

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2018



Hoffman, Philipp, & Knutson, 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		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	Exhibit 1	13
Statement of Activities	Exhibit 2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position / Governmental Activities	Exhibit 4	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities / Governmental Activities	Exhibit 6	19
Proprietary Funds		
Statement of Net Position	Exhibit 7	20
Statement of Revenues, Expenses, and Changes in Net Position	Exhibit 8	21
Statement of Cash Flows	Exhibit 9	22
Notes to the Financial Statements		24
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	49
Fire Department Special Project/Equipment Special Revenue Fund	Schedule 2	51
RBEG Revolving Loan Special Revenue Fund	Schedule 3	52
Schedule of Contributions	Schedule 4	53
Schedule of Proportionate Share of Net Pension Liability	Schedule 5	54
Notes to the Required Supplementary Information		55

**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	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Special Revenue Funds	Statement 2	58
Budgetary Comparison Schedules		
Fire Department Special Revenue Fund	Schedule 6	59
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 7	60
 <u>Management and Compliance Section</u>		
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>		61
Schedule of Findings and Responses	Schedule 8	63
Corrective Action Plan	Schedule 9	66
Schedule of Prior Audit Findings	Schedule 10	67

INTRODUCTORY SECTION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2018**

<u>City Council</u>	<u>Position</u>	<u>Term Expires</u>
Elected		
Brenda Sather	Mayor	December 31, 2020
Christine Foss	Councilmember	December 31, 2024
Eric Etherington	Councilmember	December 31, 2020
Dennis Filer	Councilmember	December 31, 2020
Shawn Walsh ¹	Councilmember	December 31, 2024
Appointed		
Anita Locken	Clerk/Treasurer	Indefinite

¹ Replaced Scott Waage

FINANCIAL SECTION

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



Hoffman, Philipp, & Knutson, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@mncable.net

INDEPENDENT AUDITOR'S REPORT

City Council
City of Greenbush

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenbush, Minnesota, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Greenbush's basic financial statements. The introductory section, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019, on our consideration of the City of Greenbush's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Hoffman, Philipp, & Knutson, PLLC

April 10, 2019



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, 2018. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the City's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

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

The total net position of governmental activities is \$2,106,068, of which \$1,152,847 is the net investment in capital assets, \$9,412 is restricted for specific purposes, and \$943,809 is unrestricted. The total net position of governmental activities increased \$104,623 for the year ended December 31, 2018. This is attributed primarily to a reduction in the amount reported for net pension liability.

The total net position of business-type activities is \$3,685,635, of which \$2,876,256 is the net investment in capital assets, \$9,000 is restricted for specific purposes, and \$800,379 is unrestricted. The total net position of business-type activities increased \$956,327 in 2018, as a result of grants received for the 2018 water project.

At the close of 2018, the City's governmental funds reported combined ending fund balances of \$720,587, a decrease of \$42,749 from the prior year. Of the total fund balance amount, \$9,412 is legally or contractually restricted, \$24,039 is formally committed for specific purposes, \$474,685 is noted as the assigned fund balance in the General Fund, and \$212,451 is noted as the unassigned fund balance in the General Fund. Maintaining an adequate fund balance is necessary to provide City services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The City reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Fire Department Special Projects/Equipment Special Revenue Fund, and the RBEG Revolving Loan Special Revenue Fund, both of which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the combining statements after the notes to the financial statements.

The City of Greenbush adopts annual budgets for its major governmental funds, the General Fund, the Fire Department Special Project/Equipment Special Revenue Fund, and the RBEG Revolving Loan Special Revenue Fund. The City also adopts a budget for its nonmajor Fire Department Special Revenue Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds The City of Greenbush maintains three proprietary funds. 1) The Sanitation Enterprise Fund is used to account for the operations of the garbage collection system. 2) The Sewer 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 24 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City also provides supplementary and other information including combining statements, budgetary comparison schedules, a schedule of intergovernmental revenue, and a schedule of expenditures of federal awards.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the City’s financial position. The City’s assets exceeded liabilities by \$5,791,703 at the close of 2018. The largest portion of the City’s net position (approximately 70 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately less than one percent of the City’s net position is restricted for specific purposes and 30 percent of the City’s net position is unrestricted. The unrestricted net position amount of \$1,744,188 as of December 31, 2018, 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 \$1,266,810, from the prior year, primarily due to State and Federal funding for the 2018 water infrastructure project. Total liabilities increased \$177,052 from the prior year due to debt issued. Deferred outflows of resources and deferred inflows of resources decreased by a net amount of \$28,808 related to pension expense. This resulted in an increased net position of \$1,060,950 from the prior year.

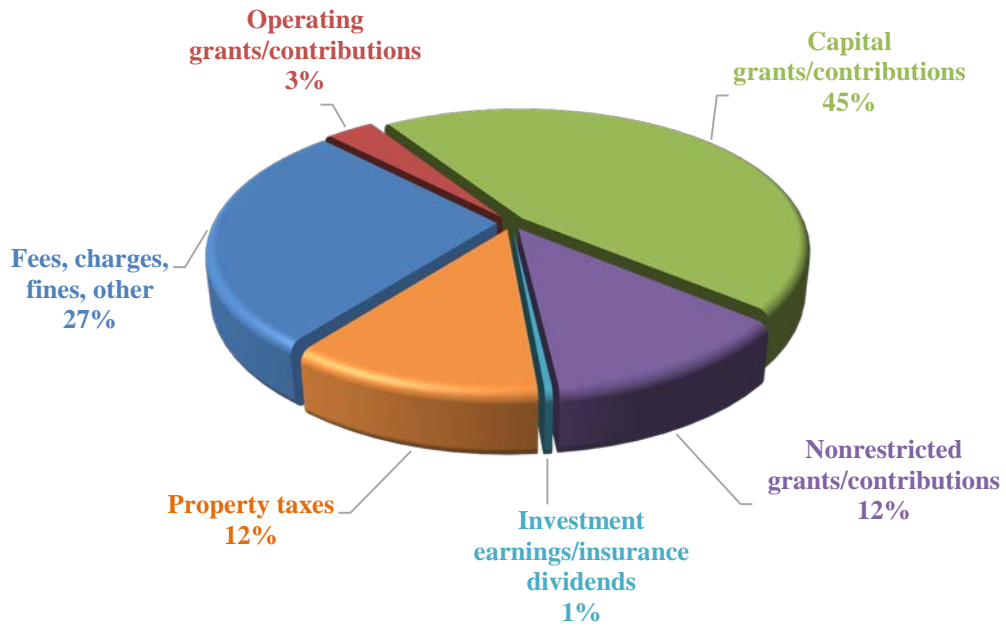
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,098,824	\$ 996,417	\$ 858,605	\$ 772,084	\$ 1,957,429	\$ 1,768,501
Capital assets	1,305,697	1,181,582	5,334,533	4,380,766	6,640,230	5,562,348
Total assets	\$ 2,404,521	\$ 2,177,999	\$ 6,193,138	\$ 5,152,850	\$ 8,597,659	\$ 7,330,849
Deferred outflows - pensions	\$ 22,592	\$ 30,014	\$ 10,632	\$ 14,124	\$ 33,224	\$ 44,138
Other liabilities	\$ 24,829	\$ 24,585	\$ 9,432	\$ 13,342	\$ 34,261	\$ 37,927
Long-term liabilities outstanding	240,541	146,436	2,495,559	2,408,946	2,736,100	2,555,382
Total liabilities	\$ 265,370	\$ 171,021	\$ 2,504,991	\$ 2,422,288	\$ 2,770,361	\$ 2,593,309
Deferred inflows - pensions	\$ 55,675	\$ 35,547	\$ 13,144	\$ 13,144	\$ 68,819	\$ 48,691
Net position						
Net Investment in capital assets	\$ 1,152,847	\$ 1,181,582	\$ 2,876,256	\$ 2,115,163	\$ 4,029,103	\$ 3,296,745
Restricted	9,412	23,225	9,000	-	18,412	23,225
Unrestricted	943,809	796,638	800,379	614,145	1,744,188	1,410,783
Total net position	\$ 2,106,068	\$ 2,001,445	\$ 3,685,635	\$ 2,729,308	\$ 5,791,703	\$ 4,730,753

