\$ 601,087	\$ 22,038	\$ 623,125
	\$ 656,638	\$ 544,666	\$ 1,201,304
	2,273,511	4,233,067	6,506,578
	\$ 2,930,149	\$ 4,777,733	\$ 7,707,882

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Small Cities Development Program Special Revenue	RBEG Revolving Loan Special Revenue	Nonmajor Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>					
Assets					
Cash and pooled investments	\$ 282,132	\$ 3,302	\$ 19,270	\$ 121,934	\$ 426,638
Investments	210,267	-	-	117,763	328,030
Taxes receivable					
Current	7,359	-	-	-	7,359
Prior	8,885	-	-	-	8,885
Special assessments receivable-prior	19	-	-	-	19
Accounts receivable	1,591	-	-	-	1,591
Due from other funds	1,110	-	-	-	1,110
Due from other governments	-	163,436	-	510	163,946
Loans receivable	-	-	143,283	-	143,283
Special assessments receivable - noncurrent	69,992	-	-	-	69,992
Total Assets	\$ 581,355	\$ 166,738	\$ 162,553	\$ 240,207	\$ 1,150,853
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 27,043	\$ -	\$ -	\$ -	\$ 27,043
Salaries payable	2,858	-	-	-	2,858
Compensated absences payable	-	-	-	-	-
Contracts payable	54,165	163,436	-	-	217,601
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	58	58
Total Liabilities	\$ 84,066	\$ 163,436	\$ -	\$ 58	\$ 247,560
Deferred Inflows of Resources					
Taxes	\$ 8,885	\$ -	\$ -	\$ -	\$ 8,885
Loans	-	-	143,283	-	143,283
Special assessments	70,011	-	-	-	70,011
Total Deferred Inflows of Resources	\$ 78,896	\$ -	\$ 143,283	\$ -	\$ 222,179
Fund Balances					
Restricted for					
Economic development	\$ -	\$ 3,302	\$ 19,270	\$ -	\$ 22,572
Police DARE	7,380	-	-	-	7,380
Committed to					
Community improvements	-	-	-	81,900	81,900
Fire department explorers	-	-	-	5,709	5,709
Assigned to					
General government	91,041	-	-	-	91,041
Highway and streets	100,000	-	-	-	100,000
Culture and recreation	4,426	-	-	-	4,426
Public safety	-	-	-	152,598	152,598
Unassigned	215,546	-	-	(58)	215,488
Total Fund Balances	\$ 418,393	\$ 3,302	\$ 19,270	\$ 240,149	\$ 681,114
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 581,355	\$ 166,738	\$ 162,553	\$ 240,207	\$ 1,150,853

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Fund balances - total governmental funds (Exhibit 3)	\$	681,114
<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>		2,136,761
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		222,179
<p>Deferred outflows of resources are not available resources and, therefore are not reported in the governmental funds:</p>		
Deferred outflows related to pensions		50,449
<p>Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Loans payable	\$	(24,311)
Capital leases payable		(63,964)
Capital notes payable		(40,000)
Compensated absences payable		(5,396)
Net pension asset		134,368
Net pension liability		(60,982)
		(60,285)
<p>Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
Deferred inflows related to pensions		(100,069)
Net position of governmental activities (Exhibit 1)	\$	2,930,149

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Small Cities Development Program Special Revenue	RBEG Revolving Loan Special Revenue	Nonmajor Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues					
Property taxes	\$ 325,181	\$ -	\$ -	\$ -	\$ 325,181
Special assessments	1,052	-	-	-	1,052
Licenses and permits	1,975	-	-	-	1,975
Intergovernmental	376,962	505,119	-	3,648	885,729
Charges for services	91,406	-	-	33,620	125,026
Fines and forfeitures	83	-	-	-	83
Gifts and contributions	18,270	-	-	53,702	71,972
Investment earnings	1,415	-	-	577	1,992
Miscellaneous	15,187	20	12,353	-	27,560
Total Revenues	\$ 831,531	\$ 505,139	\$ 12,353	\$ 91,547	\$ 1,440,570
Expenditures					
Current					
General government	\$ 127,830	\$ -	\$ -	\$ -	\$ 127,830
Public safety	76,029	-	-	26,767	102,796
Highways and streets	173,138	-	-	-	173,138
Culture and recreation	188,555	-	-	50,141	238,696
Economic development	10,000	-	729	-	10,729
Debt service					
Principal retirement	82,255	-	-	-	82,255
Interest	24,805	-	-	-	24,805
Capital outlay					
Highways and streets	338,911	505,119	-	-	844,030
Culture and recreation	31,050	-	-	-	31,050
Total Expenditures	\$ 1,052,573	\$ 505,119	\$ 729	\$ 76,908	\$ 1,635,329
Excess of Revenues Over (Under) Expenditures	\$ (221,042)	\$ 20	\$ 11,624	\$ 14,639	\$ (194,759)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 13,000	\$ 13,000
Transfers out	(33,000)	-	-	-	(33,000)
Proceeds from installment purchase	100,000	-	-	-	100,000
Total Other Financing Sources (Uses)	\$ 67,000	\$ -	\$ -	\$ 13,000	\$ 80,000
Net Change in Fund Balance	\$ (154,042)	\$ 20	\$ 11,624	\$ 27,639	\$ (114,759)
Fund Balance - January 1	572,435	3,282	7,646	212,510	795,873
Fund Balance - December 31	\$ 418,393	\$ 3,302	\$ 19,270	\$ 240,149	\$ 681,114

**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, 2021**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ (114,759)**

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.

Expenditures for general capital assets and infrastructure	\$ 889,869	
Current year depreciation	(108,517)	781,352

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

Change in deferred inflows of resources		(27,197)
---	--	----------

The issuance of long-term debt provides current financial resources to governmental funds,
while the repayment of the principal of long-term debt consumes the current financial resources
of governmental funds. Neither transaction, however, has any effect on net position.