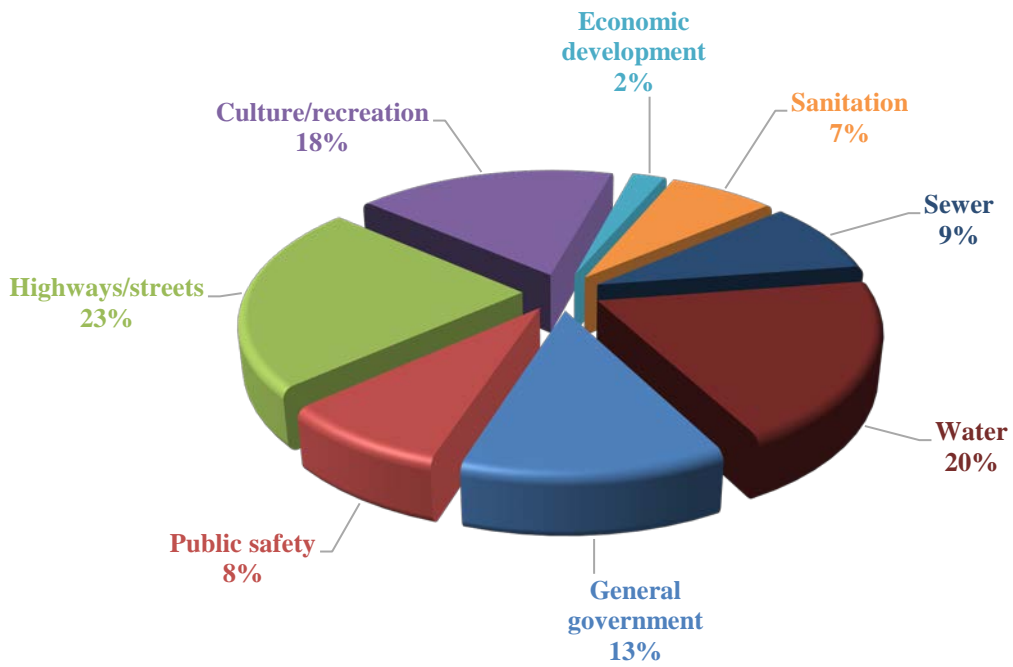
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 165,377	\$ 147,892	\$ 439,258	\$ 411,113	\$ 604,635	\$ 559,005
Operating grants and contributions	71,304	33,995	-	-	71,304	33,995
Capital grants and contributions	94,303	-	913,003	506,916	1,007,306	506,916
General Revenues and Transfers						
Property taxes	268,251	261,158	-	-	268,251	261,158
Payments in lieu of tax	1,943	-	-	-	1,943	-
Grants and contributions not restricted to specific programs	271,857	265,880	-	-	271,857	265,880
Investment earnings	4,557	1,640	3,682	1,270	8,239	2,910
Insurance dividends	997	2,846	-	-	997	2,846
Transfers	(20,000)	(15,000)	20,000	15,000	-	-
Total revenues	\$ 858,589	\$ 698,411	\$ 1,375,943	\$ 934,299	\$ 2,234,532	\$ 1,632,710
Expenses						
General government	\$ 150,069	\$ 134,536	\$ -	\$ -	\$ 150,069	\$ 134,536
Public safety	98,146	105,777	-	-	98,146	105,777
Highways and streets	268,679	189,366	-	-	268,679	189,366
Culture and recreation	208,989	197,640	-	-	208,989	197,640
Conservation of natural resources	236	236	-	-	236	236
Economic development	26,471	733	-	-	26,471	733
Interest	1,376	-	-	-	1,376	-
Sanitation	-	-	85,785	84,144	85,785	84,144
Sewer	-	-	103,900	92,931	103,900	92,931
Water	-	-	229,931	309,377	229,931	309,377
Total expenses	\$ 753,966	\$ 628,288	\$ 419,616	\$ 486,452	\$ 1,173,582	\$ 1,114,740
Increase (decrease) in net position	\$ 104,623	\$ 70,123	\$ 956,327	\$ 447,847	\$ 1,060,950	\$ 517,970
Net position, January 1, as previously reported	\$ 2,001,445	\$ 1,909,285	\$ 2,729,308	\$ 2,281,461	\$ 4,730,753	\$ 4,190,746
Prior period adjustment	-	22,037	-	-	-	22,037
Net position, January 1, as restated	\$ 2,001,445	\$ 1,931,322	\$ 2,729,308	\$ 2,281,461	\$ 4,730,753	\$ 4,212,783
Net position, December 31	\$ 2,106,068	\$ 2,001,445	\$ 3,685,635	\$ 2,729,308	\$ 5,791,703	\$ 4,730,753

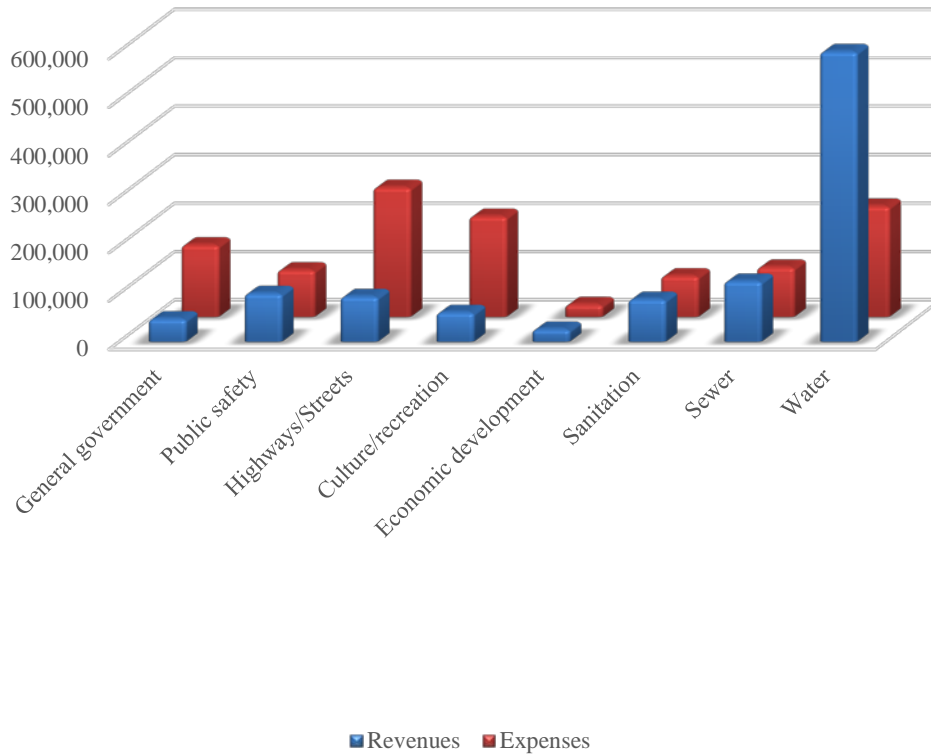
Revenues by Source



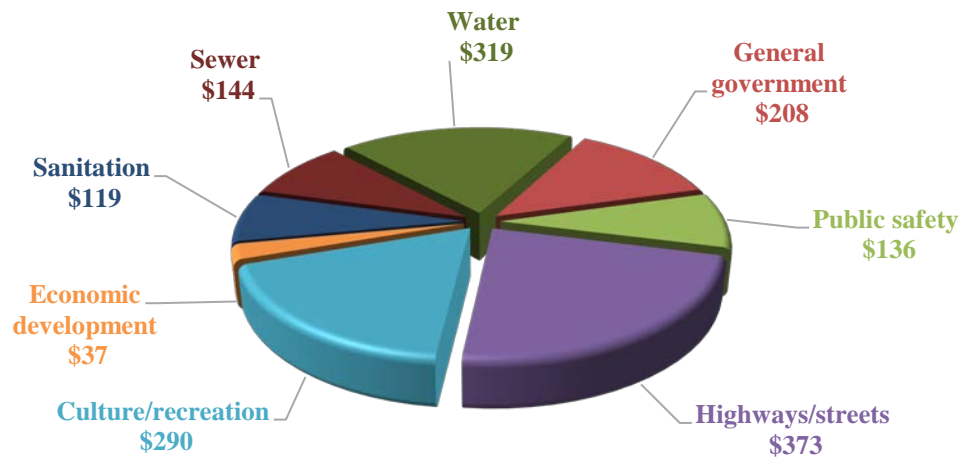
Expenses by Function



Program Revenues & Expenditures



Expenditures Per Capita 720 Population as of 2018



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2018, the City's governmental funds reported combined ending fund balances of \$720,587. Of this amount, approximately 1 percent constitutes legally or contractually restricted fund balance, 3 percent constitutes formally committed fund balance, 66 percent constitutes the assigned fund balance, and 30 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 \$461,002. The General Fund's restricted fund balance was \$7,886, there was no committed fund balance, \$240,665 assigned fund balance, and unassigned fund balance was \$212,451. 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 2018. Unrestricted fund balance represents 63 percent of total General Fund expenditures, while total fund balance represents 64 percent of that same amount.

In 2018, the fund balance amount in the General Fund increased by \$27,442. The primary reason for this was a modest levy increase and expenditures under budget.

The fund balance of the Fire Department Special Project/Equipment Special Revenue Fund decreased in 2018 by \$69,861 due to purchase of equipment.

The fund balance of the RBEG Revolving Loan Special Revenue Fund decreased in 2018 by \$10,485 due to a new loan awarded.

Proprietary Funds

The Sanitation Enterprise Fund reported an operating income in 2018 of \$2,801, indicating that it is collecting fees for services at a rate consistent with the costs.

The Sewer Enterprise Fund reported an operating income in 2018 of \$15,221, primarily as a result of continued efforts to hold down costs.

The Water Enterprise Fund reported an operating income in 2018 of \$34,692, primarily as a result of a slight rate increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than overall final budgeted revenues by \$682,092. The largest positive variances were in intergovernmental and miscellaneous revenues. Actual expenditures were greater than overall final budgeted expenditures by \$127,578, largely as a result of unbudgeted capital outlay for highways and streets.

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, 2018, amounted to \$6,640,230 (net of accumulated depreciation). The total increase in the City's investment in capital assets for the current fiscal year was approximately 15 percent. This increase was primarily due to the watermain project completed in the current year.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 80,349	\$ 80,349	\$ 4,000	\$ 4,000	\$ 84,349	\$ 84,349
Infrastructure	48,157	49,459	5,315,675	4,358,841	5,363,832	4,408,300
Buildings and improvements	306,219	335,200	4,327	4,761	310,546	339,961
Machinery and equipment	870,972	716,574	10,531	13,164	881,503	729,738
Total capital assets	<u>\$ 1,305,697</u>	<u>\$ 1,181,582</u>	<u>\$ 5,334,533</u>	<u>\$ 4,380,766</u>	<u>\$ 6,640,230</u>	<u>\$ 5,562,348</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 \$2,611,125 which is backed by the full faith and credit of the government.

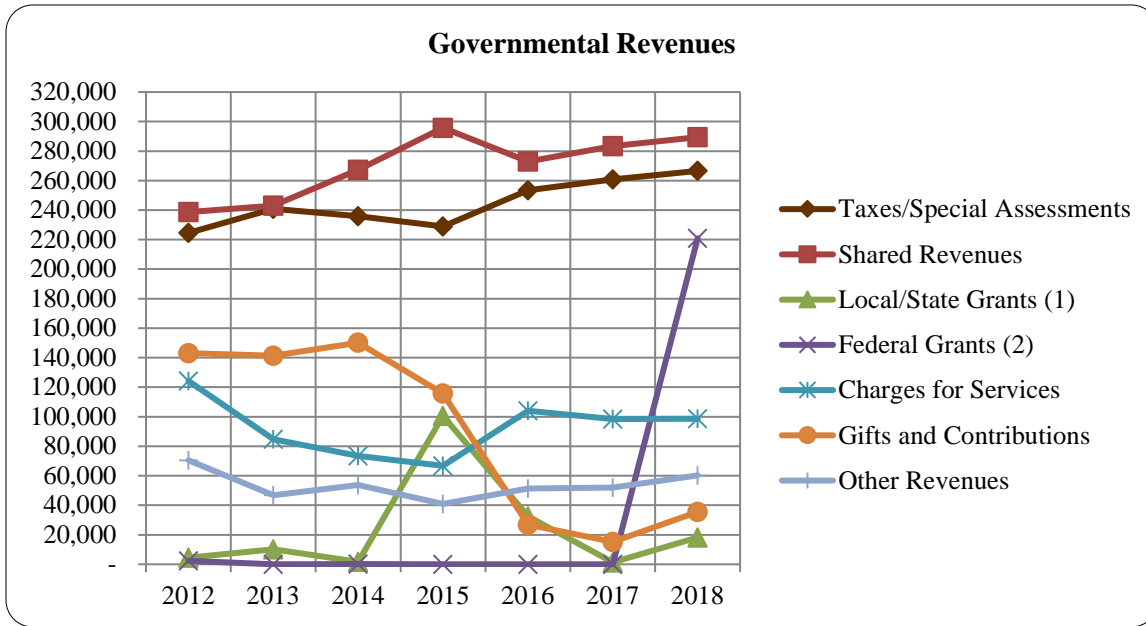
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bobcat S595 Skidsteer	\$ 46,366	\$ 53,634	\$ -	\$ -	\$ 46,366	\$ 53,634
Equipment Lease	106,482	-	-	-	106,482	-
G.O. Sewer Revenue Bonds of 2006	-	-	138,336	150,649	138,336	150,649
G.O. Water Revenue Note - MPFA	-	-	1,650,476	1,720,476	1,650,476	1,720,476
G.O. Water Revenue Bonds of 2013	-	-	73,386	87,335	73,386	87,335
G.O. Water Revenue Bonds of 2015A	-	-	131,000	155,000	131,000	155,000
MPFA Drinking Water State Revolving Fund Loan - 2017	-	-	126,200	129,234	126,200	129,234
MPFA Drinking Water State Revolving Fund Loan - 2013	-	-	127,000	135,000	127,000	135,000
MPFA Drinking Water State Revolving Fund Loan - 2019	-	-	211,879	-	211,879	-
	<u>\$ 152,848</u>	<u>\$ 53,634</u>	<u>\$ 2,458,277</u>	<u>\$ 2,377,694</u>	<u>\$ 2,611,125</u>	<u>\$ 2,431,328</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 2018, overall debt of the City is below the three percent debt limit.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities. The analysis below focuses on the revenues of the City's governmental funds taken from Exhibit 5 and the Schedule of Intergovernmental Revenue.



- (1) In 2015, the City received local donations through the Northwest Minnesota Foundation for the swimming pool project.
- (2) In 2018, the City received a federal loan from the Environmental Protection Agency for a watermain project.

OTHER INFORMATION

- Specific unemployment statistics for the City of Greenbush are not available. However, the unemployment rate for Roseau County was 3.5 percent as of December 31, 2018. This is higher than the statewide rate of 3.2 percent and less than the national average rate of 3.7 percent.
- Greenbush's 2018 population according to the League of Minnesota Cities was 720, an increase of 1 since the 2010 census of 719.
- On December 17, 2018, the City of Greenbush set its 2019 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, 2018**

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 340,810	\$ 318,381	\$ 659,191
Investments	388,003	302,005	690,008
Taxes receivable			
Current	13,041	-	13,041
Prior	24,037	489	24,526
Special assessments receivable			
Current	15	5,299	5,314
Prior	12	5,234	5,246
Accounts receivable	1,613	41,660	43,273
Accrued interest receivable	-	-	-
Due from other governments	1,934	-	1,934
Loans receivable	157,153	-	157,153
Net Pension Assets	74,012	-	74,012
Special assessments receivable - noncurrent	98,194	185,537	283,731
Capital assets			
Non-depreciable	80,349	4,000	84,349
Depreciable - net of accumulated depreciation	1,225,348	5,330,533	6,555,881
Total Assets	<u>\$ 2,404,521</u>	<u>\$ 6,193,138</u>	<u>\$ 8,597,659</u>
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 22,592	\$ 10,632	\$ 33,224
<u>Liabilities</u>			
Accounts payable	\$ 15,847	\$ 7,244	\$ 23,091
Salaries payable	3,388	-	3,388
Due to other governments	5,594	2,188	7,782
Long-term liabilities			
Due within one year	26,594	143,908	170,502
Due in more than one year	213,947	2,351,651	2,565,598
Total Liabilities	<u>\$ 265,370</u>	<u>\$ 2,504,991</u>	<u>\$ 2,770,361</u>
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 55,675	\$ 13,144	\$ 68,819
<u>Net Position</u>			
Net investment in capital assets	\$ 1,152,847	\$ 2,876,256	\$ 4,029,103
Amounts restricted for			
Economic development	1,526	-	1,526
Public safety	7,886	-	7,886
Water Replacement Infrastructure Fund (WIF)	-	9,000	9,000
Unrestricted amounts	943,809	800,379	1,744,188
Total Net Position	<u>\$ 2,106,068</u>	<u>\$ 3,685,635</u>	<u>\$ 5,791,703</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Expenses	Program Revenues	
		Fees, Charges, Fines and Other	Operating Grants and Contributions
Functions/Programs			
Governmental activities			
General government	\$ 150,069	\$ 28,023	\$ 20,000
Public safety	98,146	50,020	50,610
Highways and streets	268,679	-	-
Culture and recreation	208,989	60,652	694
Conservation of natural resources	236	224	-
Economic development	26,471	26,458	-
Interest	1,376	-	-
Total governmental activities	\$ 753,966	\$ 165,377	\$ 71,304
Business-type activities			
Sanitation	\$ 85,785	\$ 88,586	\$ -
Sewer	103,900	112,367	-
Water	229,931	238,305	-
Total business-type activities	\$ 419,616	\$ 439,258	\$ -
Total	\$ 1,173,582	\$ 604,635	\$ 71,304

General revenues and transfers

Property taxes
 Payments in lieu of tax
 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
\$ -	\$ (102,046)	\$ -	\$ (102,046)
-	2,484	-	2,484
94,303	(174,376)	-	(174,376)
-	(147,643)	-	(147,643)
-	(12)	-	(12)
-	(13)	-	(13)
-	(1,376)	-	(1,376)
\$ 94,303	\$ (422,982)	\$ -	\$ (422,982)
\$ -	\$ -	\$ 2,801	\$ 2,801
13,707	-	22,174	22,174
899,296	-	907,670	907,670
\$ 913,003	\$ -	\$ 932,645	\$ 932,645
\$ 1,007,306	\$ (422,982)	\$ 932,645	\$ 509,663
	\$ 268,251	\$ -	\$ 268,251
	1,943	-	1,943
	271,857	-	271,857
	4,557	3,682	8,239
	997	-	997
	(20,000)	20,000	-
	\$ 527,605	\$ 23,682	\$ 551,287
	\$ 104,623	\$ 956,327	\$ 1,060,950
	2,001,445	2,729,308	4,730,753
	\$ 2,106,068	\$ 3,685,635	\$ 5,791,703