Principal repayments		
Loan	\$ 14,663	
Capital notes	60,000	
Capital leases	7,592	82,255
Proceeds from issuance of capital notes		(100,000)

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	\$ 5,931	
Net pension asset	34,345	
Net pension liability	32,787	
Deferred outflows related to net pension liability	28,766	
Deferred inflows related to net pension liability	(66,842)	34,987

Change in net position of governmental activities (Exhibit 2) **\$ 656,638**

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 9,892	\$ 150,103	\$ 211,724	\$ 371,719
Investments	105,134	73,593	136,674	315,401
Taxes receivable - delinquent	-	173	-	173
Special assessments receivable				
Current	-	231	760	991
Prior	393	337	2,945	3,675
Accounts receivable	9,032	9,660	22,609	41,301
Due from other governments	-	-	126,327	126,327
Total Current Assets	\$ 124,451	\$ 234,097	\$ 501,039	\$ 859,587
Noncurrent Assets				
Special assessments receivable	\$ -	\$ -	\$ 317,198	\$ 317,198
Capital assets				
Non-depreciable	-	-	836,508	836,508
Depreciable - net of accumulated depreciation	-	255,966	4,842,718	5,098,684
Total Noncurrent Assets	\$ -	\$ 255,966	\$ 5,996,424	\$ 6,252,390
Total Assets	\$ 124,451	\$ 490,063	\$ 6,497,463	\$ 7,111,977
<u>Deferred Outflows of Resources</u>				
Related to pensions	\$ -	\$ 11,871	\$ 11,871	\$ 23,742
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 10	\$ 133	\$ 2,454	\$ 2,597
Salaries payable	-	825	825	1,650
Compensated absences payable	-	720	720	1,440
Contracts payable	-	-	126,327	126,327
Due to other funds	-	-	1,052	1,052
General obligation water revenue bonds payable	-	-	41,922	41,922
General obligation revenue bonds payable	-	14,600	-	14,600
MPFA notes payable	-	-	110,254	110,254
Total Current Liabilities	\$ 10	\$ 16,278	\$ 283,554	\$ 299,842
Noncurrent Liabilities				
Compensated absences payable	\$ -	\$ 328	\$ 328	\$ 656
General obligation water revenue bonds payable	-	-	43,177	43,177
General obligation revenue bonds payable	-	83,514	-	83,514
MPFA notes payable	-	-	1,871,763	1,871,763
Net pension liability	-	14,349	14,349	28,698
Total Noncurrent Liabilities	\$ -	\$ 98,191	\$ 1,929,617	\$ 2,027,808
Total Liabilities	\$ 10	\$ 114,469	\$ 2,213,171	\$ 2,327,650
<u>Deferred Inflows of Resources</u>				
Related to pensions	\$ -	\$ 15,168	\$ 15,168	\$ 30,336
<u>Net Position</u>				
Net investment in capital assets	\$ -	\$ 157,852	\$ 3,612,110	\$ 3,769,962
Restricted for Water Infrastructure Replacement Fund (WIF)	-	-	90,000	90,000
Unrestricted amounts	124,441	214,445	578,885	917,771
Total Net Position	\$ 124,441	\$ 372,297	\$ 4,280,995	\$ 4,777,733

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Sanitation Enterprise</u>	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 91,607	\$ 111,722	\$ 239,231	\$ 442,560
Miscellaneous	-	167	-	167
Total Operating Revenues	\$ 91,607	\$ 111,889	\$ 239,231	\$ 442,727
Operating Expenses				
Personnel services	\$ -	\$ 26,951	\$ 26,951	\$ 53,902
Contracted services	87,000	-	-	87,000
Insurance	-	3,028	2,940	5,968
Repairs and maintenance	-	22,196	1,082	23,278
Supplies	-	19,975	56,281	76,256
Utilities	-	2,702	11,438	14,140
Miscellaneous	4,001	715	2,940	7,656
Depreciation	-	23,207	281,914	305,121
Total Operating Expenses	\$ 91,001	\$ 98,774	\$ 383,546	\$ 573,321
Operating Income (Loss)	\$ 606	\$ 13,115	\$ (144,315)	\$ (130,594)
Nonoperating Revenues (Expenses)				
Special assessments	\$ 164	\$ 14,332	\$ 18,301	\$ 32,797
Intergovernmental revenue	-	-	650,619	650,619
Investment earnings	680	764	594	2,038
Interest expense	-	(5,083)	(25,111)	(30,194)
Total Nonoperating Revenues (Expenses)	\$ 844	\$ 10,013	\$ 644,403	\$ 655,260
Income (Loss) Before Transfers	\$ 1,450	\$ 23,128	\$ 500,088	\$ 524,666
Transfers in	-	-	20,000	20,000
Change in Net Position	\$ 1,450	\$ 23,128	\$ 520,088	\$ 544,666
Net Position - January 1	122,991	349,169	3,760,907	4,233,067
Net Position - December 31	\$ 124,441	\$ 372,297	\$ 4,280,995	\$ 4,777,733

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 92,181	\$ 113,834	\$ 238,580	\$ 444,595
Payments to employees	-	(28,510)	(28,510)	(57,020)
Payments to suppliers	(91,001)	(48,603)	(73,445)	(213,049)
Net cash provided by (used in) operating activities	\$ 1,180	\$ 36,721	\$ 136,625	\$ 174,526
Cash Flows from Noncapital Financing Activities				
Transfers in	\$ -	\$ -	\$ 20,000	\$ 20,000
Miscellaneous	-	167	-	167
Net cash provided by (used in) noncapital financing activities	\$ -	\$ 167	\$ 20,000	\$ 20,167
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	\$ -	\$ (13,984)	\$ (40,673)	\$ (54,657)
Interest paid on bonds	-	(5,083)	(761)	(5,844)
Principal paid on MPFA Drinking Water Revolving Fund Loan	-	-	(211,187)	(211,187)
Interest paid on MPFA Drinking Water Revolving Fund Loan	-	-	(24,350)	(24,350)
Issuance of Public Facility Authority notes	-	-	130,661	130,661
Intergovernmental receipts	-	-	524,292	524,292
Purchase of capital assets	-	-	(659,972)	(659,972)
Special assessments received	-	14,308	53,293	67,601
Net cash provided by (used in) capital and related financing activities	\$ -	\$ (4,759)	\$ (228,697)	\$ (233,456)
Cash Flows from Investing Activities				
Investment earnings received	\$ 680	\$ 764	\$ 594	\$ 2,038
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,860	\$ 32,893	\$ (71,478)	\$ (36,725)
Cash and Cash Equivalents at January 1	113,166	190,803	419,876	723,845
Cash and Cash Equivalents at December 31	\$ 115,026	\$ 223,696	\$ 348,398	\$ 687,120

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
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)	\$ 606	\$ 13,115	\$ (144,315)	\$ (130,594)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 23,207	\$ 281,914	\$ 305,121
Decrease (increase) in assets				
Accounts receivable	1,642	2,112	(460)	3,294
Increase (decrease) in liabilities				
Accounts payable	(201)	47	1,270	1,116
Salaries payable		(20)	(20)	(40)
Compensated absences payable	-	567	567	1,134
Due to other governments	(867)	(309)	(500)	(1,676)
Net pension liability	-	(1,998)	(1,831)	(3,829)
Total adjustments	<u>\$ 574</u>	<u>\$ 23,606</u>	<u>\$ 280,940</u>	<u>\$ 305,120</u>
Net cash provided by (used in) operating activities	<u>\$ 1,180</u>	<u>\$ 36,721</u>	<u>\$ 136,625</u>	<u>\$ 174,526</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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.