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Fire Department Special Project/Equipment Special Revenue	RBEG Revolving Loan Special Revenue	Other Governmental Funds (Statement 1)	Total Governmental Funds
<u>Assets</u>					
Assets					
Cash and pooled investments	\$ 269,316	\$ 40,672	\$ 1,598	\$ 29,224	\$ 340,810
Investments	201,337	175,926	-	10,740	388,003
Taxes receivable					
Current	13,041	-	-	-	13,041
Prior	24,037	-	-	-	24,037
Special assessments receivable					
Current	15	-	-	-	15
Prior	12	-	-	-	12
Accounts receivable	1,613	-	-	-	1,613
Due from other governments	42	1,892	-	-	1,934
Loans receivable	-	-	157,153	-	157,153
Special assessments receivable - noncurrent	98,194	-	-	-	98,194
Total Assets	\$ 607,607	\$ 218,490	\$ 158,751	\$ 39,964	\$ 1,024,812
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 15,380	\$ -	\$ 72	\$ 395	\$ 15,847
Salaries payable	3,388	-	-	-	3,388
Due to other governments	5,594	-	-	-	5,594
Total Liabilities	\$ 24,362	\$ -	\$ 72	\$ 395	\$ 24,829
Deferred Inflows of Resources					
Taxes	\$ 24,037	\$ -	\$ -	\$ -	\$ 24,037
Loans	-	-	157,153	-	157,153
Special assessments	98,206	-	-	-	98,206
Total Deferred Inflows of Resources	\$ 122,243	\$ -	\$ 157,153	\$ -	\$ 279,396
Fund Balances					
Restricted for					
Economic development	\$ -	\$ -	\$ 1,526	\$ -	\$ 1,526
Police DARE	7,886	-	-	-	7,886
Committed to					
Community improvements	-	-	-	24,039	24,039
Assigned to					
General government	124,211	-	-	-	124,211
Highway and streets	100,000	-	-	-	100,000
Culture and recreation	16,454	-	-	-	16,454
Public safety	-	218,490	-	15,530	234,020
Unassigned	212,451	-	-	-	212,451
Total Fund Balances	\$ 461,002	\$ 218,490	\$ 1,526	\$ 39,569	\$ 720,587
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 607,607	\$ 218,490	\$ 158,751	\$ 39,964	\$ 1,024,812

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Fund balances - total governmental funds (Exhibit 3)	\$	720,587
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		1,305,697
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		279,396
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Compensated absences payable	\$ (8,477)	
General obligation bonds	(46,366)	
Capital leases	<u>(106,482)</u>	(161,325)
<p>Net pension asset, net pension liability and related inflows/outflows of resources represent the allocation of the pension obligations of the statewide plans to the City. Such balances are not reported in the governmental funds:</p>		
Net pension asset	\$ 74,012	
Net pension liability	(79,216)	
Deferred outflows related to pensions	22,592	
Deferred inflows related to pensions	<u>(55,675)</u>	<u>(38,287)</u>
Net position of governmental activities (Exhibit 1)	\$	<u>2,106,068</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Fire Department Special Project/Equipment Special Revenue	RBEG Revolving Loan Special Revenue	Other Governmental Funds (Statement 2)	Total Governmental Funds
Revenues					
Property taxes	\$ 265,244	\$ -	\$ -	\$ -	\$ 265,244
Special assessments	1,324	-	-	-	1,324
Licenses and permits	2,515	-	-	-	2,515
Intergovernmental	306,815	2,725	-	-	309,540
Charges for services	66,539	-	-	32,160	98,699
Fines and forfeitures	60	-	-	-	60
Gifts and contributions	694	14,460	-	20,410	35,564
Investment earnings	2,766	1,697	-	94	4,557
Miscellaneous	36,135	1,892	13,176	-	51,203
Total Revenues	\$ 682,092	\$ 20,774	\$ 13,176	\$ 52,664	\$ 768,706
Expenditures					
Current					
General government	\$ 143,340	\$ -	\$ -	\$ -	\$ 143,340
Public safety	59,090	22,169	-	-	81,259
Highways and streets	257,386	-	-	-	257,386
Culture and recreation	128,721	-	-	39,699	168,420
Economic development	-	-	23,661	2,810	26,471
Debt service					
Principal retirement	7,268	-	-	-	7,268
Interest	1,376	-	-	-	1,376
Capital outlay					
Public safety	-	90,669	-	-	90,669
Highways and streets	109,382	-	-	-	109,382
Culture and recreation	12,366	-	-	-	12,366
Total Expenditures	\$ 718,929	\$ 112,838	\$ 23,661	\$ 42,509	\$ 897,937
Excess of Revenues Over (Under) Expenditures	\$ (36,837)	\$ (92,064)	\$ (10,485)	\$ 10,155	\$ (129,231)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 22,203	\$ -	\$ -	\$ 22,203
Transfers out	(42,203)	-	-	-	(42,203)
Proceeds from installment purchase	106,482	-	-	-	106,482
Total Other Financing Sources (Uses)	\$ 64,279	\$ 22,203	\$ -	\$ -	\$ 86,482
Net Change in Fund Balance	\$ 27,442	\$ (69,861)	\$ (10,485)	\$ 10,155	\$ (42,749)
Fund Balance - January 1	433,560	288,351	12,011	29,414	763,336
Fund Balance - December 31	\$ 461,002	\$ 218,490	\$ 1,526	\$ 39,569	\$ 720,587

**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, 2018**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (42,749)

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

Governmental funds report capital outlay as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Purchase of capital assets	\$ 212,417	
Current year depreciation	(88,302)	124,115

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

Change in		
Taxes receivable	\$ 3,007	
Special assessments receivable	92,979	
Loans receivable	13,282	109,268

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

Principal repayment of capital lease	\$ 7,268	
Proceeds from issuance of debt	(106,482)	(99,214)

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Change in compensated absences payable		(2,493)
--	--	---------

Net pension liability does not represent the impending use of current resources.
Therefore, the change in the liability and the related deferrals are not
reported in the governmental funds.

		15,696
--	--	--------

Change in net position of governmental activities (Exhibit 2)		\$ 104,623
--	--	-------------------

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
<u>Assets</u>				
Current Assets				
Cash and pooled investments	\$ 21,926	\$ 62,652	\$ 233,803	\$ 318,381
Investments	100,668	70,468	130,869	302,005
Taxes receivable - delinquent	-	489	-	489
Special assessments receivable				
Current	232	908	4,159	5,299
Prior	247	212	4,775	5,234
Accounts receivable	10,069	11,202	20,389	41,660
Total Current Assets	\$ 133,142	\$ 145,931	\$ 393,995	\$ 673,068
Noncurrent Assets				
Special assessments receivable	\$ -	\$ -	\$ 185,537	\$ 185,537
Capital assets				
Non-depreciable	-	-	4,000	4,000
Depreciable - net of accumulated depreciation	-	325,587	5,004,946	5,330,533
Total Noncurrent Assets	\$ -	\$ 325,587	\$ 5,194,483	\$ 5,520,070
Total Assets	\$ 133,142	\$ 471,518	\$ 5,588,478	\$ 6,193,138
<u>Deferred Outflows of Resources</u>				
Related to pensions	\$ -	\$ 5,316	\$ 5,316	\$ 10,632
<u>Liabilities</u>				
Current Liabilities				
Accounts payable	\$ 5	\$ 250	\$ 6,989	\$ 7,244
Due to other governments	764	606	818	2,188
Drinking Water State Revolving Bonds	-	-	6,000	6,000
General obligation water revenue bonds payable	-	-	39,186	39,186
MPFA drinking water state revolving fund loan	-	-	8,000	8,000
PFA drinking water revolving fund loan	-	-	7,879	7,879
General obligation revenue bonds payable	-	12,843	-	12,843
MPFA notes payable	-	-	70,000	70,000
Total Current Liabilities	\$ 769	\$ 13,699	\$ 138,872	\$ 153,340
Noncurrent Liabilities				
General obligation water revenue bonds payable	\$ -	\$ -	\$ 165,200	\$ 165,200
MPFA drinking water state revolving fund loan	-	-	119,000	119,000
PFA drinking water revolving fund loan	-	-	204,000	204,000
General obligation revenue bonds payable	-	125,493	-	125,493
MPFA notes payable	-	-	1,580,476	1,580,476
Drinking Water State Revolving bonds payable	-	-	120,200	120,200
Net pension liability	-	18,641	18,641	37,282
Total Noncurrent Liabilities	\$ -	\$ 144,134	\$ 2,207,517	\$ 2,351,651
Total Liabilities	\$ 769	\$ 157,833	\$ 2,346,389	\$ 2,504,991
<u>Deferred Inflows of Resources</u>				
Related to pensions	\$ -	\$ 6,572	\$ 6,572	\$ 13,144
<u>Net Position</u>				
Net investment in capital assets	\$ -	\$ 187,251	\$ 2,689,005	\$ 2,876,256
Restricted for Water Infrastructure Replacement Funds (WIF)	-	-	9,000	9,000
Unrestricted amounts	132,373	125,178	542,828	800,379
Total Net Position	\$ 132,373	\$ 312,429	\$ 3,240,833	\$ 3,685,635