The Greenbush Firefighters' Relief Association (FRA) is organized to provide pension and other benefits to its members in accordance with Minnesota Statutes. The FRA is a defined benefit plan and is required to be reported in the financial statements of the City. The City's portion of the cost of the FRA's pension benefits is included in the General Fund.

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 property taxes, grants, donations, 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 Small Cities Development Program Special Revenue Fund is used to account for and report financial transactions of the Small Cities Development Program. Financing is provided by Small Cities Community Development Block Grant loans restricted for economic development.

The Rural Business Enterprise Grant Special Revenue Fund (RBEG) is used to account for and report loans to commercial properties restricted for economic development. Financing is provided by mortgage repayments 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 nonmajor funds type:

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers tax revenues to be available if they are collected within 60 days after the end of the current period. 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, 2021, based on market prices. Investment earnings on cash and investments are allocated to the funds. The City of Greenbush also participates in a pooled checking account for operating purposes. Pooled investment earnings for 2021 were \$1,415. Total investment earnings for 2021 were \$4,030.

3. Receivables and Payables

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2010 through 2021 and deferred special assessments collectible in 2022 and beyond.

Taxes and special assessments receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

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

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

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

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

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

4. Capital Assets

Capital assets, which include land, 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 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 acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**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 delinquent property tax and special assessments receivable, loans receivable, and deferred special assessments 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.

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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

7. Compensated Absences (Continued)

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. 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.

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and expense associated with the City's requirement to contribute to the Greenbush Firefighters Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Greenbush Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension asset is liquidated by the General Fund.

9. Net Position and Fund Balance

Net position in the government-wide statements is classified in the following categories:

Net investment in capital assets – represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment of capital assets.

**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)

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 report any non-spendable fund balance at December 31, 2021.

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

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

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

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

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

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, 2021, the City did not identify an amount for stabilization.

**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)

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources and deferred 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. 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, 2021, are as follows:

Government-wide Statement of Net Position

Governmental Activities	
Cash and pooled investments	\$ 426,638
Investments	328,030
Business-type Activities	
Cash and pooled investments	371,719
Investments	315,401
Total Cash and Investments	<u>\$ 1,441,788</u>
Deposits	
Cash on hand	\$ 75
Checking accounts	798,283
Certificates of deposit	643,430
Total Deposits and Cash on Hand	<u>\$ 1,441,788</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. 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, 2021, the City’s deposits were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2021, for the City’s governmental activities and business-type activities, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes receivable	\$ 16,244	\$ -
Special assessments receivable	70,011	69,992
Accounts receivable	1,591	-
Due from other governments	163,946	-
Loans receivable	143,283	132,129
Total Governmental Activities	\$ 395,075	\$ 202,121

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Taxes receivable	\$ 173	\$ -
Special assessments receivable	321,864	317,198
Accounts receivable	41,301	-
Due from other governments	126,327	-
Total Business-Type Activities	\$ 489,665	\$ 317,198

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 80,349	\$ -	\$ -	\$ 80,349
Construction in progress	-	744,020	-	744,020
Total capital assets not depreciated	\$ 80,349	\$ 744,020	\$ -	\$ 824,369
Capital assets being depreciated				
Buildings and improvements	\$ 1,211,032	\$ 136,153	\$ -	\$ 1,347,185
Infrastructure	52,063	-	-	52,063
Machinery and equipment	1,704,402	9,696	-	1,714,098
Total capital assets being depreciated	\$ 2,967,497	\$ 145,849	\$ -	\$ 3,113,346
Less: accumulated depreciation for				
Buildings and improvements	\$ 773,300	\$ 35,915	\$ -	\$ 809,215
Infrastructure	6,510	1,302	-	7,812
Machinery and equipment	912,627	71,300	-	983,927
Total accumulated depreciation	\$ 1,692,437	\$ 108,517	\$ -	\$ 1,800,954
Total capital assets, depreciated, net	\$ 1,275,060	\$ 37,332	\$ -	\$ 1,312,392
Governmental Activities Capital Assets, Net	\$ 1,355,409	\$ 781,352	\$ -	\$ 2,136,761

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	46,209	786,299	-	832,508
Total capital assets not depreciated	<u>\$ 50,209</u>	<u>\$ 786,299</u>	<u>\$ -</u>	<u>\$ 836,508</u>
Capital assets being depreciated				
Infrastructure	\$ 7,500,929	\$ -	\$ -	\$ 7,500,929
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
Total capital assets being depreciated	<u>\$ 7,588,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,588,285</u>
Less: accumulated depreciation for				
Infrastructure	\$ 2,105,848	\$ 302,054	\$ -	\$ 2,407,902
Buildings and improvements	9,541	434	-	9,975
Machinery and equipment	69,091	2,633	-	71,724
Total accumulated depreciation	<u>\$ 2,184,480</u>	<u>\$ 305,121</u>	<u>\$ -</u>	<u>\$ 2,489,601</u>
Total capital assets, depreciated, net	<u>\$ 5,403,805</u>	<u>\$ (305,121)</u>	<u>\$ -</u>	<u>\$ 5,098,684</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 5,454,014</u>	<u>\$ 481,178</u>	<u>\$ -</u>	<u>\$ 5,935,192</u>

Depreciation Expense

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

Governmental Activities	
General government	\$ 4,947
Public safety	34,711
Highways and streets	28,842
Culture and recreation	39,781
Conservation of natural resources	236
Total Depreciation Expense - Governmental Activities	<u>\$ 108,517</u>
Business-Type Activities	
Sewer	\$ 23,207
Water	281,914
Total Depreciation Expense - Business-Type Activities	<u>\$ 305,121</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2021, are as follows:

Due To/Due From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Water Enterprise Fund	\$ 1,056	Special assessments received to incorrect fund
	Golf Course Special Revenue Fund	58	To cover negative cash
Total Due To/Due From Other Funds:		<u>\$ 1,114</u>	

Interfund Transfers

Receivable Fund	Payable Fund	Amount	
General Fund	Fire Department Special Revenue Fund	\$ 13,000	Fire protection fees
	Water Enterprise Fund	<u>20,000</u>	Water protection fees
Total Operating Transfers:		<u>\$ 33,000</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 are paid to full-time employees upon termination. Unvested sick leave, approximately \$10,471 at December 31, 2021, is available to full-time employees in the event of illness-related absences and is not paid to them at termination.