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Operating Revenues				
Charges for services	\$ 88,586	\$ 112,367	\$ 237,546	\$ 438,499
Miscellaneous	-	-	759	759
Total Operating Revenues	\$ 88,586	\$ 112,367	\$ 238,305	\$ 439,258
Operating Expenses				
Personnel services	\$ -	\$ 25,556	\$ 25,458	\$ 51,014
Pension Expense	-	102	102	204
Contracted services	82,950	-	-	82,950
Insurance	-	3,623	4,069	7,692
Permits	-	-	1,988	1,988
Repairs and maintenance	-	19,805	-	19,805
Supplies	-	20,088	6,586	26,674
Utilities	-	4,212	15,822	20,034
Miscellaneous	2,835	925	193	3,953
Depreciation	-	22,835	149,395	172,230
Total Operating Expenses	\$ 85,785	\$ 97,146	\$ 203,613	\$ 386,544
Operating Income (Loss)	\$ 2,801	\$ 15,221	\$ 34,692	\$ 52,714
Nonoperating Revenues (Expenses)				
Special assessments	\$ 902	\$ 12,805	\$ 51,779	\$ 65,486
Intergovernmental revenue	-	-	847,517	847,517
Investment earnings	1,240	804	1,638	3,682
Interest expense	-	(6,754)	(26,318)	(33,072)
Total Nonoperating Revenues (Expenses)	\$ 2,142	\$ 6,855	\$ 874,616	\$ 883,613
Income (Loss) Before Transfers	\$ 4,943	\$ 22,076	\$ 909,308	\$ 936,327
Transfers in	-	-	20,000	20,000
Change in Net Position	\$ 4,943	\$ 22,076	\$ 929,308	\$ 956,327
Net Position - January 1, as restated	127,430	290,353	2,311,525	2,729,308
Net Position - December 31	\$ 132,373	\$ 312,429	\$ 3,240,833	\$ 3,685,635

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
Increase (Decrease) in Cash and Cash Equivalents**

	Sanitation Enterprise	Sewer Enterprise	Water Enterprise	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 87,988	\$ 112,140	\$ 235,886	\$ 436,014
Payments to employees	-	(28,750)	(28,583)	(57,333)
Payments to suppliers	(85,780)	(48,580)	(29,179)	(163,539)
Net cash provided by (used in) operating activities	\$ 2,208	\$ 34,810	\$ 178,124	\$ 215,142
Cash Flows from Noncapital Financing Activities				
Transfers in	-	-	20,000	20,000
Net cash provided by (used in) noncapital financing activities	\$ -	\$ -	\$ 20,000	\$ 20,000
Cash Flows from Capital and Related Financing Activities				
Principal paid on bonds	-	(12,313)	(37,949)	(50,262)
Interest paid on bonds	-	(6,754)	(9,895)	(16,649)
Principal paid on Public Facilities Authority notes	-	-	(10,234)	(10,234)
Interest paid on Public Facilities Authority notes	-	-	(2,675)	(2,675)
Principal paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(70,000)	(70,000)
Interest paid on MPFA Drinking Water State Revolving Fund Loan	-	-	(18,154)	(18,154)
Issuance of Public Facility Authority notes	-	-	220,879	220,879
Intergovernmental receipts	-	-	847,517	847,517
Purchase of capital assets	-	(11,154)	(1,114,843)	(1,125,997)
Special assessments received	700	12,438	51,206	64,344
Net cash provided by (used in) capital and related financing activities	\$ 700	\$ (17,783)	\$ (144,148)	\$ (161,231)
Cash Flows from Investing Activities				
Investment earnings received	1,240	804	1,638	3,682
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 4,148	\$ 17,831	\$ 55,614	\$ 77,593
Cash and Cash Equivalents at January 1	118,446	115,289	309,058	542,793
Cash and Cash Equivalents at December 31	\$ 122,594	\$ 133,120	\$ 364,672	\$ 620,386

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
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)	\$ 2,801	\$ 15,221	\$ 34,692	\$ 52,714
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	\$ -	\$ 22,835	\$ 149,395	\$ 172,230
Decrease (increase) in assets				
Accounts receivable	(585)	(296)	(2,499)	(3,380)
Increase (decrease) in liabilities				
Accounts payable	5	216	(376)	(155)
Salaries payable		(1,866)	(1,866)	(3,732)
Compensated absences payable	-	(1,220)	(1,206)	(2,426)
Due to other governments	(13)	(37)	27	(23)
Net pension liability	-	(43)	(43)	(86)
Total adjustments	\$ (593)	\$ 19,589	\$ 143,432	\$ 162,428
Net cash provided by (used in) operating activities	\$ 2,208	\$ 34,810	\$ 178,124	\$ 215,142

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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, water and sewer utilities, and sanitation, as authorized by its charter.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, charges, and fines paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental, and proprietary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

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

The Fire Department Special Project/Equipment Special Revenue Fund is used to account for fund balances assigned to public safety.

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund type:

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers 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, 2018, based on market prices. Investment earnings on cash and investments are allocated to the funds. City funds also participate in a pooled checking account for operating purposes. Pooled investment earnings for 2018 were \$2,766. Total investment earnings for 2018 were \$8,239.

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

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2009 through 2018 and deferred special assessments collectible in 2019 and beyond.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

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

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

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

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

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

4. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., sewers and water mains), buildings and improvements, and machinery and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalization value of the assets constructed. During the current period, the City did not have any capitalized interest.

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
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 receivables and 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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

I. Summary of Significant Accounting Policies

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

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund and the Sewer and Water Enterprise Funds.

8. Pensions

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

9. Net Position and Fund Balance

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, 2018.

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 County Board 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 Administrator.

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, 2018, 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, 2018, are as follows:

Government-wide Statement of Net Position	
Governmental Activities	
Cash and pooled investments	\$ 340,810
Investments	388,003
Business-type Activities	
Cash and pooled investments	318,381
Investments	<u>302,005</u>
Total Cash and Investments	<u>\$ 1,349,199</u>
Deposits	
Petty cash and change funds	\$ 100
Checking accounts	659,091
Certificates of deposit	<u>690,008</u>
Total Deposits and Cash on Hand	<u>\$ 1,349,199</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, 2018, the City’s deposits were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2018, 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	\$ 37,078	\$ -
Special Assessments	98,221	98,194
Accounts	1,613	-
Due from other governments	1,934	-
Loans	157,153	144,691
Total Governmental Activities	\$ 295,999	\$ 242,885

**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	\$ 489	\$ -
Special assessments	196,070	185,317
Accounts	41,660	-
Total Business-Type Activities	\$ 238,219	\$ 185,317

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2018, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 80,349	\$ -	\$ -	\$ 80,349
Capital assets being depreciated				
Buildings and improvements	\$ 1,022,399	\$ -	\$ -	\$ 1,022,399
Infrastructure	52,063	-	-	52,063
Machinery and equipment	1,475,151	212,417	41,989	1,645,579
Total capital assets being depreciated	\$ 2,549,613	\$ 212,417	\$ 41,989	\$ 2,720,041
Less: accumulated depreciation for				
Buildings and improvements	\$ 687,199	\$ 28,981	\$ -	\$ 716,180
Infrastructure	2,604	1,302	-	3,906
Machinery and equipment	758,577	58,019	41,989	774,607
Total accumulated depreciation	\$ 1,448,380	\$ 88,302	\$ 41,989	\$ 1,494,693
Total capital assets, depreciated, net	\$ 1,101,233	\$ 124,115	\$ -	\$ 1,225,348
Governmental Activities Capital Assets, Net	\$ 1,181,582	\$ 124,115	\$ -	\$ 1,305,697

**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
Capital assets being depreciated				
Infrastructure	\$ 5,664,254	\$ 1,152,611	\$ -	\$ 6,816,865
Buildings and improvements	13,000	-	-	13,000
Machinery and equipment	74,356	-	-	74,356
Total capital assets being depreciated	<u>\$ 5,751,610</u>	<u>\$ 1,152,611</u>	<u>\$ -</u>	<u>\$ 6,904,221</u>
Less: accumulated depreciation for				
Infrastructure	\$ 1,305,413	\$ 195,777	\$ -	\$ 1,501,190
Buildings and improvements	8,239	434	-	8,673
Machinery and equipment	61,192	2,633	-	63,825
Total accumulated depreciation	<u>\$ 1,374,844</u>	<u>\$ 198,844</u>	<u>\$ -</u>	<u>\$ 1,573,688</u>
Total capital assets, depreciated, net	<u>\$ 4,376,766</u>	<u>\$ 953,767</u>	<u>\$ -</u>	<u>\$ 5,334,533</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,380,766</u>	<u>\$ 953,767</u>	<u>\$ -</u>	<u>\$ 5,334,533</u>