Long-Term Debt

Governmental Activities

City of Greenbush purchase agreement issued in 2017, represents debt incurred for a Bobcat Skidsteer with a current net book value of \$32,498. 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 \$7,842 to \$8,368 through April 1, 2024. The balance outstanding at December 31, 2021 is \$24,311.

City of Greenbush equipment lease issued in 2018, represents debt incurred for the purchase of highways and streets equipment with a combined current net book value of \$76,568. This lease has an original issue amount of \$106,482 and carries a net interest rate of 3.5 percent which is due in annual installments from the General Fund of \$15,176 to \$16,824 through May 23, 2025. The balance outstanding at December 31, 2021 is \$63,164.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Governmental Activities (Continued)

City of Greenbush Roseau County Maintenance Building Debt agreement issued in 2021, represents debt incurred for joint costs between the City of Greenbush and Roseau County for the newly constructed Roseau County maintenance building. This debt agreement has an original issue amount of \$100,000 and carries a net interest rate of 5.0 percent which is due in annual installments from the General Fund of \$20,000 through March 15, 2023. The balance outstanding at December 31, 2021 is \$40,000.

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 \$14,600 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2021 is \$98,114.

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 \$47,000 and \$55,476 through August 20, 2039. The balance due on December 31, 2021 is \$924,476.

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 \$26,000 and \$31,000 through August 20, 2039. The balance due on December 31, 2021 is \$512,000.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #3 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 \$6,000 to \$7,000 through 2032. The balance outstanding at December 31, 2021 is \$69,241.

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 \$14,673 to \$14,922 to \$15,177 through June 15, 2023. The balance outstanding at December 31, 2021 is \$30,099.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

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 \$27,000 to \$28,000 through February 1, 2023. The balance outstanding at December 31, 2021 is \$55,000.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #4 issued in 2017 represents debt incurred for water main improvements. This loan has an original issue amount of \$128,434. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$5,358 to \$7,000 through 2036. The balance outstanding at December 31, 2021 is \$90,691.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #5 issued in 2018 represents debt incurred for water main improvements. This loan has an original issue amount of \$211,879. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$12,000 to \$14,000 through 2033. The balance outstanding at December 31, 2021 is \$153,162.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #6 issued in 2019 represents debt incurred for water main improvements. This loan has an original issue amount of \$142,935. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$7,000 to \$8,000 through 2034. The balance outstanding at December 31, 2021 is \$101,786.

City of Greenbush MPFA Drinking Water State Revolving Fund loan – MPFA #7 issued in 2021 represents debt incurred for water main improvements. This loan has an original issue amount of \$130,661. It carries a net interest rate of 1.00 percent and is due in annual installments paid from the Water Enterprise Fund of \$1,929 to \$10,000 through 2036. The balance outstanding at December 31, 2021 is \$130,661.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities (Continued)

Debt Service Requirements

Governmental Activities

Debt service requirements for the government-type activities for the year ended December 31, 2021, are as follows:

Year Ending December 31	Governmental Activities					
	Bobcat Skidsteer Purchase Agreement		Equipment Lease Agreement		Roseau County Maintenance Building	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 7,842	\$ 802	\$ 15,176	\$ 2,239	\$ 20,000	\$ 2,000
2023	8,101	543	15,707	1,708	20,000	1,000
2024	8,368	276	16,257	1,158	-	-
2025	-	-	16,824	588	-	-
Total	<u>\$ 24,311</u>	<u>\$ 1,621</u>	<u>\$ 63,964</u>	<u>\$ 5,693</u>	<u>\$ 40,000</u>	<u>\$ 3,000</u>

Business-Type Activities

Debt service requirements for the business-type activities for the year ended December 31, 2021, are as follows:

Year Ending December 31	Business-Type Activities					
	Water and Sewer Revenue Bonds of 2006		Water Revenue Bonds of 2013		Water Revenue Bonds of 2015A	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 14,600	\$ 4,467	\$ 14,922	\$ 512	\$ 27,000	\$ 1,162
2023	15,256	3,811	15,177	257	28,000	392
2024	15,943	3,124	-	-	-	-
2025	16,660	2,407	-	-	-	-
2026	17,427	1,640	-	-	-	-
2027	18,228	839	-	-	-	-
	<u>\$ 98,114</u>	<u>\$ 16,288</u>	<u>\$ 30,099</u>	<u>\$ 769</u>	<u>\$ 55,000</u>	<u>\$ 1,554</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Debt Service Requirements

Business-Type Activities (Continued)

Year Ending December 31	Business-Type Activities			
	2009 - MPFA #1		2010 - MPFA #2	
	Principal	Interest	Principal	Interest
2022	\$ 47,000	\$ 9,291	\$ 26,000	\$ 5,868
2023	48,000	8,819	26,000	5,570
2024	48,000	8,336	26,000	5,272
2025	49,000	7,854	27,000	4,974
2026	49,000	7,361	27,000	4,664
2027-2031	252,000	29,349	140,000	18,612
2032-2036	266,000	16,385	147,000	10,417
2037-2039	165,476	3,331	93,000	2,129
	<u>\$ 924,476</u>	<u>\$ 90,726</u>	<u>\$ 512,000</u>	<u>\$ 57,506</u>

Year Ending December 31	Business-Type Activities									
	2013 - MPFA #3		2018 - MPFA #4		2019 - MPFA #5		2020 - MPFA #6		2021 - MPFA #7	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 6,241	\$ 559	\$ 6,333	\$ 747	\$ 12,162	\$ 2,703	\$ 7,786	\$ 823	4,732	1,774
2023	6,000	630	6,000	860	12,000	1,410	7,000	940	9,000	1,870
2024	6,000	570	6,000	800	12,000	1,290	7,000	870	9,000	1,780
2025	6,000	510	6,000	740	12,000	1,170	8,000	800	9,000	1,690
2026	6,000	450	6,000	680	13,000	1,050	8,000	720	9,000	1,600
2027-2031	32,000	1,340	30,000	2,500	65,000	3,300	40,000	2,400	48,000	6,620
2032-2036	7,000	70	30,358	990	27,000	410	24,000	480	41,929	3,835
	<u>\$ 69,241</u>	<u>\$ 4,129</u>	<u>\$ 90,691</u>	<u>\$ 7,317</u>	<u>\$ 153,162</u>	<u>\$ 11,333</u>	<u>\$ 101,786</u>	<u>\$ 7,033</u>	<u>\$ 130,661</u>	<u>\$ 19,169</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities and business-type activities for the year ended December 31, 2021, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bobcat Skidsteer Purchase Agreement	\$ 31,903	\$ -	\$ 7,592	\$ 24,311	\$ 7,842
Equipment Lease	78,627	-	14,663	63,964	15,176
Roseau County Maintenance Building	-	100,000	60,000	40,000	20,000
Compensated Absences	11,328	6,197	12,130	5,395	3,708
Net Pension Liability	93,769	-	32,787	60,982	-
Governmental Activities Long-Term Liabilities	<u>\$ 215,627</u>	<u>\$ 106,197</u>	<u>\$ 127,172</u>	<u>\$ 194,652</u>	<u>\$ 46,726</u>
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 237,870	\$ -	\$ 54,657	\$ 183,213	\$ 56,522
MNPFA Water Revenue Notes	2,062,544	130,661	211,188	1,982,017	110,254
Compensated Absences	962	3,323	2,189	2,096	1,439
Net Pension Liability	44,127	-	15,430	28,697	-
Business-Type Activities Long-Term Liabilities	<u>\$ 2,345,503</u>	<u>\$ 133,984</u>	<u>\$ 283,464</u>	<u>\$ 2,196,023</u>	<u>\$ 168,215</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

D. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, and loans receivable not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2021, are summarized below by fund:

	Taxes	Special Assessments	Loans Receivable	Total
Governmental funds				
General	\$ 8,885	\$ 70,011	\$ -	\$ 78,896
RBEG Revolving Loan Special Revenue	-	-	143,283	143,283
Total	\$ 8,885	\$ 70,011	\$ 143,283	\$ 222,179

III. Defined Benefit Pension Plan

A. Plan Description

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

General Employees Retirement Plan

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years 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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021, and the City of Greenbush was required to contribute 7.50 percent for Coordinated Plan members. The City of Greenbush contributions to the General Employees Fund for the year ended December 31, 2021, were \$10,822. The City of Greenbush's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2021, the City of Greenbush's reported a liability of \$89,679 for its proportionate share of the General Employees Fund's net pension liability. The City of Greenbush's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$2,657.

The net pension liability was measured as of June 30, 2021, 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 proportionate share of the net pension liability was based on the City of Greenbush's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City of Greenbush proportionate share was .0021 percent at the end of the measurement period and .0023 percent for the beginning of the period.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plan

D. Pension Costs (Continued)

City of Greenbush's			
Proportionate share of the net pension liability	\$	89,679	
State of Minnesota's proportionate share of the net pension liability associated with the City of Greenbush		2,657	
Total	\$	92,336	

There were no provision changes during the measurement period.

For the year ended December 31, 2021, the City of Greenbush recognized pension expense of \$4,536 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Greenbush recognized an additional \$214 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, 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
Difference between expected and actual economic experience	\$	473	\$	2,775
Changes in actuarial assumption		54,756		2,022
Difference between projected and actual investment earnings		-		76,849
Changes in proportion		13,822		13,153
Contributions paid to PERA subsequent to the measurement date		5,140		-
Total	\$	74,191	\$	94,799

The \$5,140 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, 2022. 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
2022	\$	(3,908)
2023	\$	2,750
2024	\$	(3,408)
2025	\$	(21,182)
2026	\$	-

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plan

D. Pension Costs (Continued)

Total Pension Expense

The total pension expense for the General Employees Plan recognized by the City of Greenbush for the year ended December 31, 2021 was \$4,750.

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total:	100.0%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, and benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plan

F. Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5 percent. 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 plan 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.

H. 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:

<u>Sensitivity Analysis</u>			
<u>Net Pension Liability (Asset) at Different Discount Rates</u>			
	<u>General Employees Fund</u>		
1% Lower	5.50%	\$	182,900
Current Discount Rate	6.50%	\$	89,679
1% Higher	7.50%	\$	13,186

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plan (Continued)

I. 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.

IV. Defined Benefit Pension Plan – Firefighters Relief Association

A. Plan Description

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 the actuarial reporting date of January 1, 2021, the plan covered 33 active firefighters and 2 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G. The one-year lookback option was used for 2021.

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.

B. Benefits Provided

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 20 years of service. Plan provisions include a pro-rated vesting schedule that increases from ten years at 60% through 20 years at 100%.

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$700 for each year active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 5 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retired before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plan – Firefighters Relief Association

B. Benefits Provided

Firefighters’ Relief Association (FRA) Plan Benefits (Continued)

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum of the service pension benefit times the vesting percentage. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10 percent of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

C. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing an existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no payroll percentage calculations). The minimum contribution from the City and state aid is determined as follows:

	Normal Cost
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
<hr/>	
=	Total Contribution Required
<hr/>	

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. There was no contribution from the State of Minnesota in fire state aid to the plan for the year ended December 31, 2021. Required employer contributions are calculated annually based on statutory provisions.

The City of Greenbush’s statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2021, was \$0. The City of Greenbush’s contributions were equal to the required contributions as set by state statute.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plan – Firefighters Relief Association (Continued)

D. Pension Costs

At December 31, 2021, the City of Greenbush reported a net pension asset of \$134,368 for its proportionate share of the FRA’s expense. The net pension asset was measured as of December 31, 2020, with the one-year look back option used for 2021. 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)
Balances at January 1, 2020	\$ 333,970	\$ 433,993	\$ (100,023)
Changes for the Year:			
Service Cost	10,444	-	10,444
Interest Cost	16,630	-	16,630
Nonemployer Contributions	-	18,860	(18,860)
Projected Investment Return	-	22,297	(22,297)
Gain or Loss	(10,386)	10,776	(21,162)
Benefit Payments	(110,404)	(110,404)	-
Administrative Expenses	-	(900)	900
	<u> </u>	<u> </u>	<u> </u>
Net Changes	\$ (93,716)	\$ (59,371)	\$ (34,345)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2020	<u>\$ 240,254</u>	<u>\$ 374,622</u>	<u>\$ (134,368)</u>

There were no provision changes during the measurement period.

At December 31, 2021, the City of Greenbush reported deferred inflows of resources related to pension for the following sources:

	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 12,031
Difference between projected and actual investment earnings	<u>23,575</u>
Total	<u>\$ 35,606</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plan – Firefighters Relief Association

D. Pension Costs (Continued)

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:
2022	\$ (9,048)
2023	\$ (3,546)
2024	\$ (12,636)
2025	\$ (3,421)
2026	\$ (1,269)
2027	\$ (5,686)

E. Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2021
FRA Plan Fiscal Year Beginning	1/1/2020
FRA Plan Fiscal Year Ending	12/31/2020
Employer Fiscal Year Beginning	1/1/2021
Employer Fiscal Year Ending	12/31/2021
Actuarial Cost Method	Entry Age Normal
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Discount Rate	5.75%
Expected return on plan assets	5.75%
Inflation rate	2.50%

There were no changes in actuarial assumptions in 2020.