Depreciation Expense

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

Governmental Activities	
General government	\$ 3,994
Public safety	32,403
Highways and streets	11,100
Culture and recreation	40,569
Conservation of natural resources	236
Total Depreciation Expense - Governmental Activities	<u>\$ 88,302</u>
Business-Type Activities	
Sewer	\$ 22,835
Water	176,009
Total Depreciation Expense - Business-Type Activities	<u>\$ 198,844</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

B. Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following operating transfers:

Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	\$ 9,203	Operating transfer
Transfer to Fire Department Special Project/Equipment Special Revenue Fund from General Fund	13,000	Equipment reserves
Transfer to Water Enterprise Fund from General Fund	<u>20,000</u>	Water protection fees
Total Interfund Transfers	<u><u>\$ 42,203</u></u>	

C. Liabilities

Compensated Absences

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

Unused accumulated vacation and vested sick leave is paid to full-time employees upon termination. Unvested sick leave, approximately \$8,986 at December 31, 2018, 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. This note has an original issue amount of \$53,634 and carries a net interest rate of 3.3 percent which is due in annual installments from the General Fund of \$7,268 to \$8,368 through April 1, 2024. The balance outstanding at December 31, 2018 is \$46,366.

City of Greenbush equipment lease issued in 2018, 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 \$13,688 to \$16,826 through May 23, 2025. The balance outstanding at December 31, 2018 \$106,482.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Business-Type Activities

The City of Greenbush General Obligation Water and Sewer Revenue Bonds of 2006 represent debt incurred for improvements made to the sewer main and pond. These bonds have an original issue amount of \$250,000. They carry a net interest rate of 4.42 percent and are due in annual installments from the Sewer Enterprise Fund of \$11,817 to \$18,228 through February 1, 2027. The balance outstanding at December 31, 2018 is \$138,336.

The City of Greenbush General Obligation Water Revenue Note of 2009 - MPFA #1 represents debt incurred to finance the construction of the replacement and looping of the water main and gate valve repairs. This note has an original issue amount of \$349,676 with an addition of \$1,109,435 in 2010 for a total issue of \$1,459,111. It carries a net interest rate of 1.01 percent and is due in annual installments from the Water Enterprise Fund of between \$45,000 and \$55,476 through August 20, 2039. The balance due on December 31, 2018 is \$1,063,476.

The City of Greenbush General Obligation Water Revenue Note of 2009 - MPFA #2 represents debt incurred to finance the construction of the new water treatment plant and installation of water meters. This note has an original issue amount of \$668,344 with an addition of \$108,112 in 2011 for a total issue of \$776,456. It carries a net interest rate of 1.15 percent and is due in annual installments from the Water Enterprise Fund of between \$24,000 and \$31,000 through August 20, 2039. The balance due on December 31, 2018 is \$587,000.

City of Greenbush General Obligation Water Revenue Bonds of 2013 represent debt incurred for water main improvements. These bonds have an original issue amount of \$141,000. They carry a net interest rate of 1.70 percent and are due in annual installments from the Water Enterprise Fund of \$13,716 to \$15,177 through June 15, 2023. The balance outstanding at December 31, 2018 is \$73,386.

City of Greenbush General Obligation Water Revenue Bonds of 2015A represent debt incurred for water main improvements. These bonds have an original issue amount of \$190,000. They carry a net interest rate of 2.80 percent and are due in annual installments from the Water Enterprise Fund of \$23,000 to \$28,000 through February 1, 2023. The balance outstanding at December 31, 2018 is \$131,000.

City of Greenbush MPFA Drinking Water State Revolving Fund loan issued in 2013 represents debt incurred for water main improvements. This loan has an original issue amount of \$166,364. It carries a net interest rate of 1.00 percent and is due in annual installments from the Water Enterprise Fund of \$8,000 to \$9,000 through 2026. The balance outstanding at December 31, 2018 is \$127,000.

City of Greenbush MPFA Drinking Water State Revolving Fund loan issued in 2017/2018 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 \$2,234 to \$30,000 through 2036. The balance outstanding at December 31, 2018 is \$126,200.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt

Business-Type Activities (Continued)

City of Greenbush MPFA Drinking Water State Revolving Fund loan issued in 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 \$7,879 to \$16,000 through 2033. The balance outstanding at December 31, 2018 is \$211,879.

Debt Service Requirements

Governmental Activities

Debt service requirements for the government-type activities for the year ended December 31, 2018, are as follows:

Year Ending December 31	Bobcat Skidsteer Purchase Agreement		Equipment Lease Agreement	
	Principal	Interest	Principal	Interest
2019	\$ 13,688	\$ 3,727	\$ 7,114	\$ 1,530
2020	14,167	3,248	7,349	1,295
2021	14,663	2,752	7,592	1,053
2022	15,176	2,239	7,842	802
2023	15,707	1,708	8,101	543
2024-2027	33,081	1,746	8,368	276
Total	<u>\$ 106,482</u>	<u>\$ 15,420</u>	<u>\$ 46,366</u>	<u>\$ 5,499</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities

Long-Term Debt (Continued)

Business Activities

Debt service requirements for the business-type activities for the year ended December 31, 2018, are as follows:

Year Ending December 31	General Obligation							
	Water and Sewer Revenue Bonds of 2006		Water Revenue Note of 2009		Water Revenue Bonds of 2013		Water Revenue Bonds of 2015A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 12,843	\$ 6,224	\$ 71,000	\$ 17,415	\$ 14,186	\$ 1,248	\$ 25,000	\$ 3,318
2020	13,395	5,672	71,000	16,666	14,428	1,006	25,000	2,618
2021	13,984	5,083	72,000	15,917	14,673	761	26,000	1,904
2022	14,600	4,467	73,000	15,159	14,922	512	55,000	1,554
2023	15,256	3,811	74,000	14,388	15,177	257	-	-
2024-2028	15,943	3,124	380,000	60,107	-	-	-	-
2029-2033	52,315	4,886	401,000	39,634	-	-	-	-
2034-2038	-	-	422,000	18,034	-	-	-	-
2039	-	-	86,476	912	-	-	-	-
	<u>\$ 138,336</u>	<u>\$ 33,267</u>	<u>\$ 1,650,476</u>	<u>\$ 198,232</u>	<u>\$ 73,386</u>	<u>\$ 3,784</u>	<u>\$ 131,000</u>	<u>\$ 9,394</u>

Year Ending December 31	2013 MPFA Drinking Water State Revolving Fund Loan		2017 MPFA Drinking Water State Revolving Fund Loan		2019 MPFA Drinking Water State Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 8,000	\$ 1,350	\$ 6,000	\$ 1,281	\$ 7,879	\$ 2,170
2020	9,000	1,270	7,000	1,270	14,000	2,040
2021	9,000	1,190	7,000	1,210	14,000	1,900
2022	9,000	1,100	7,000	1,140	14,000	1,760
2023	9,000	1,010	7,000	1,070	14,000	1,620
2024-2028	45,000	3,700	35,000	4,300	72,000	5,990
2029-2033	38,000	1,440	35,000	2,550	76,000	2,300
2034-2038	-	-	22,200	750	-	-
	<u>\$ 127,000</u>	<u>\$ 11,060</u>	<u>\$ 126,200</u>	<u>\$ 13,571</u>	<u>\$ 211,879</u>	<u>\$ 17,780</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds

C. Liabilities (Continued)

Changes in Long-Term Liabilities

Governmental Activities

Long-term liability activity for the governmental activities for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bobcat Skidsteer Purchase Agreement	\$ 53,637	\$ -	\$ 7,271	\$ 46,366	\$ 7,114
Equipment Lease	-	106,482	-	106,482	13,688
Compensated Absences	5,984	10,219	7,726	8,477	5,792
Net Pension Asset	38,368	35,644	-	74,012	-
Net Pension Liability	86,818	-	7,602	79,216	-
Governmental Activities Long-Term Liabilities	<u>\$ 184,807</u>	<u>\$ 152,345</u>	<u>\$ 22,599</u>	<u>\$ 314,553</u>	<u>\$ 26,594</u>