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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Defined Benefit Pension Plan – Firefighters Relief Association

E. Actuarial Assumptions (Continued)

The long-term target asset allocation and long-term expected real rate of return is in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	17.00%	1.80%
Fixed Income	10.00%	3.00%
Equities	72.00%	7.10%
Other	1.00%	7.00%
Total Portfolio:	<u>100.00%</u>	<u>5.75%</u>

F. Discount Rate

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.

G. Pension Asset Sensitivity

The following presents the City’s proportionate share of the net pension asset of the Association, calculated using the discount rate of 5.75 percent, as well as what the Association’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.75 percent) or one percentage point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
Proportionate share of Net Pension Asset	\$ (126,874)	\$ (134,368)	\$ (141,631)

H. Pension Plan Fiduciary Net Position

Detailed information about the Greenbush Firefighters Relief Association Plan’s fiduciary net position is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained from the Board of Trustees of the Greenbush Firefighters Relief Association Plan at the City of Greenbush, 244 Main Street North, PO Box 98, Greenbush, Minnesota 56726.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 314,150	\$ 314,150	\$ 325,181	\$ 11,031
Special assessments	\$ -	\$ -	\$ 1,052	\$ 1,052
Licenses and permits	\$ 1,680	\$ 1,680	\$ 1,975	\$ 295
Intergovernmental				
Shared Revenues				
Fire State Aid	\$ 11,000	\$ 11,000	\$ 18,432	\$ 7,432
Firefighters Supplemental Benefit Reimburseme	-	-	5,000	5,000
Local Government Aid	277,018	277,018	277,018	-
Small Cities Assistance Aid	-	-	22,008	22,008
State Grants				
Minnesota Dept of Natural Resources	-	-	13,865	13,865
Local Grants				
Northwest Minnesota Foundation	-	-	2,500	2,500
Federal Grants				
Coronavirus Relief Fund	-	-	38,139	38,139
Total Intergovernmental	\$ 288,018	\$ 288,018	\$ 376,962	\$ 88,944
Charges for services				
General government	\$ 3,550	\$ 3,550	\$ 1,580	\$ (1,970)
Public safety	37,200	37,200	44,583	7,383
Culture and recreation	28,713	28,713	45,243	16,530
Total Charges for Services	\$ 69,463	\$ 69,463	\$ 91,406	\$ 21,943
Fines and forfeitures	\$ -	\$ -	\$ 83	\$ 83
Gifts and contributions	\$ -	\$ -	\$ 18,270	\$ 18,270
Investment earnings	\$ 500	\$ 500	\$ 1,415	\$ 915
Miscellaneous				
General government	\$ 6,000	\$ 6,000	\$ 5,559	\$ (441)
Culture and recreation	-	-	2,250	2,250
Insurance dividends	-	-	7,378	7,378
Total Miscellaneous	\$ 6,000	\$ 6,000	\$ 15,187	\$ 9,187
Total Revenues	\$ 679,811	\$ 679,811	\$ 831,531	\$ 151,720

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current				
General government				
Mayor/council	\$ 8,700	\$ 8,700	\$ 8,188	\$ 512
City clerk/treasurer	84,700	84,700	85,237	(537)
Professional services	7,700	7,700	6,350	1,350
Legal	2,500	2,500	2,494	6
Assessor	5,601	5,601	5,601	-
Buildings and grounds	31,800	31,800	19,960	11,840
Total general government	\$ 141,001	\$ 141,001	\$ 127,830	\$ 13,171
Public safety				
Fire	\$ 49,000	\$ 49,000	\$ 52,598	\$ (3,598)
Fire relief association	11,000	11,000	23,431	(12,431)
Total public safety	\$ 60,000	\$ 60,000	\$ 76,029	\$ (16,029)
Highways and streets				
Streets and alleys	\$ 200,309	\$ 200,309	\$ 151,450	\$ 48,859
Street lighting	20,000	20,000	21,688	(1,688)
Total highways and streets	\$ 220,309	\$ 220,309	\$ 173,138	\$ 47,171
Culture and recreation				
Ice rinks	\$ 2,550	\$ 2,550	\$ 1,843	\$ 707
Library	17,973	17,973	13,622	4,351
Recreational programs	32,800	32,800	100,874	(68,074)
Swimming pool	78,870	78,870	65,216	13,654
Other culture and recreation	7,000	7,000	7,000	-
Total culture and recreation	\$ 139,193	\$ 139,193	\$ 188,555	\$ (49,362)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Current				
Economic development				
Other economic development	\$ 3,000	\$ 3,000	\$ 10,000	\$ (7,000)
Debt service				
Principal retirement	\$ 20,000	\$ 20,000	\$ 82,255	\$ (62,255)
Interest	-	-	24,805	(24,805)
Total debt service	\$ 20,000	\$ 20,000	\$ 107,060	\$ (87,060)
Capital outlay				
Highways and streets	\$ 63,500	\$ 63,500	\$ 338,911	\$ (275,411)
Culture and recreation	-	-	31,050	(31,050)
Total capital outlay	\$ 63,500	\$ 63,500	\$ 369,961	\$ (306,461)
Total Expenditures	\$ 647,003	\$ 647,003	\$ 1,052,573	\$ (405,570)
Excess of Revenues Over (Under) Expenditures	\$ 32,808	\$ 32,808	\$ (221,042)	\$ (253,850)
Other Financing Sources (Uses)				
Transfers out	\$ (32,000)	\$ (32,000)	\$ (33,000)	\$ (1,000)
Proceeds from installment purchase	-	-	100,000	100,000
Total Other Financing Sources (Uses)	\$ (32,000)	\$ (32,000)	\$ 67,000	\$ (1,000)
Net Change in Fund Balance	\$ 808	\$ 808	\$ (154,042)	\$ (254,850)
Fund Balance - January 1	572,435	572,435	572,435	-
Fund Balance - December 31	\$ 573,243	\$ 573,243	\$ 418,393	\$ (254,850)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
SMALL CITIES DEVELOPMENT PROGRAM SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 580,000	\$ 580,000	\$ 505,119	\$ (74,881)
Miscellaneous	-	-	20	20
Total Revenues	\$ 580,000	\$ 580,000	\$ 505,139	\$ (74,861)
Expenditures				
Current				
Capital outlay				
Highways and streets	580,000	580,000	505,119	74,881
Net Change in Fund Balance	\$ -	\$ -	\$ 20	\$ 20
Fund Balance - January 1	-	-	3,282	3,282
Fund Balance - December 31	\$ -	\$ -	\$ 3,302	\$ 3,302