Business-Type Activities

Long-term liability activity for the business-type activities for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Water and Sewer Revenue Bonds of 2006	\$ 150,649	\$ -	\$ 12,313	\$ 138,336	\$ 12,843
General Obligation Water Revenue Note of 2009 - MPFA	1,720,476	-	70,000	1,650,476	71,000
General Obligation Water Revenue Bonds of 2013	87,335	-	13,949	73,386	14,186
General Obligation Water Revenue Bonds of 2015	155,000	-	24,000	131,000	25,000
MNPFA Drinking Water State Revolving Funds of 2019	-	211,879	-	211,879	7,879
MNPFA Drinking Water State Revolving Funds of 2018	119,434	9,000	2,234	126,200	6,000
MPFA Drinking Water State Revolving Funds of 2013	135,000	-	8,000	127,000	8,000
Compensated Absences	2,427	4,188	6,615	-	-
Net Pension Liability	40,860	-	3,578	37,282	-
Business-Type Activities Long-Term Liabilities	<u>\$ 2,411,181</u>	<u>\$ 225,067</u>	<u>\$ 140,689</u>	<u>\$ 2,495,559</u>	<u>\$ 144,908</u>

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

II. Detailed Notes on All Funds (Continued)

D. Deferred Inflows of Resources

Deferred inflows of resources consist of special assessments, taxes, state grants, and interest 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, 2018, are summarized below by fund:

	Taxes	Special Assessments	Loans Receivable	Total
Governmental funds				
General	\$ 24,037	\$ 98,206	\$ -	\$ 122,243
RBEG Revolving Loan Special Revenue	-	-	157,153	157,153
Total	\$ 24,037	\$ 98,206	\$ 157,153	\$ 279,396

III. Defined Benefit Pension Plans

A. Plan Descriptions

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

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

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

Firefighters' Relief Association (FRA)

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

As of December 31, 2018, the plan covered 39 active firefighters and 3 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans (Continued)

B. Benefits Provided

General Employees Plan Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Beginning July 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 months as of June 30 will receive a pro rata increase.

Firefighters' Relief Association (FRA) Plan Benefits

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018. The City of Greenbush was required to contribute 7.50 percent for Coordinated Plan members. The City of Greenbush's contributions to the General Employees Fund for the year ended December 31, 2018, were \$10,901. The City of Greenbush's contributions were equal to the required contributions as set by state statute.

Firefighters' Relief Association (FRA) Plan Contributions

The FRA is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Greenbush contributions. The State of Minnesota contributed \$0 in fire state aid to the plan for the year ended December 31, 2018. 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, 2018, was \$64,146. The City of Greenbush's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2018, the City of Greenbush reported a liability of \$116,499 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$3,876. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Greenbush's proportion of the net pension liability was based on the City of Greenbush's contribution received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, The City of Greenbush's proportion share was .0020 percent which remains unchanged from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

D. Pension Costs

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2018, the City of Greenbush recognized pension expense of \$8,352 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Greenbush recognized an additional \$904 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, 2018, the City of Greenbush reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,943	\$ 2,427
Changes in actuarial assumptions	7,949	12,663
Difference between projected and actual investment earnings	11,837	25,985
Changes in proportion	4,788	-
Contributions paid to PERA subsequent to the measurement date	5,705	-
Total	\$ 33,222	\$ 41,075

\$5,705 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, 2018. 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
2019	2,217
2020	(5,761)
2021	(7,585)
2022	(2,430)
2023	-

Firefighters' Relief Association (FRA) Plan Pension Costs

At December 31, 2018, the City of Greenbush reported a net pension asset of \$74,012 for the FRA plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by an actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

D. Pension Costs

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a-b)
Beginning Balance January 1, 2017	\$ 299,417	\$ 337,785	\$ (38,368)
Changes for the Year:			
Service Cost	10,545	-	10,545
Interest on Pension Liability	17,057	-	17,057
Nonemployer Contributions	-	17,471	(17,471)
Projected Investment Return	-	19,133	(19,133)
Asset (Gains)/Losses	-	27,542	(27,542)
Benefit Payments	(26,632)	(26,632)	-
PERA Administrative Fee	-	(900)	900
Net Changes	<u>\$ 970</u>	<u>\$ 36,614</u>	<u>\$ (35,644)</u>
Balance End of Year 12/31/2017	<u>\$ 300,387</u>	<u>\$ 374,399</u>	<u>\$ (74,012)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2018, the City of Greenbush recognized pension asset of \$74,012 for its proportionate share of the FRA's pension expense.

At December 31, 2018, the City of Greenbush reported deferred inflows of resources related to pension for the following sources:

	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	<u>\$ 27,744</u>

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

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2019	\$ (7,414)
2020	(7,414)
2021	(7,410)
2022	(5,506)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions

General Employees Fund

For the General Employees Plan, the total pension liability in the June 30, 2018, actuarial valuation determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Growth	3.25% after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for the General Employees Plan was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

1. The mortality projection scale was changed from MP-2015 to MP-2017.
2. 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

E. Actuarial Assumptions (Continued)

Firefighters' Relief Association (FRA) Plan

The total pension liability at December 31, 2018, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

There were no changes in actuarial assumptions in 2018.

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

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

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

F. Discount Rate

General Employees Fund

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Defined Benefit Pension Plans

F. Discount Rate (Continued)

Firefighters' Relief Association (FRA) Plan

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

G. Pension Liability Sensitivity

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

Sensitivity Analysis (in Thousands)				
<i>Net Pension Liability (Asset) at Different Discount Rates</i>				
	<u>General Employees Fund</u>		<u>Firefighter Retirement Plan</u>	
1% Lower	6.50%	\$ 189,326	4.75%	\$ (66,954)
Current Discount Rate	7.50%	116,499	5.75%	(74,012)
1% Higher	8.50%	56,383	6.75%	(80,838)

H. 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. 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.

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

IV. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 265,225	\$ 265,225	\$ 265,244	\$ 19
Special assessments	1,000	1,000	1,324	324
Licenses and permits	2,720	2,720	2,515	(205)
Intergovernmental	272,796	272,796	306,815	34,019
Charges for services	61,600	61,600	66,539	4,939
Fines and forfeitures	-	-	60	60
Gifts and contributions	-	-	694	694
Investment earnings	500	500	2,766	2,266
Miscellaneous	10,511	10,511	36,135	25,624
Total Revenues	\$ 614,352	\$ 614,352	\$ 682,092	\$ 67,740
Expenditures				
Current				
General government				
Mayor/council	\$ 8,000	\$ 8,000	\$ 9,599	\$ (1,599)
City clerk/treasurer	63,200	63,200	71,629	(8,429)
Elections	3,500	3,500	2,920	580
Professional services	4,900	4,900	7,200	(2,300)
Legal	2,500	2,500	2,514	(14)
Assessor	3,700	3,700	3,698	2
Buildings and grounds	32,720	32,720	41,172	(8,452)
Insurance	11,400	11,400	3,199	8,201
Other general government	1,500	1,500	1,409	91
Total general government	\$ 131,420	\$ 131,420	\$ 143,340	\$ (11,920)
Public safety				
Police	\$ 10,000	\$ 10,000	\$ 517	\$ 9,483
Fire	52,450	52,450	41,093	11,357
Fire relief association	11,000	11,000	17,480	(6,480)
Total public safety	\$ 73,450	\$ 73,450	\$ 59,090	\$ 14,360
Highways and streets				
Streets and alleys	\$ 256,918	\$ 256,918	\$ 236,251	\$ 20,667
Street lighting	18,500	18,500	21,135	(2,635)
Total highways and streets	\$ 275,418	\$ 275,418	\$ 257,386	\$ 18,032

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (continued)				
Culture and recreation				
Ice rinks	\$ 2,150	\$ 2,150	\$ 3,606	\$ (1,456)
Library	22,563	22,563	19,299	3,264
Recreational programs	21,350	21,350	20,212	1,138
Swimming pool	55,000	55,000	71,527	(16,527)
Other culture and recreation	7,000	7,000	14,077	(7,077)
Total culture and recreation	\$ 108,063	\$ 108,063	\$ 128,721	\$ (20,658)
Economic development				
Other economic development	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Debt service				
Principal retirement	\$ -	\$ -	\$ 7,268	\$ (7,268)
Interest	-	-	1,376	(1,376)
Total debt service	\$ -	\$ -	\$ 8,644	\$ (8,644)
Capital outlay				
Highways and streets	\$ -	\$ -	\$ 109,382	\$ (109,382)
Culture and recreation	-	-	12,366	(12,366)
Total capital outlay	\$ -	\$ -	\$ 121,748	\$ (121,748)
Total Expenditures	\$ 591,351	\$ 591,351	\$ 718,929	\$ (127,578)
Excess of Revenues Over (Under) Expenditures	\$ 23,001	\$ 23,001	\$ (36,837)	\$ (59,838)
Other Financing Sources (Uses)				
Transfers out	\$ 43,000	\$ 43,000	\$ (42,203)	\$ (85,203)
Proceeds from installment purchase	-	-	106,482	106,482
Total Other Financing Sources (Uses)	\$ 43,000	\$ 43,000	\$ 64,279	\$ (85,203)
Net Change in Fund Balance	\$ 66,001	\$ 66,001	\$ 27,442	\$ (145,041)
Fund Balance - January 1	433,560	433,560	433,560	-
Fund Balance - December 31	\$ 499,561	\$ 499,561	\$ 461,002	\$ (145,041)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL PROJECT/EQUIPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 2,000	\$ 2,000	\$ 14,460	\$ 12,460
Intergovernmental	-	-	2,725	2,725
Investment earnings	-	-	1,697	1,697
Miscellaneous	-	-	1,892	1,892
Total Revenues	\$ 2,000	\$ 2,000	\$ 20,774	\$ 18,774
Expenditures				
Current				
Public safety				
Fire	\$ 2,000	\$ 2,000	\$ 22,169	\$ (20,169)
Capital outlay				
Public safety	-	-	90,669	(90,669)
Total Expenditures	\$ 2,000	\$ 2,000	\$ 112,838	\$ (110,838)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (92,064)	\$ (92,064)
Other Financing Sources (Uses)				
Transfers in	13,000	13,000	22,203	9,203
Net Change in Fund Balance	\$ 13,000	\$ 13,000	\$ (69,861)	\$ (82,861)
Fund Balance - January 1	-	-	288,351	288,351
Fund Balance - December 31	\$ 13,000	\$ 13,000	\$ 218,490	\$ 205,490

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
RBEG REVOLVING LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$ 13,224	\$ 13,224	\$ 13,176	\$ (48)
Expenditures				
Current				
Economic development				
Administration	\$ -	\$ -	\$ 411	\$ (411)
Other economic development	-	-	23,250	(23,250)
Total Expenditures	\$ -	\$ -	\$ 23,661	\$ (23,661)
Excess of Revenues Over (Under)				
Expenditures	\$ 13,224	\$ 13,224	\$ (10,485)	\$ (23,709)
Fund Balance - January 1	-	-	12,011	12,011
Fund Balance - December 31	\$ 13,224	\$ 13,224	\$ 1,526	\$ (11,698)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 4

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 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, 2018	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2017	\$ -	\$ -	\$ -	N/A	N/A
December 31, 2016	\$ -	\$ -	\$ -	N/A	N/A

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
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	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, 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 State of Minnesota's Proportionate Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability (Asset)	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, 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%

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, 2018

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, 2018:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Mayor/council	\$ 9,599	\$ 8,000	\$ (1,599)
City clerk/treasurer	71,629	63,200	(8,429)
Professional services	7,200	4,900	(2,300)
Legal	2,514	2,500	(14)
Buildings and grounds	41,172	32,720	(8,452)
Public safety			
Fire relief association	17,480	11,000	(6,480)
Highways and streets			
Streets lighting	21,135	18,500	(2,635)
Culture and recreation			
Ice rinks	3,606	2,150	(1,456)
Swimming pool	71,527	55,000	(16,527)
Other culture and recreation	14,077	7,000	(7,077)
Debt service			
Principal retirement	7,268	-	(7,268)
Interest	1,376	-	(1,376)
Capital outlay			
Highways and streets	109,382	-	(109,382)
Culture and recreation	12,366	-	(12,366)
Fire Department Special Project/Equipment			
Special Revenue Fund			
Public safety			
Fire	22,169	2,000	(20,169)
Capital outlay			
Public safety	90,669	-	(90,669)
RBEF Revolving Loan Special Revenue Fund			
Economic development			
Administration	411		(411)
Other economic development	23,250		(23,250)

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

III. Net Pension Liability

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rates. Changes in actuarial assumptions are described in the Notes to the Financial Statements. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the City Council.

A. General Employees Fund

1. 2018 Changes in Actuarial Assumptions

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

2. 2017 Changes in Actuarial Assumptions

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

3. 2016 Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

4. 2015 Changes in Actuarial Assumptions

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

5. 2015 Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2018**

	Fire Department	General Special Project	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 4,790	\$ 24,434	\$ 29,224
Investments	10,740	-	10,740
Total Assets	\$ 15,530	\$ 24,434	\$ 39,964
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ -	\$ 395	\$ 395
Fund Balances			
Restricted for economic development	\$ -	\$ -	\$ -
Committed to			
Community improvements	-	24,039	24,039
Assigned to			
Public safety	15,530	-	15,530
Total Fund Balances	\$ 15,530	\$ 24,039	\$ 39,569
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 15,530	\$ 24,434	\$ 39,964

**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, 2018**

	Fire Department	Golf Course	General Special Projects	Small Cities Development Program Special Revenue	Total (Exhibit 5)
Revenues					
Charges for services	\$ -	\$ 32,160	\$ -	\$ -	\$ 32,160
Gifts and contributions	410	-	20,000	-	20,410
Investment earnings	94	-	-	-	94
Total Revenues	\$ 504	\$ 32,160	\$ 20,000	\$ -	\$ 52,664
Expenditures					
Current					
Culture and recreation	\$ -	\$ 32,160	\$ 7,539	\$ -	\$ 39,699
Economic development	-	-	-	2,810	2,810
Total Expenditures	\$ -	\$ 32,160	\$ 7,539	\$ 2,810	\$ 42,509
Net Change in Fund Balance	\$ 504	\$ -	\$ 12,461	\$ (2,810)	\$ 10,155
Fund Balance - January 1	15,026	-	11,578	2,810	29,414
Fund Balance - December 31	\$ 15,530	\$ -	\$ 24,039	\$ -	\$ 39,569

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gifts and contributions	\$ 750	\$ 750	\$ 410	\$ (340)
Investment earnings	-	-	94	94
Net Change in Fund Balance	\$ 750	\$ 750	\$ 504	\$ (246)
Fund Balance - January 1	-	-	15,026	15,026
Fund Balance - December 31	\$ 750	\$ 750	\$ 15,530	\$ 14,780

OTHER SCHEDULES

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Shared Revenue

State

Fire state aid	\$	17,480
Local government aid		261,129
Market value credit		13
PERA rate reimbursement		668
Small cities assistance aid		10,047
		<hr/>

Total Shared Revenue **\$ 289,337**

Payments

Payments in lieu of tax	\$	1,943
		<hr/>

Grants

State

Minnesota Department/Board of

Natural Resources	\$	15,498
Public Facilities Authority		847,517
Public Safety		2,725
Trial courts		37
		<hr/>

Total State Grants **\$ 865,777**

Total Intergovernmental Revenue **\$ 1,157,057**

An additional \$220,879 of federal loan funds were received into the Water Enterprise Fund from the United States Environmental Protection Agency (EPA).

MANAGEMENT AND COMPLIANCE SECTION



Hoffman, Philipp, & Knutson, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@mncable.net

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*

Independent Auditor's Report

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Greenbush's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2004-001 and 2007-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because the City of Greenbush has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except for the finding described as 2018-001. 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 Findings

The City's response to the finding identified in our audit has been included in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoffman, Philipp, & Knutson, PLLC

April 10, 2019

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2004-001

Finding Title: Segregation of Duties

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

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

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

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

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

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8
(Continued)

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED (Continued)

Finding Number: 2007-001

Finding Title: Internal Controls

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

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

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

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

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

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

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

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 8
(Continued)

II. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number: 2018-001

Finding Title: City Fundraising

Criteria: A City does not have statutory authority to fundraise. The Fire Relief Association does have the statutory authority to fundraise.

Condition: The City cannot expend money for fundraising purposes. They are able to accept donations, but if the donations are for fundraising purposes, they need to go through the Fire Relief Association.

Context: The Fire Department Special Project/Equipment Special Revenue Fund reports expenditures for costs associated with fundraising for the Fire Department/Fire Relief Association, and also receipts from calendar sales for fundraising.

Effect: The City is operating outside of its statutory authority.

Cause: The revenues and expenditures for the fundraising projects are being receipted and disbursed by the City instead of the Fire Relief Association.

Recommendation: All fundraising revenues and expenditures must be receipted and disbursed by the Fire Relief Association.

City's Response: *Anita Locken, City Clerk-Treasurer, has discussed this issue with the Fire Chief and he is aware the Fire Department will not be allowed to run any future fundraising through City accounts. A future discussion will be held with the Fire Relief Association Treasurer.*

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018**

Schedule 9

Finding Number: 2004-001

Finding Title: Segregation of Duties

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 issue. Due to limited staffing, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

Anticipated Completion Date: *Ongoing. As of December 31, 2018, City Council and management are aware of the limited ability to segregate duties to an optimal level; however, oversight procedures have been implemented to provide compensating controls and continue to be improved whenever possible.*

Finding Number: 2007-001

Finding Title: Internal Controls

Name of Contact Person Responsible for Corrective Action: Anita Locken, Clerk/Treasurer

Corrective Action Planned: 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.

Anticipated Completion Date: *Ongoing. The City strives to remedy this issue at every opportunity, however, at this time, this issue is expected to continue indefinitely.*

Finding Number: 2018-001

Finding Title: City Fundraising

Name of Contact Person Responsible for Corrective Action: Anita Locken, Clerk/Treasurer

Corrective Action Planned: The City will ensure that all future fundraising revenues and expenditures will be receipted and disbursed by the Fire Relief Association.

Anticipated Completion Date: *December 31, 2019*

**CITY OF GREENBUSH
GREENBUSH, MINNESOTA**

Schedule 10

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2004-001

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 fully corrected.

Finding Number: 2007-001

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 fully corrected.