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 13,788	\$ 13,788	\$ 12,353	\$ (1,435)
Expenditures				
Current				
Economic development				
Administration	-	-	729	(729)
Excess of Revenues Over (Under)				
Expenditures	\$ 13,788	\$ 13,788	\$ 11,624	\$ (2,164)
Fund Balance - January 1	-	-	7,646	7,646
Fund Balance - December 31	<u>\$ 13,788</u>	<u>\$ 13,788</u>	<u>\$ 19,270</u>	<u>\$ 5,482</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021	\$ 10,822	\$ 10,822	\$ -	\$ 144,562	7.5%
December 31, 2020	\$ 11,158	\$ 11,158	\$ -	\$ 148,980	7.5%
December 31, 2019	\$ 11,205	\$ 11,205	\$ -	\$ 149,225	7.5%
December 31, 2018	\$ 10,901	\$ 10,901	\$ -	\$ 145,529	7.5%
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, 2021	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2020	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2019	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2018	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2017	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2016	\$ -	\$ -	\$ -	N/A	N/A

Note: This schedule is intended to present 10 years and will be completed as information becomes available.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2021**

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0021%	\$ 89,679	\$ 2,657	\$ 92,336	\$ 151,981	63.16%	87.00%	
June 30, 2020	0.0023%	\$ 137,896	\$ 4,304	\$ 142,200	\$ 165,996	83.07%	79.06%	
June 30, 2019	0.0018%	\$ 99,518	\$ 4,631	\$ 104,149	\$ 125,602	79.23%	80.23%	
June 30, 2018	0.0021%	\$ 116,499	\$ 3,876	\$ 120,375	\$ 136,771	85.18%	79.53%	
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

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Covered- Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	100%	\$ (134,368)	\$ -	\$ (134,368)	N/A	N/A	156.00%	
June 30, 2020	100%	\$ (100,023)	\$ -	\$ (100,023)	N/A	N/A	130.00%	
June 30, 2019	100%	\$ (41,976)	\$ -	\$ (41,976)	N/A	N/A	125.00%	
June 30, 2018	100%	\$ (74,012)	\$ -	\$ (74,012)	N/A	N/A	125.00%	
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%	

Note: This schedule is intended to present 10 years and will be completed as information becomes available.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
<i>General government</i>			
City clerk/treasurer	\$ 85,237	\$ 84,700	\$ (537)
<i>Public safety</i>			
Fire	52,598	49,000	(3,598)
Fire relief association	23,431	11,000	(12,431)
<i>Highways and streets</i>			
Street lighting	21,688	20,000	(1,688)
<i>Culture and recreation</i>			
Recreational programs	100,874	32,800	(68,074)
<i>Economic development</i>			
Other economic development	10,000	3,000	(7,000)
<i>Debt service</i>			
Principal retirement	82,255	20,000	(62,255)
Interest	24,805	-	(24,805)
<i>Capital outlay</i>			
Highways and streets	338,911	63,500	(275,411)
Culture and recreation	31,050	-	(31,050)
RBEG Revolving Loan			
Special Revenue Fund			
<i>Economic development</i>			
Administration	729	-	(729)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

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 recommended by PERA and adopted by the City Council. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees were changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios
General Employees Fund

2020 Changes (Continued)

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios
General Employees Fund

2017 Changes (Continued)

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

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 increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Firefighters Relief Association

2021 Changes

Changes in Actuarial Assumptions, Plan Methods, and Plan Provisions

- There have been no changes in actuarial assumptions, plan methods, or plan provisions as of December 31, 2021.

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/Equipment Special Revenue Fund is used to account for and report the financial transactions of the fire department projects and equipment. Financing is provided by intergovernmental revenues and gifts and contributions.

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. Financing is provided by charges for services.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2021**

	Fire Department Special Revenue	Fire Department Special Project/ Equipment Special Revenue	General Special Project Special Revenue	Golf Course Special Revenue	Total (Exhibit 3)
<u>Assets</u>					
Cash and pooled investments	\$ 2,234	\$ 37,800	\$ 81,900	\$ -	\$ 121,934
Investments	15,354	102,409	-	-	117,763
Due from other governments	-	510	-	-	510
Total Assets	\$ 17,588	\$ 140,719	\$ 81,900	\$ -	\$ 240,207
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 58	\$ 58
Fund Balances					
Committed to					
Community improvements	\$ -	\$ -	\$ 81,900	\$ -	\$ 81,900
Fire department explorers	5,709	-	-	-	5,709
Assigned to public safety	11,879	140,719	-	-	152,598
Unassigned	-	-	-	(58)	(58)
Total Fund Balances	\$ 17,588	\$ 140,719	\$ 81,900	\$ (58)	\$ 240,149
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,588	\$ 140,719	\$ 81,900	\$ -	\$ 240,207

**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, 2021**

	Fire Department Special Revenue	Fire Department Special Project/ Equipment Special Revenue	General Special Projects Special Revenue	Golf Course Special Revenue	Total (Exhibit 5)
Revenues					
Intergovernmental	\$ -	\$ 3,648	\$ -	\$ -	\$ 3,648
Charges for services	-	-	-	33,620	33,620
Gifts and contributions	460	15,851	37,391	-	53,702
Investment earnings	69	508	-	-	577
Total Revenues	\$ 529	\$ 20,007	\$ 37,391	\$ 33,620	\$ 91,547
Expenditures					
Current					
Public safety	\$ -	\$ 26,767	\$ -	\$ -	\$ 26,767
Culture and recreation	-	-	16,463	33,678	50,141
Total Expenditures	\$ -	\$ 26,767	\$ 16,463	\$ 33,678	\$ 76,908
Excess of Revenues Over (Under)					
Expenditures	\$ 529	\$ (6,760)	\$ 20,928	\$ (58)	\$ 14,639
Other Financing Sources (Uses)					
Transfers in	-	13,000	-	-	13,000
Net Change in Fund Balance	\$ 529	\$ 6,240	\$ 20,928	\$ (58)	\$ 27,639
Fund Balance - January 1	17,059	134,479	60,972	-	212,510
Fund Balance - December 31	\$ 17,588	\$ 140,719	\$ 81,900	\$ (58)	\$ 240,149

OTHER SCHEDULES

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Shared Revenue

State

Fire state aid	\$ 18,432
Fire relief association supplemental benefit reimbursement	5,000
Local government aid	277,018
Small cities assistance aid	22,008
	<hr/>

Total Shared Revenue **\$ 322,458**

Grants

Local

Northwest Minnesota Foundation	\$ 2,500
	<hr/>

State

Minnesota Department/Board of

Health	\$ 1,650
Natural Resources	13,865
Public Safety	3,648
	<hr/>

Total State Grants **\$ 19,163**

Federal

Department of

Coronavirus Relief Fund	\$ 38,139
Environmental Protection Agency	648,969
Housing and Urban Development	505,119
	<hr/>

Total Federal Grants **\$ 1,192,227**

Total Grants **\$ 1,213,890**

Total Intergovernmental Revenue **\$ 1,536,348**

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Award Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development			
Community Development Block Grants	14.228	CDAP-19-0026	<u>\$ 505,119</u>
U.S. Department of the Treasury			
Passed Through Minnesota Department of Revenue			
Coronavirus Relief Fund	21.019	COVID-19	<u>\$ 38,139</u>
U.S. Environmental Protection Agency			
Passed Through Minnesota Public Facilities Authority			
Drinking Water State Revolving Fund Cluster			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-L-051	\$ 130,661
Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-DWRF-G-051	<u>648,969</u>
Total Environmental Protection Agency			<u>\$ 779,630</u>
Total Federal Awards			<u>\$ 1,322,888</u>
Totals by Cluster			
Total expenditures for Drinking Water State Revolving Fund Cluster	\$ 779,630		

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

I. Reporting Entity

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

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Greenbush under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Greenbush, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Greenbush.

III. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, in the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Greenbush has elected to not use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

IV. Subrecipients

During 2021, the City did not pass any federal funds through to subrecipients.

V. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,192,227
Plus:	
Amounts issued in MN Public Facilities Authority Loans	130,661
Expenditures per Schedule of Expenditures of Federal Awards	\$ 1,322,888

VI. Outstanding Loan Balances

Loan balances outstanding:

MN Public Facilities Authority Loans	\$ 1,982,017
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MANAGEMENT AND COMPLIANCE SECTION

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



Hoffman, Philipp, & Martell, PLLC

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**INDEPENDENT AUDITOR’S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

City Council
City of Greenbush

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 30, 2022.

Report on 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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a significant deficiency.

Report on 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 for compliance.

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 of Greenbush's Response to Finding

Government Auditing Standards requires the auditor perform limited procedures on the City of Greenbush's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Greenbush's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and no to provide an opinion on the effectiveness of the City of Greenbush' 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 of Greenbush's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoffman, Philipp, & Martell, PLLC
June 30, 2022

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



Hoffman, Philipp, & Martell, PLLC

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY *UNIFORM GUIDANCE***

City Council
City of Greenbush

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Greenbush's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City of Greenbush's major federal programs for the year ended December 31, 2021. The City of Greenbush's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Greenbush complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors Responsibilities for the audit of compliance section of our report.

We are required to be independent of the City of Greenbush and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Greenbush's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Greenbush's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Greenbush's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Greenbush's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Greenbush's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Greenbush's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Greenbush's Internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell". The signature is written in a cursive style with a large initial 'H'.

Hoffman, Philipp, & Martell, PLLC
June 30, 2022

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

I. SUMMARY OF AUDITOR'S RESULTS

A. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

B. Financial Statements

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

C. Noncompliance material to the financial statements noted? **No**

D. Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

E. Type of report the auditor issued on compliance for major federal programs: **Unmodified**

F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

G. The major federal program was:

**U.S. Environmental Protection Agency / Minnesota Public Facilities Authority
CFDA #66.468**

H. The threshold for distinguishing between Types A and B programs was \$750,000.

I. The City of Greenbush qualified as a low-risk auditee? **No**

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number: 2021-001

Prior Year Finding Number(s): 2020-001 and 2020-002

Repeat Finding Since: 2004 and 2007

Finding Title: Segregation of Duties and Internal Controls

Criteria: The financial statements are the responsibility of the City'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 controls 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. Due to the limited number of personnel within the City of Greenbush, segregation of the accounting functions necessary to ensure adequate internal control and monitoring is not possible.

Context: The small size and staffing of the City of Greenbush limits the segregation of duties and internal control that management can design and implement. Although the City of has some controls in spite of limited staff, they do not have a documented process for monitoring those controls.

Effect: Without documented internal controls and a process for monitoring internal controls, the City cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations. Errors or irregularities may occur and not be detected in a timely manner.

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

Recommendation: Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend the City of Greenbush formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and compliance with applicable laws and regulations, and the effectiveness and efficiency of operations.

City's Response: *The City requires two signatures on all checks – the Clerk/Treasurer and the Mayor or Vice Mayor. All check registers and bills to be paid are approved by the Council at regular monthly meetings.*

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Note: The following prior year findings have been combined into finding number 2021-001:
Segregation of Duties and Internal Controls:

- Finding Number: 2020-001 Segregation of Duties
- Finding Number: 2020-002 Internal Controls

III. PREVIOUSLY REPORTED ITEM RESOLVED THIS YEAR:

Finding Number: 2020-003

Finding Title: Contract Compliance



CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001

Finding Title: Segregation of Duties and Internal Controls

Name of Contact Person Responsible for Corrective Action: City Council and management.

Corrective Action Planned: The City of Greenbush is aware of the segregation of duties and internal control over financial reporting issue. Due to limited staffing, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

Anticipated Completion Date: December 31, 2022.





SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2020-001
Repeat Finding Since: 2004
Finding Title: Segregation of Duties

Summary of 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.

Summary of Corrective Action: Management is continually aware that segregation of duties is not adequate from an internal control point of view. The City Council continues to implement oversight procedures and monitor those procedures to determine if they are still effective.

Status: Not Corrected. This prior audit finding number and description has been combined into finding number 2021-001 – Segregation of Duties and Internal Controls.

Finding Number: 2020-002
Repeat Finding Since: 2007
Finding Title: Internal Controls

Summary of 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 did not have a formal process for monitoring to ensure the internal controls are effective.

Summary of Corrective Action: The City will 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.

Status: Not Corrected. This prior audit finding number and description has been combined into finding number 2021-001 – Segregation of Duties and Internal Controls.

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Finding Number: 2020-003

Repeat Finding Since: 2020

Finding Title: Contract Compliance

Summary of Condition: The City was not in compliance with the following State of Minnesota contracting and bid law requirements: Contract language, Contractors' bonds for public work requirements, and Withholding certificates.

Summary of Corrective Action: In 2021, the City has implemented a checklist for all future contracts. This checklist includes all statute requirements to make sure the City is following all the correct procedures. The checklist is included in the contract file as verification that steps are followed. As a result, the City passed State of Minnesota contracting and bid work compliance testing.

Status: Corrected.